

Electric City Power, Incorporated

Regular Meeting of the Board of Directors

February 4, 2008, 5:30 p.m.
Gibson Room - Great Falls Civic Center

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Electric City Power, Incorporated

Regular Meeting of the Board of Directors

February 4, 2008, 5:30 p.m.

Gibson Room - Great Falls Civic Center

AGENDA

Call to Order 5:30 PM

Roll Call

A. EXECUTIVE DIRECTOR REPORT

1. Update - City of Great Falls, et al. v NorthWestern Energy
NorthWestern Energy's Answer to Complaint and Request
for Declaratory Ruling
2. Can We Talk? A Conference on Civil Discourse
3. HGS Project Status Update

B. UNFINISHED BUSINESS

C. NEW BUSINESS

1. Accept Board Meeting Minutes from January 7, 2008

D. BOARD MEMBER REPORTS

E. COMMUNICATIONS

1. Public Comment

F. ADJOURN

H. NEXT BOARD MEETING

March 3, 2008

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DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the Complaint and)	UTILITY DIVISION
Request for Declaratory Ruling by the City of)	
Great Falls, Benefis Healthcare System and)	DOCKET NO. D2007.12.147
Electric City Power, Inc.)	

**NORTHWESTERN ENERGY'S ANSWER TO
COMPLAINT AND REQUEST FOR DECLARATORY RULING**

INTRODUCTION

NorthWestern Corporation d/b/a NorthWestern Energy ("NorthWestern") hereby submits its Answer to the Complaint and Request for Declaratory Ruling of the City of Great Falls ("City"), Benefis Healthcare System ("Benefis") and Electric City Power ("Electric City") (collectively referred to throughout as "Petitioners"). NorthWestern, not unlike the petitioners, believes that the Montana Public Service Commission ("MPSC" or "Commission") is in the best position to make certain determinations as to the status and definition of "customer" in the context of the applicable law and regulations before and

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after the effective date of House Bill 25. At all times relevant to the Complaint, NorthWestern complied with the plain language of the applicable tariffs and regulations. Further, as explained in its October 26, 2007 letter to Mr. Harris (attached to the Complaint as Exhibit 2), NorthWestern maintains it did not have the discretion to make the exceptions or take the interpretation suggested by the Petitioners. The letter also explains that NWE views billing accounts that are geographically separated as separate customers, regardless of ownership. This view is supported by the definition of "Customer" or "consumer" under 69-8-103(6) MCA, which specifies that "...The University of Montana, ..., and Montana State University, ..., are each considered a single retail electric customer or consumer with a single individual load." The fact that the legislature determined it was necessary to include this exception suggests that other geographically dispersed loads are individual customers.

If the Commission decides to alter or further interpret the tariff, or in the alternative, to grant the Petitioner's request in equity, NorthWestern will accept the determination and move forward. Set forth below, consistent with Commission rules regarding answers to complaints set forth in §A.R.M. 38.2.2107, are NorthWestern's response to the allegations within the complaint.

AFFIRMATIVE DEFENSES

NorthWestern asserts that at all times relevant to the allegations discussed in the Complaint that it complied fully and consistently with all applicable statutes, rules, regulations, and tariffs.

PARTIES AND JURISDICTION

1. NorthWestern does not have sufficient knowledge to admit or deny.
2. NorthWestern does not have sufficient knowledge to admit or deny.
3. NorthWestern does not have sufficient knowledge to admit or deny.
4. (i) Admit
(ii) Admit
(iii) Admit
(iv) Admit
(v) Admit.
5. Admit.
6. NorthWestern does not have sufficient knowledge to admit or deny.
7. Admit.
8. Admit.

FACTUAL ALLEGATIONS

9. Deny. It is not clear that the City is an electric supply customer as contemplated by the applicable tariff and regulation.
 - (i) NorthWestern does not have sufficient knowledge to admit or deny.
 - (ii) Admit in Part and Deny in Part. NorthWestern admits that it received written notice regarding the election by some accounts to purchase electricity supply from a competitive supplier more than thirty (30) days prior to September 30, 2007. However, written notice concerning the election by some accounts to purchase electricity supply from a competitive supplier was provided less than 30 days prior to September 30, 2007.
10. Deny. It is not clear that Benefis is an electric supply customer as contemplated by the applicable tariff and regulation.

- (i) NorthWestern does not have sufficient knowledge to admit or deny.
 - (ii) Admit in Part and Deny in Part. NorthWestern admits that it received written notice regarding the election by some accounts to purchase electricity supply from a competitive supplier more than ten (10) days prior to September 30, 2007. However, written notice concerning the election by some accounts to purchase electricity supply from a competitive supplier was provided less than 10 days prior to September 30, 2007.
11. (i) Admit.
- (ii) Admit.
- (ii) NorthWestern does not have sufficient knowledge to admit or deny.
12. Admit.
13. Admit.
14. Admit.
15. Admit.
16. Admit.
17. Admit.
18. Admit.
19. Admit.
20. Admit.
21. Admit.
22. Deny.
23. NorthWestern does not have sufficient knowledge to admit or deny.

COUNT I COMPLAINT
REFUSAL TO RECOGNIZE CUSTOMERS'
CHOICE TO RECEIVE SUPPLY SERVICE FROM ELECTRICITY SUPPLIER

- 24. Respondent re-asserts its responses to 1-23 above, as though fully set forth herein.
- 25. Deny assertions i-v in their entirety.
- 26. Deny.

COUNT II COMPLAINT
REFUSAL TO ALLOW ELECTRICITY
SUPPLIER ACCESS TO CUSTOMERS

- 27. Respondent re-asserts its responses to 1-26 above, as though fully set forth herein.
- 28. Deny.
- 29. Deny.

COUNT III REQUEST FOR DECLARATORY RULING

- 30. Respondent re-asserts its responses to 1-29 above, as though fully set forth herein.
- 31. Deny in its entirety, including all sub-parts.

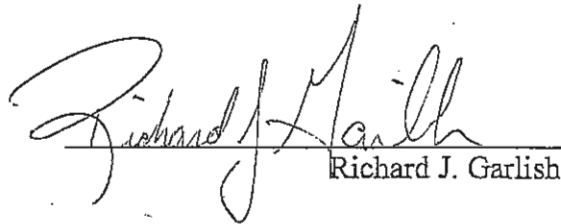
COUNT IV REQUEST FOR DECLARATORY RULING

- 32. Respondent re-asserts its responses to 1-31 above, as though fully set forth herein.
- 33. Deny.
 - (a) NorthWestern does not have sufficient knowledge to admit or deny.
 - (b) NorthWestern does not have sufficient knowledge to admit or deny.

CONCLUSION

The issues presented by the Petitioners are primarily legal and not factual in nature. To the extent there are issues of fact, they are incidental to the overriding questions relating to the application of Montana statute, the Commission's regulations and NorthWestern's Commission approved tariffs. NorthWestern, consequently, believes that this matter can be resolved more efficiently through a briefing process. NorthWestern urges the Commission to set a briefing schedule in lieu of a hearing. If, however, the Commission deems it more appropriate to set hearing, NorthWestern requests the Commission allow the parties to brief the issues prior to the hearing to facilitate an efficient resolution of the Complaint.

Dated this 28th day of January, 2008.


Richard J. Garlish

CERTIFICATE OF SERVICE

I hereby certify that a copy of NorthWestern Energy's Answer to Complaint and Request for Declaratory Ruling has been served on the Commission's most recent service list in Docket D2007.12.147 by mailing a copy thereof by first class mail, postage prepaid.

Date: January 28, 2008.

Nedra Chase

Nedra Chase
Administrative Assistant
Regulatory Affairs

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Electric City Power, Incorporated

JOURNAL OF BOARD PROCEEDINGS

January 7, 2008

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

CALL TO ORDER: 5:30 PM

ROLL CALL: Directors present: Chairman Bob Pancich, George Golie, Bill Ryan and Dawn Willey. Also present were the ECP Executive Director, City Manager, Assistant City Manager and the City Clerk.

EXECUTIVE DIRECTOR REPORT

Executive Director Coleen Balzarini updated the Board on the following:

Complaint and Request for Declaratory Ruling, filed with the Public Service Commission – City of Great Falls, et al. v NorthWestern Energy. Ms. Balzarini informed the Board that after October 1st any new meters that were added to the existing customer base for electricity supply is not being approved by NorthWestern Energy unless the meter is over 5 megawatts. A conference call meeting held with NorthWestern Energy representatives was unsuccessful as the parties were unable to come to an agreement. NorthWestern Energy stated that it would like clarification as to whether the meters as a whole count towards the total that ECP can serve, or if each individual meter is counted as an individual customer. Ms. Balzarini stated it was her belief that the meters as a whole reflect who the customer is. If that wasn't the case, then ECP would not have been able to serve the customers that it did before October 1st. It wouldn't have met the criteria for the 50 kilowatt minimum on some of the meters that it serves. NorthWestern Energy representative Rick Edwards declined to file jointly with ECP for a clarification ruling by the Public Service Commission. This Complaint and Request for Declaratory Judgment was then filed setting forth two counts in the complaint and two requests for declaratory rulings. The PSC has agreed to take action on the complaint, but said they are not sure they have the authority and jurisdiction to make the declaratory rulings and believe that may be a legislative issue. The PSC chose to review this matter and should make their announcement at the end of this month. The discovery process will then begin. In the meantime, ECP is not able to supply its customers with electricity when a new meter is involved.

Notes and (Unaudited) Financial Reports as of June 30, 2007. Ms. Balzarini explained that Electric City Power was audited, along with the City's other funds and operations. This financial information was pulled out of the Comprehensive Annual Financial Report. The information does not replace the Comprehensive Annual Financial Report that was audited. Electric City Power is an investment in a joint venture with Southern Montana Electric established in 2004. ECP is carrying its percentage equity interest at 17.58%.

Chairman Pancich stated that Highwood Generating is financing 85% and ECP's share is 15%. He inquired how the difference of 17.58% and 15% is accounted for. Ms. Balzarini responded that there will be an accounting adjustment – a debit and a credit – once ECP knows what its actual investment equity interest is after final financing.

Ms. Balzarini explained that the City Commission approved a general fund security deposit of \$100,000 in fiscal year 2007. The PSC required this \$100,000 security deposit on behalf of the small customer pilot program. The statutory requirements state that you either have a AAA bond rating, a letter of credit, or this \$100,000 security deposit. Electric City Power is not yet rated. Legal counsel felt that ECP could not rely on the City's existing general obligation or revenue debt ratings, therefore ECP would have had to demonstrate the \$100,000 security deposit was made on behalf of the pilot program customers. The \$100,000 advance is owed back to the general fund at some time in the future and is reflected as such within the General Fund's set of accounts.

Ms. Balzarini discussed the \$1.4 million interfund deposit, and stated that this money was used to purchase a certificate of deposit held in the City's name. The interest accrues to the City, and it backs up a letter of credit for electric energy that was received from PPL to provide electricity to ECP customers. In the event ECP could not make payments, then PPL would be able to make a call on the letter of credit and the certificate of deposit. As customers of ECP, the different Funds of the City, (General, Street, Water, Sewer, etc.) provided the money to purchase the \$1.4 million certificate of deposit. This money continues to belong to each of these Funds and is reflected as such in the accounting records.

Chairman Pancich inquired if the earnings compound under the certificate of deposit or if a check would be sent to the City. Ms. Balzarini answered that the interest would be sent to her to deposit back into the pool of funds to be distributed accordingly.

Ms. Balzarini explained that under the "Due from other Government" section is the amount of \$48,009 that is due back from Southern Montana, which may have been more accurately recorded as "Due from other Entities."

She explained that ECP entered into long term debt, which was a loan with First Interstate Bank in December, 2005, for \$1.5 million dollars. That money has now been fully expended on preliminary design and engineering.

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The "Subsequent Events" section discusses the Wholesale Power Contract with Southern Montana that goes through the anticipated life of the Highwood Generating Station – 2047. The year of 2011 will be corrected. In 2007 the Commission approved the Assignment and Assumption Agreement with ECP, where the City assigns all of its rights, duties and responsibilities to Electric City Power.

Item 18 explains the water credit. Payment for the first block of ECP customers is comprised of two components. The cost incurred by ECP for block one is paid back in cash and a water credit that ECP will recover when Highwood Generating Station goes online and starts using the City's raw water. The water credit portion will reduce over time. The financial note reflects what the projections are for where that liability will go and when it will zero out.

Ms. Balzarini discussed the "Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets." She stated that \$170,000 was transferred in to reimburse expenses that were incurred when the League of Cities and Towns made their bid to acquire NorthWestern Energy. Even though that was the MPPI program, the expense is reported in this electric utility fund. The general fund in 2007 reimbursed the electric utility fund that \$170,000.

George Golie inquired if that was the total cost for that excursion. Ms. Balzarini responded that the money was collected and the expenses were paid by the League of Cities and Towns. The amount of \$170,000 was Great Falls' share of the expenses. Mr. Golie said he remembered the amount being more than \$170,000 and asked if the City had authorized \$500,000. Assistant City Manager Cheryl Patton explained that the first payment was \$100,000 for each of the five cities equaling \$500,000.

Ms. Balzarini explained the "Statement of Cash Flows" section and summarized that ECP lost money which is not unusual for a start up business. ECP has the ability to adjust its transmission rates, and it has increased energy rates built into the contracts with the existing customers. ECP has a little bit of a history behind it now and has the ability to go back to analyze and make changes to some areas that will also assist in improving the financial condition of the fund.

George Golie asked if it was a fair statement to say that the excess power that ECP has will be worth more in the future and then that resulting cash back will make the balance sheet look better. Ms. Balzarini answered that it certainly is worth more to the customers in terms of cost savings. That is why the customers enter into long term contracts. Because ECP has fixed rate contracts itself, as it increases charges to customers, it will see more of a positive return.

I. UNFINISHED BUSINESS

II. NEW BUSINESS

Accept Board Meeting Minutes of December 3, 2007. Bill Ryan moved, seconded by Dawn Willey, to accept the Board minutes from the December 3rd meeting. The minutes were unanimously approved by roll vote of the Board.

Election of Chair and Vice Chair.

Director Ryan moved to nominate George Golie as Chair, and Dawn Willey as Vice Chair of the Board. Chairman Pancich asked if there were any other nominations. No one responded. Chairman Pancich closed the nominations, and by acclamation George Golie was elected Chair of the Board and Dawn Willey was elected Vice Chair of the Board.

III. BOARD MEMBER REPORTS

IV. COMMUNICATIONS

Public Comment.

Richard Liebert, 289 Boston Coulee Road, stated he directed a memo to Chairman Pancich. Mr. Liebert asked what Highwood's thermal efficiency will be, what the staffing requirements for such a plant were, and if there was a developmental agreement with SME. Chairman Pancich responded that Mr. Liebert will receive a written response to the questions outlined in his letter.

Mary Jolley, 1910 2nd Avenue North, asked if she heard correctly that the general fund paid \$170,000 to the League of Cities and Towns, but now the general fund also gave Electric City Power \$170,000. Ms. Balzarini responded that the electric utility fund paid the expense. The Commission authorized the payment.

ADJOURN: Chairman Bob Pancich adjourned the meeting at 5:50 p.m. The next meeting is set for February 4, 2008, at 5:30 p.m. in the Gibson Room of the Great Falls Civic Center.

Attest:

Coleen Balzarini, Executive Director/Secretary
Date: _____

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NorthWestern Energy
Electric Utility
Monthly Electric Supply Tracker
Rate Change Detail
February 1, 2008

Electric Default Supply Rate (\$/kWh)	Current 1/1/2008	Proposed 2/1/2008	Rate Change	Percentage Change
EDSS-1 Rate Schedule				
Residential	\$ 0.056600	\$ 0.057592	\$ 0.000992	1.75%
Residential - Employee	\$ 0.033960	\$ 0.034555	\$ 0.000595	1.75%
General Service - 1 Secondary Non-Demand	\$ 0.051201	\$ 0.052099	\$ 0.000898	1.75%
General Service - 1 Secondary Demand	\$ 0.056600	\$ 0.057592	\$ 0.000992	1.75%
General Service - 1 Primary Non-Demand	\$ 0.055049	\$ 0.056014	\$ 0.000965	1.75%
General Service - 1 Primary Demand	\$ 0.050267	\$ 0.051148	\$ 0.000881	1.75%
General Service - 2 Substation	\$ 0.054575	\$ 0.055532	\$ 0.000957	1.75%
General Service - 2 Transmission	\$ 0.054244	\$ 0.055195	\$ 0.000951	1.75%
Irrigation	\$ 0.051201	\$ 0.052099	\$ 0.000898	1.75%
Lighting	\$ 0.051201	\$ 0.052099	\$ 0.000898	1.75%

Weighted Average Price of Electricity traded in Mid-Columbia

30-Day Electricity Prices at Mid-Columbia

Date	Firm On Peak	Volume MWHS	Firm On Peak High	Firm On Peak Low	Firm Off Peak	Volume MWHS	Firm Off Peak High	Firm Off Peak Low	Non Firm On Peak	Volume MWHS	Non Firm Off Peak	Volume MWHS	Sunday & NERC 24 Hr	Volume MWHS	Sunday & NERC Peak High	Sunday & NERC Peak Low
01/12/08	\$63.42	87,600	\$64.00	\$61.75	\$55.95	9,600	\$56.25	\$55.25								
01/11/08	\$63.42	87,600	\$64.00	\$61.75	\$55.95	9,600	\$56.25	\$55.25								
01/10/08	\$64.82	48,480	\$65.25	\$63.50	\$56.36	18,568	\$57.00	\$55.00	\$61.61	190	\$61.50	100				
01/09/08	\$63.52	60,832	\$64.25	\$62.80	\$54.30	15,448	\$55.50	\$52.00	\$63.63	0	\$54.50	0				
01/08/08	\$62.83	55,520	\$63.75	\$62.00	\$53.11	10,272	\$55.50	\$51.50	\$65.38	496	\$51.47	995				
01/07/08	\$61.87	72,192	\$63.00	\$60.50	\$53.58	9,544	\$56.50	\$52.75	\$61.75	0	\$48.22	360				
01/06/08	\$59.56	8,400	\$61.00	\$58.50	\$50.92	1,200	\$51.50	\$50.50	\$61.23	65	\$48.22	0	\$53.58	28,632	\$56.50	\$52.75
01/05/08	\$61.71	58,848	\$62.75	\$55.00	\$49.11	13,432	\$51.00	\$48.00	\$58.50	0	\$48.14	175				
01/04/08	\$61.71	58,848	\$62.75	\$55.00	\$49.11	13,432	\$51.00	\$48.00	\$48.44	144	\$47.63	477				
01/03/08	\$64.93	63,888	\$66.50	\$62.50	\$51.21	9,656	\$53.25	\$49.25	\$56.25	240	\$55.00	200				
01/02/08	\$61.52	44,416	\$63.00	\$61.00	\$55.60	7,432	\$59.00	\$54.50	\$65.69	650	\$53.83	300				
01/01/08	\$58.63	1,600	\$59.50	\$57.50	\$58.00	400	\$58.00	\$58.00	\$56.09	1,110	\$55.00	310	\$55.60	22,296	\$59.00	\$54.50
12/31/07	\$65.11	50,784	\$65.80	\$63.75	\$58.76	7,632	\$59.75	\$56.50	\$54.89	769	\$50.00	75				
12/30/07	\$62.51	7,200	\$64.00	\$61.50	\$54.00	800	\$54.50	\$53.00	\$56.00	50	\$45.00	75	\$58.76	22,896	\$59.75	\$56.50
12/29/07	\$60.43	75,440	\$62.75	\$59.00	\$51.76	8,440	\$53.00	\$51.25	\$60.88	0	\$53.50	0				
12/28/07	\$60.43	75,440	\$62.75	\$59.00	\$51.76	8,440	\$53.00	\$51.25	\$60.88	0	\$46.29	155				
12/27/07	\$60.63	64,976	\$63.00	\$59.75	\$53.37	10,088	\$54.00	\$52.75	\$92.41	145	\$40.50	240				
12/26/07	\$59.18	62,384	\$61.00	\$58.00	\$51.86	11,272	\$53.00	\$50.60	\$57.13	392	\$55.00	50				
12/25/07	\$56.81	8,800	\$58.00	\$56.00	\$56.00	1,200	\$56.00	\$56.00	\$55.47	370	\$46.67	0	\$51.86	33,816	\$53.00	\$50.60
12/24/07	\$61.19	100,768	\$63.00	\$56.50	\$53.70	21,584	\$56.50	\$51.50	\$46.38	725	\$54.00	0				
12/23/07	\$59.00	8,320	\$61.00	\$57.50	\$48.33	0	\$50.85	\$46.35	\$50.00	150	\$48.33	0	\$53.70	64,752	\$56.50	\$51.50
12/22/07	\$62.87	85,984	\$64.50	\$61.75	\$50.89	14,552	\$52.50	\$47.50	\$42.00	150	\$51.25	0				
12/21/07	\$62.87	85,984	\$64.50	\$61.75	\$50.89	14,552	\$52.50	\$47.50	\$57.46	1,049	\$41.29	340				
12/20/07	\$63.07	48,512	\$64.15	\$61.50	\$47.33	9,536	\$50.00	\$46.00	\$46.18	635	\$43.62	315				
12/19/07	\$63.07	48,512	\$64.15	\$61.50	\$47.33	9,536	\$50.00	\$46.00	\$61.65	86	\$39.89	260				
12/18/07	\$66.13	36,944	\$68.00	\$63.25	\$52.53	11,952	\$54.30	\$51.50	\$62.00	150	\$40.63	190				
12/17/07	\$73.26	63,168	\$75.00	\$68.00	\$63.55	8,696	\$67.75	\$57.00	\$63.00	75	\$63.75	0				
12/16/07	\$71.18	7,200	\$74.00	\$65.50	\$71.93	1,400	\$72.50	\$71.50	\$51.30	825	\$48.57	175	\$63.55	26,088	\$67.75	\$57.00
12/15/07	\$72.19	55,968	\$74.00	\$70.00	\$60.75	14,952	\$62.00	\$60.25	\$60.00	50	\$61.00	0				
12/14/07	\$72.19	55,968	\$74.00	\$70.00	\$60.75	14,952	\$62.00	\$60.25	\$72.00	0	\$64.65	115				
12/13/07	\$72.96	42,208	\$74.00	\$72.00	\$60.28	13,352	\$61.50	\$59.25	\$62.00	40	\$65.00	50				
12/12/07	\$74.50	54,752	\$76.50	\$72.00	\$63.03	15,224	\$64.00	\$62.50	\$65.00	100	\$65.00	50				