

Electric City Power, Incorporated

Regular Meeting of the Board of Directors

April 7, 2008, 5:30 p.m.
Gibson Room - Great Falls Civic Center

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April 7, 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. Table of Electric Utility Related Commission Actions
2. Co-Gen Facility Tour on April 9, 2008, at 3:30 p.m.
3. Rating Agency Data Requests
4. New Large Customer
5. HGS Project Status Update – Tim Gregori

B. UNFINISHED BUSINESS

C. NEW BUSINESS

1. Accept Board Meeting Minutes from March 3, 2008

D. BOARD MEMBER REPORTS

E. COMMUNICATIONS

1. Public Comment

F. ADJOURN

H. NEXT BOARD MEETING

May 5, 2008

Electric Utility Related Commission Actions Table of Contents

last updated March 4, 2008

COMMISSION APPROVAL DATE	DOCUMENT DESCRIPTION
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ORDINANCES:

1.1.0	October 7, 2003	Ord 2861: Enabling Ordinance
1.2.0	September 18, 2007	Ord 2972: City Services Ordinance

AGREEMENTS BETWEEN CITY/SME/ECP:

2.0.0 Wholesale Power Agreement/Contracts

2.1.0	September 21, 2004 (by reference)	Agreement (Water Credit)
2.2.0	September 21, 2004	Wholesale Power Purchase Contract
2.2.1	October 18, 2005	Power Purchase Agreement - Addendum 1
2.2.2	November 8, 2006	Power Purchase Agreement - Addendum 2
2.3.0	October 2, 2007	Wholesale Power Contract

3.0.0 City Services Agreements

3.1.0	March 15, 2005	Water Service Agreement (Raw Water)
3.2.0	June 5, 2007	Potable Water Service Agreement
3.3.0	June 5, 2007	Reservation of Wastewater Treatment Capacity Agreement


4.0.0 Other Agreements

4.1.0	July 17, 2007	Agreement Regarding Security for Power Purchases
4.2.0	October 2, 2007	Assignment & Assumption between City and ECP

004703

Memo

To: Electric City Power Board Chairman Golie and Board Members Willey, Pancich, Ryan, and Gray

From: Coleen Balzarini, Executive Director 

CC: Greg Doyan, City Manager and Cheryl Patton, Assistant City Manager

Date: April 3, 2008

Re: Due Diligence Data Requests to SME from Bond Rating Agencies in regards to financing efforts related to Highwood Generating Station

From time to time, each of you has probably been asked the question: "What is being done to evaluate the validity of assertions made by Southern Montana Electric representatives regarding the ability to finance Highwood Generating Station".

The answer to that question is: "The financial market will make its own evaluation and make its own determinations independently of Southern Montana." Based on the conclusions reached during the independent analysis, which will include both legal and monetary components, a determination will be made to fund or not fund the project. The project underwriter will be making their own independent evaluation of many of the same things as the rating agency, but the perspective of the analysis will be slightly different as the potential risk exposure for the rating agency and the underwriter are different.

To demonstrate the types of information that will be evaluated, I have attached a "Rating Agency Data Request". Some of the information will be provided by SME, but requires supporting information from independent sources such as the major equipment providers, independent engineer's reports, and audited financial statements of the SME member systems.

Southern Montana Electric Generation and Transmission Cooperative

Project Team Worksheet

Rating Agency Data Request:

1. Provide a term sheet for the financing.
2. Document construction financing and take-out financing arrangements.
3. Provide all lending agreements, including the mortgage indenture and related loan agreements.
4. Will debt be issued by Southern Montana or it will be issued through a financing vehicle? If the latter, why?
5. Will any existing or future lenders have claims that have priority over the debt to be issued to finance the proposed power plant?
6. Provide an independent engineer's report for the proposed power plant.
 - a. The IE report needs to identify and describe in detail all elements of the construction effort, including parties that have to perform, the technology, operations, permits, and schedule.
 - b. Provide the status of all major long-lead items.
 - c. Provide the status of design engineering.
 - d. Provide the status of all permits required for construction and operation.
7. Provide a summary of Southern Montana's existing and contemplated contracts for the purchase of wholesale electricity, including detail of historical and projected capacity payments.
8. Provide detail of construction arrangements, including EPC contract(s), guarantee(s) and letters of credit.
 - a. Provide the amount of contingency in the EPC contract and the amount of owner's contingency in the overall project budget.
 - b. Provide the following EPC contractor information:
 - i. experience with power plant construction employing all technologies
 - ii. experience with the technology planned for this project
 - c. If the EPC contractor is not rated and its performance is not guaranteed by a rated company, we will need to perform a credit assessment of the contractor, which will require financial statements for the contractor.
 - d. Provide resumes for key management of the EPC contractor.

- e. Provide resumes for those members of Southern Montana's management team that will have responsibility for overseeing the construction project and the EPC contractor's performance.
9. Provide current and proposed energy off-take agreements with member cooperatives.
 - a. What is the tenor of the members' power purchase contracts versus the tenor of the debt to be issued to construct the plant?
 - b. Are the contracts uniform across all members?
 - c. Are the power purchase agreements enforceable against the member cooperatives if the plant does not achieve commercial operation or does not meet guaranteed performance?
10. Provide any agreements with third parties for the operation of the plant.
11. Provide Southern Montana's audited financial statements for the past five fiscal years.
12. Provide Southern Montana's Form 12 for the past five years.
13. Provide Southern Montana's members' Form 7 for the past five years and their audited financial statements for the same period.
14. How many ultimate meters are served?
15. Provide Southern Montana's financial forecast running through the construction period and through five years of projected commercial operation of the plant, including the MWH sales associated with each year's revenues.
 - a. Will there be surplus power? If so, how much?
 - b. Separately identify revenues and MWH from contracted member load and from non-members sales, independently identifying contracted and spot sales to non-members by MWH and revenues.
 - c. Will Southern Montana enter into any contracts to sell surplus power? Will the contracts be unit contingent? Provide details for any contemplated contracts for sales of surplus power.
16. Provide a history of rate adjustments and a forecast of projected rate adjustments.
17. Is Southern Montana subject to rate regulation? Are the distribution cooperatives subject to rate regulation?
 - a. If either the G&T or its members are subject to rate regulation, provide a history of the past five rate case filings identifying the requested rate relief, the rate relief granted by the regulator and the length of the rate proceeding.
18. Provide detail of historical and projected energy and demand requirements through the construction period and through five years of commercial operation of the proposed power plant.

19. Provide a summary of any fuel pass-through mechanisms.
20. Provide a summary of transmission arrangements, particularly transmission availability for any long capacity position.
21. Provide a debt service schedule for the borrowings contemplated in connection with the financing of generation capacity additions and identify how much interest will be capitalized.

Electric City Power, Incorporated

JOURNAL OF BOARD PROCEEDINGS

March 3, 2008

- DRAFT -

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

CALL TO ORDER: 5:30 PM

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

EXECUTIVE DIRECTOR REPORT

Executive Director Coleen Balzarini updated the Board on the following:

Ms. Balzarini informed the Board that the reading material came from a number of different sources.

Congress of the United States Chairman Henry A. Waxman's letter to Rural Development Utilities Programs Administrator James A. Andrew, dated February 14, 2008.

Congress sent a letter to the Rural Utility Service asking for information on what RUS had done, if anything, in evaluating carbon capture and emission controls on coal fired plants that were pending to be funded by RUS, and also asked how many other loans were outstanding. Ms. Balzarini pointed out item numbers 8, 9 and 10 of the letter that related to whether RUS routinely analyzed financial risks associated with the potential for regulation of greenhouse gas emissions. Questions 9 and 10 relate to a specific coal fired plant and whether such an analysis was conducted. SME and the Big Sky Carbon Capture Sequestration Group are developing a model to look at different types of things that relate to the carbon tax. It is a complex matrix and, at one point, there were one hundred different possibilities and combinations. That was being narrowed down to determine what those costs might be.

004708

Articles:

February 2008 Sierra Club

This article probably triggered the Senators letter to RUS.

Breakthrough in Selective CO2 Capturing Materials

This article is about chemists from the University of California that made a major advancement in the development of CO2 capturing materials. The scientists have demonstrated that they can successfully isolate and capture carbon dioxide with a class of new materials known as zeolitic imidazolate frameworks (ZIFs). Ms. Balzarini stated that the capturing technology is not being ignored. A lot of different research is going on all across the nation dealing with CO2.

EPA Bid to Delist Mercury as Pollutant Struck Down

Ms. Balzarini explained that the EPA and DEQ have not decided yet how they are going to respond to this. This court said the way that EPA's "cap and trade" component to deal with mercury was not acceptable to them. The counter-response and where it will finally end up is yet to be determined.

Wall Street Shows Skepticism Over Coal

CO2 is a hot topic. A separate report from Standard and Poor's Rating Agency, looks at the ratings process in regards to evaluating and rating coal fired plant financings. S&P looks at a number of different components including the willingness of entities boards and commissions to adjust rates to pay for the costs related to CO2 capture, and the regulatory environment in which the facility will operate. The finance entities banking and private financing institutions are also evaluating, modifying and making rules and guidelines to consider.

HGS Project Status Update – City Manager Memo, re: HGS Financing

RUS had notified SME that, because of the delays in passage of the farm bill and the USDA budget, SME should not expect to receive financing from the RUS in the next two years. Ms. Balzarini stated that this possibility has been something the SME Board had taken into consideration for quite some time now. SME is looking into the private finance market for the project financing. That requires a bond rating for SME and the HGS project. SME will go through a traditional financing type scenario and the project will be looked at as to whether it is a worthy project from the finance community's perspective. This in-depth analysis within the finance world will determine finance feasibility.

Ms. Balzarini also updated the Board on a Memo she authored to the City Manager in response to Commissioner Jolley's request for financial statements for the electric utility fund since its inception. This informational packet went out to the City Commissioners on Friday. This packet contained billings from ECP to its customers through January, 2008, as well as the first preliminary billing from SME to ECP through January, 2008. This does not include the adjustments that ECP will receive for the imbalance sales for December and January. Overall, ECP is holding even right now. Ms. Balzarini referred

the Board to two graphs for the months of November and July contained in the packet. She explained that ECP receives a flat block of power from PPL to serve its customers. It does have high and low load kilowatts from 20 thousand to 22 thousand kilowatts per hour depending on the time of day. Each line on the graph is a different day. ECP has a flat contract for 20-22 thousand kilowatts per hour. When ECP customers do not use the full block of contracted power, then SME sells it out on the imbalance market on ECP's behalf. If ECP uses more than its 22 thousand kilowatts during the peak load hours, then additional electricity purchases are made out in the market.

Chairman Golie asked if anyone had any questions for Ms. Balzarini. Dawn Willey inquired if Ms. Balzarini had ever looked at individual businesses that ECP is selling to and preparing this type of bar graph. Ms. Balzarini responded that companies would have to have a demand meter like Benefis and Barrett's Minerals. ECP has it in bulk and doesn't have the ability to look at it individually.

Chairman Golie referred to the 20-22 thousand kilowatt range and asked Ms. Balzarini if ECP would get a good price if it sold two thousand kilowatts on the market. Ms. Balzarini responded that it depends on the Mid-C pricing, what hour and what day it is, and it depends on what the demand is for the district as a whole.

Bob Pancich read the portion of the Wall Street Journal article wherein it stated, "On a practical level, Friday's decision could force the utility industry to upgrade existing power plants." Mr. Pancich stated that if they do upgrade, the cost of electricity goes up. If HGS gets put in the same box to upgrade for CO2, that electricity will go up too. Everybody's electricity will go up. Ms. Balzarini added that there are two factors. One is the market utility sales. If all the coal fired plants' costs go up to capture the CO2, the sales from the hydro plants that are selling out on the market are going to go up as well as a function of market pricing. Ms. Balzarini compared SME, as a non-profit that charges the costs necessary to produce electricity and to make its margins, to PPL's for profit hydro facilities that can sell energy throughout Washington, Oregon, Idaho, California, and other states to get the highest price.

I. UNFINISHED BUSINESS

II. NEW BUSINESS

Accept Board Meeting Minutes of January 7, 2008. Bob Pancich moved, seconded by Bill Ryan, to accept the Board minutes from the January 7th meeting. The minutes were unanimously approved by the Board.

III. BOARD MEMBER REPORTS

Chairman Golie reported that the first phase of the wind project on the Highline will be 140 windmills and the 2nd phase will be 200 windmills, contingent on the environmental impact statement. If that goes through, it will create jobs and clean energy.

IV. COMMUNICATIONS

Public Comment.

Larry Rezendes, 2208 1st Avenue North, referred to an article in the Great Falls Tribune on February 7th precipitated by Mary Jolley's request for information from the City. Mr. Rezendes said that his observations from that article were that ECP was obligated to support itself to justify its continued operation under the ordinance that established it. He didn't believe that was happening. Mr. Rezendes said ECP lost approximately \$715 thousand dollars in 2006-2007. Mr. Rezendes asked what the losses were for the years 2004-2005, to add to the \$715 thousand dollars. Mr. Rezendes said he was surprised that Ms. Balzarini was not providing monthly financial statements to the Board. Mr. Rezendes opined that from 2004-2008, ECP lost approximately \$1.3 million dollars. In its forecast in 2006, Mr. Rezendes said ECP was expecting to lose money and sell power at a loss. He asked how the Board could justify ECP's continued existence when it was not complying with the ordinance that established it. He said it was not self sustaining, and does not intend to be at least through 2009. Mr. Rezendes also said that people are not financing coal fired power plants, and there is a difficult credit market. He said he is involved in bankruptcies and overseeing that process in Montana. Without the ability to finance this project and with continued losses, Mr. Rezendes asked how the Board is justifying continuing in business. He believed it was highly unlikely that HGS would be built. He opined that this Board should start to think of how to wind this down in an organized fashion so that existing customers can be transferred to other suppliers to provide the power. Mr. Rezendes said he sees another issue that will come up shortly if HGS is not built. He said that ECP will be obligated to SME in the approximate amount of \$1.3 million dollars for the water credit and he asked how ECP would pay this debt.

Ms. Balzarini responded that in fiscal year 2004 there was a \$130,000 net gain, and a \$2,776 net gain in 2005. Ms. Balzarini asked Mr. Rezendes if he was asking for operating losses or fund balances. Mr. Rezendes said he was looking for the money that ECP lost. Ms. Balzarini answered that the fund had a negative balance of \$489,000 at the end of 2007. Mr. Rezendes said responding to the Tribune with that number was misleading. Mr. Rezendes stated that it would be unheard of to start up a business and immediately be making money. Ms. Balzarini said that this fund accounts for virtually all of the electric activities and that he asked for what the fund balance was. Mr. Rezendes argued that he asked for losses. Mr. Rezendes again asked for the revenues less the expenses in 2004-2005 so that citizens would know how much money this business had lost, and is continuing to lose.

Bill Ryan commented that when this business was started, information was gathered from NorthWestern Energy based on the limited consumption history of large consumers that became customers of ECP. The information was incomplete. It was a start up business and not knowing what specifically to ask for at the different times of year, the rates were set using the best available information at the time. ECP is organized as a non-profit corporation and, as a result, the rates were set at an amount as close to the anticipated expense as possible. When the rates were set and as consumption history became

available, it became evident that the initial information was not complete and the rates were too low. Most of those contracts have expired and continuing contracts have been adjusted. Until the expiration of existing contracts, ECP cannot up the power rates. The customers have contracts stating the rate to be charged for energy consumption. Since that time, more detailed information has become available and increased levels of knowledge have been acquired. The rates in future contracts have been adjusted and ECP is recouping the initial losses as it goes along.

Mr. Rezentes said that the prices were set with the expectation that ECP would not cover the costs because the expectation was that SME was going to fund the water credits. He said he doesn't believe ECP should be in existence. Mr. Rezentes stated that Ms. Balzarini should be reporting ECP's losses to the county (sic) commissioners so that information can be published by the Great Falls Tribune.

Chairman Golie stated that he didn't believe there was a time limit put on the Board on having it be self sustaining. Commissioner Jolley stated that the ordinance says at all times.

Richard Liebert, 289 Boston Coulee Road, stated he agrees with Chairman Golie's assessment about the wind energy. The wind developers have been moving around the county getting signed agreements. Mr. Liebert said he thinks that goes to the heart of plan B. ECP started with a noble purpose and somehow lost its way. Mr. Liebert said water is also a wonderful commodity. PPL got somebody to invest in putting a new turbine in that will generate tax dollars for the county. That is a far better source of clean energy for the county (sic) treasury than what they are proposing to support HGS. Mr. Liebert asked if the City could get tax revenue if PPL decides to operate other turbines. Ms. Balzarini responded that the City doesn't receive any tax benefits because the PPL dams are all out in the county. Mr. Liebert said he understands the comments about everyone having to face the carbon tax and carbon penalties, sequestration, and carbon capture technology. But, NorthWestern Energy and Basin Electric are diversifying. Some companies are still locked in with coal plants and others are slowly expanding based upon state regulations. Bill Ryan responded that NorthWestern Energy has invested in buying a portion of Coalstrip 4. A partner of Basin Electric, which supplies power to the property area where Mr. Liebert resides, is building 750 megawatts of coal fired plants in Gillette, Wyoming, and 170 miles of line. The construction started on the plants to supply the coal fired power up here when Bonneville quits delivering power in 20011. Mr. Ryan said there will be 1,000 men this summer, and another 800 men next summer, building those plants in Gillette to deliver power to Basin.

Mr. Liebert said he thinks HGS is one of the 10 smallest plants in terms of construction. He said that is another reason RUS looked at this and said they would put the money into a 650 megawatt plant that was going to serve millions of people in the outer Minneapolis area.

Bill Ryan asked Mr. Liebert if he was saying bigger was better then. Mr. Liebert responded yes, it is economy of scale. Mr. Liebert said he is not happy that PPL is the

monopoly here and he is not happy about deregulation. He said he wished he was a Sun River Electric Coop customer. He believes the coops have a lot of intrinsic values as being coops. They are more democratic and people can participate. Mr. Liebert said he went to Yellowstone Valley Electric Coop's website. Their president, Dan Schwartz, had a sobering message to his coop members in his annual report he will present March 18th. He acknowledges the road blocks and the legal challenges with the RUS complications with funding the plant. He is telling his membership of over 15,000 people to be prepared for some other alternative. Mr. Liebert said he read in the paper that Mr. Gregori is looking for alternative financing. Mr. Liebert said he should be looking for alternative energy, because those coops have the greatest opportunity to get renewable energy by grants and loans through the RUS without any complications of carbon tax, coal politics and everything else. Mr. Liebert referred to the R.W. Beck information provided last year. Mr. Liebert prepared a spreadsheet that indicated the cost per megawatt to be \$89 when incorporating estimated costs of carbon capture.

Mr. Liebert thanked the Board for its letter in response to his letter dated January 4th. Mr. Liebert reviewed the questions and requested further specifics on what the actual HGS staffing job classifications and earnings compensation for employees would be. He asked how much the general manager Tim Gregori was earning now and what would he be earning in the future. Ms. Balzarini responded that there was no way to know specifically until the plant was built and staffed.

Mr. Liebert asked about the development agreement. He inquired what kind of business plan/developmental agreement was entered into. Ms. Balzarini answered that a final development agreement was never executed and, under the revised plant financing structure in which SME is seeking direct financing and the City is not seeking separate financing, there is no further need and would not be a development agreement. Mr. Liebert asked what the provisions were that would allow an entity to terminate the obligations it had to SME. Chairman Golie said he questioned what Mr. Liebert said about the price of coal. The Department of Revenue informed Chairman Golie that the price was \$5.50. Mr. Liebert said R.W. Beck reported it was \$12.00 per ton. Mr. Liebert again asked if ECP could get out of this without any repercussions from SME. Mr. Ryan stated that ECP will continue to buy power from SME regardless if the plant is built or not. SME buys power on the market at better rates than NorthWestern Energy. As a non-profit, ECP doesn't have that profit margin that has to be added on.

Mr. Liebert said he wished he was a Sun River Electric coop member because they are paying \$0.07 cents a kilowatt hour, a \$20 base rate, and they are using Basin Electric. They are not a part of SME. Mr. Ryan explained that Basin Electric is currently purchasing electricity from Bonneville. He again restated that source of power is going to disappear and everyone's rates will take a dramatic jump. Everybody will be scrambling to find alternatives. Basin Electric has elected to build coal fired plants in Wyoming and build power lines to bring it back here.

Mr. Liebert referred to a December 6, 2005, staff report that referenced City participation of development of HGS, the developmental process, capital contributions, note purchase

payable to First Interstate Bank for development costs, and development costs of \$1.5 - \$2.8 million. Mr. Liebert said the word development is contained in many documents. Ms. Balzarini responded that there are plenty of agreements. Mr. Liebert said he knows there was a development agreement that was never executed. Ms. Balzarini said the agreements that are in place were envisioned in that draft development agreement. There was never a final executed development agreement.

Aart Dolman, 3016 Central Avenue, asked if he heard correctly that ECP is building a multi-million dollar plant and does not have a cost estimate. He said it seems that the federal finance bank would demand that, and would want to know how many people would be employed and at what cost. Ms. Balzarini responded that SME has that information, and it was contained in the EIS application. Mr. Dolman said he looked at the R.W. Beck report and came up with a less number of employees. Ms. Balzarini said it would be somewhere between 65 and 75 people. Mr. Dolman asked if he heard correctly that there is no agreement between the City and SME. Mr. Ryan responded that ECP has signed agreements with SME for everything it does. ECP has power supply contracts with SME. When ECP buys power from SME, agreements are put into place. Mr. Dolman said it seemed to him that the City Commission would have to approve all of this. Dawn Willey responded that the Commission has approved all necessary agreements. Mr. Dolman referred to Mr. Lawton's memo regarding a new scenario that Great Falls would not have a separate ownership interest in the project, but would have the same interest as the five coop members. Mr. Dolman asked where the authorization was that allowed Mr. Lawton to negotiate with SME. Mr. Ryan responded that SME's status changed, not ECP's. Mr. Ryan asked Mr. Dolman what his question was so he could answer it. Mr. Dolman said under this new scenario, to him that means that there was a new contractual agreement. The City Commission is the oversight commission. Ms. Balzarini explained that the primary contract is the Power Purchase agreement between the City and SME. This agreement currently provides ECP customers with power purchases from PPL. It is possible in the future that additional parts of the energy portfolio could be the generation from the HGS, and part of it could be from windmills. ECP's agreement with SME is to receive electricity. Mr. Dolman said he doesn't understand it.

Cheryl Reichert, 51 Prospect Drive, commented that she understood there was a new scenario. She said her concern is about the potential liability in building a coal fired plant. Ms. Reichert gave examples of being in business as partners versus corporations. She asked what the City's potential liability was for the building of the coal fired plant. She said SME doesn't really own anything, except some contracts. They don't own any hard assets. She said that SME is not secured by the farms and ranches of the people or rate payers that they are selling electricity to. Ms. Reichert said the City has, perhaps, some liability. She asked what protects the taxpayers if the plant were built and became bankrupt, so the City wouldn't incur the liabilities of SME. Ms. Balzarini answered that the Assignment and Assumption Agreement makes it very clear that SME has no recourse to the City other than the assets of ECP, and the General Fund's obligations as a co-signer to the \$1.5 million dollar loan that the City has for the preliminary development

and design. The Assignment and Assumption Agreement sets forth that there is no recourse to the City's general fund.

Ken Thornton, 31 Paradise Lane, said at the first hearing he asked what the cost of CO2 would be and was informed it was insignificant. He said PPL has 50% of its energy produced by coal. The other 50% won't be covered under any CO2 tax or cap and trade. So, it is not the same across the board. He said ECP is buying into a system that is 90% liable for CO2 because it is a coal plant. He said that he has never seen that cost put forth. Mr. Thornton said, as a member of the Governor's Climate Change Committee, they put the cost at \$30 per ton. That comes out to \$30 per megawatt. He said none of the technology has been proven yet. He said just the transfer costs for this plant will bring in two train loads per week – 150 cars of coal. The input is over 1.25 million tons of coal per year. That will turn into double or triple in mass of CO2. He said up until now all of combustion engineering has been for one point, to clean up what comes out of a coal plant. He said these costs need to be estimated to go forward with the plans.

Stuart Lewin, 615 3rd Avenue North, asked for a complete list of all the contracts with SME. Mr. Lewin inquired who drafted the Assignment and Assumption Agreement and was informed legal counsel. Mr. Lewin asked who paid to have the agreement drafted. Ms. Balzarini answered the City did. Mr. Lewin said his concern is the City and SME are not separate enough. Mr. Lewin asked if a member of the Board was missing at the meeting. Chairman Golie responded yes, Randy Gray. Mr. Lewin asked if he was still on the Board. Chairman Golie responded yes. Mr. Lewin asked how many meetings Mr. Gray missed. Mr. Golie said he didn't know. Mr. Lewin asked if he considered Mr. Gray an active member of this Board. Chairman Golie said yes. Mr. Lewin polled the Board regarding who was getting power, personally or through an employer, at special rates that the City is paying for. Mr. Ryan explained that the Public Service Commission approved the pilot program at the last legislature. Mr. Ryan said it is pursuant to a contract and it is not at a subsidized rate, but is less than NorthWestern. Mr. Lewin said, as he understands it, ECP is buying power for more than Mr. Ryan is paying for it. Ms. Balzarini explained that was the first block of power, and the pilot program is not block one. Mr. Ryan again explained that when contracts were entered into with block one customers, the Board had incomplete information. The contracts were for a certain length of time. ECP purchased a block of power for two years. When those contracts expire then the rates will go up, as every contract has since that time. Mr. Lewin asked Mr. Ryan how much he personally profited. Mr. Ryan said he has not profited at all. He is buying power and paying full market value for that power. Mr. Ryan explained that everyone should be given the opportunity to buy this power. However, the last legislative session denied that ability due to strong lobbying by NorthWestern Energy. Ms. Balzarini said the pilot program list of customers was reviewed and approved by the PSC as part of the pilot program. The list is on the PSC's and the City's websites and it has been in the Tribune. Mr. Lewin asked if this Board was involved with PPL in negotiating water arrangements. Chairman Golie said the Board was not involved, but knew about it. Ms. Balzarini stated that the water belongs to the City of Great Falls, not to ECP.

Larry Rezentes asked Ms. Balzarini what the \$128,000 source of revenue was in 2004. Mr. Balzarini answered that it was a NorthWestern Energy settlement for contract cancellation.

Donna Kramer, 1604 2nd Avenue South, said she was confused about the dam issue. Ms. Kramer asked if the City owns any of it or can get in on it in any way. Chairman Golie responded that the City does not own any of it. Ms. Patton said the voters in the State of Montana turned that down. Ms. Kramer said the City owns the water rights and inquired if there was any way to profit. Mr. Ryan stated that the City has water rights for consumptive use only by the City.

Richard Liebert thanked Chairman Golie for his time and patience at this meeting, and responses to his questions. Mr. Liebert commented that in August of 2007 when he asked Mr. Lawton why there was not a development agreement, he was told that ECP was waiting on financing. He asked what has changed. Mr. Ryan said nothing, they are still waiting on financing. Ms. Balzarini again explained that the draft development agreement was put out to the City Commission and the public. But, it was never completed. Components of that draft development agreement have generated other agreements. She clarified again, there is no development agreement and there will be no development agreement.

A discussion took place regarding questioning the integrity of governments versus the personal integrity of these Board members.

Mr. Pancich commented on the \$128,000 figure in 2004, and said the losses are going down which ECP is starting to recoup earlier losses as a result of a turnover of the contracts that Mr. Ryan talked about. It is trending the other direction.

ADJOURN: Bob Pancich moved, seconded by Bill Ryan to adjourn the meeting. Chairman George Golie adjourned the meeting at 7:04p.m. The next meeting is set for April 7, 2008, at 5:30 p.m. in the Gibson Room of the Great Falls Civic Center.

Attest:

Coleen Balzarini, Executive Director/Secretary

Date: _____

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

Electric Default Supply Rate (\$/kWh)	Current 2/1/2008	Proposed 3/1/2008	Rate Change	Percentage Change
EDSS-1 Rate Schedule				
Residential	\$ 0.057592	\$ 0.058009	\$ 0.000417	0.72%
Residential - Employee	\$ 0.034555	\$ 0.034805	\$ 0.000250	0.72%
General Service - 1 Secondary Non-Demand	\$ 0.052099	\$ 0.052476	\$ 0.000377	0.72%
General Service - 1 Secondary Demand	\$ 0.057592	\$ 0.058009	\$ 0.000417	0.72%
General Service - 1 Primary Non-Demand	\$ 0.056014	\$ 0.056420	\$ 0.000406	0.72%
General Service - 1 Primary Demand	\$ 0.051148	\$ 0.051518	\$ 0.000370	0.72%
General Service - 2 Substation	\$ 0.055532	\$ 0.055934	\$ 0.000402	0.72%
General Service - 2 Transmission	\$ 0.055195	\$ 0.055595	\$ 0.000400	0.72%
Irrigation	\$ 0.052099	\$ 0.052476	\$ 0.000377	0.72%
Lighting	\$ 0.052099	\$ 0.052476	\$ 0.000377	0.72%

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

<u>Electric Default Supply Rate (\$/kWh)</u>	<u>Current 3/1/2008</u>	<u>Proposed 4/1/2008</u>	<u>Rate Change</u>	<u>Percentage Change</u>
EDSS-1 Rate Schedule				
Residential	\$ 0.058009	\$ 0.061401	\$ 0.003392	5.85%
Residential - Employee	\$ 0.034805	\$ 0.036841	\$ 0.002036	5.85%
General Service - 1 Secondary Non-Demand	\$ 0.052476	\$ 0.055544	\$ 0.003068	5.85%
General Service - 1 Secondary Demand	\$ 0.058009	\$ 0.061401	\$ 0.003392	5.85%
General Service - 1 Primary Non-Demand	\$ 0.056420	\$ 0.059719	\$ 0.003299	5.85%
General Service - 1 Primary Demand	\$ 0.051518	\$ 0.054530	\$ 0.003012	5.85%
General Service - 2 Substation	\$ 0.055934	\$ 0.059204	\$ 0.003270	5.85%
General Service - 2 Transmission	\$ 0.055595	\$ 0.058846	\$ 0.003251	5.85%
Irrigation	\$ 0.052476	\$ 0.055544	\$ 0.003068	5.85%
Lighting	\$ 0.052476	\$ 0.055544	\$ 0.003068	5.85%

Lisa C. Kunz

From: Saved by Windows Internet Explorer 7
 Sent: Friday, March 14, 2008 3:31 PM
 Subject: LCG Consulting - EnergyOnline
 Attachments: ATT1131092.dat, ATT1131093.dat

HOME INDUSTRY REPORTS ABOUT LCG PRODUCTS SUPPORT CONTACTS SEARCH



D O W J O N E S I N D E X E S

Mid-Columbia (Daily)

Other Indexes:

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
03/12/08	\$77.64	112,512	\$79.75	\$73.00	\$67.99	19,976	\$73.00	\$63.50							
03/11/08	\$77.89	72,832	\$79.75	\$73.00	\$72.51	28,912	\$76.25	\$69.50	\$76.50	0	\$60.66	325			
03/10/08	\$78.29	63,232	\$82.00	\$76.25	\$76.48	16,248	\$77.25	\$73.00	\$79.13	0	\$69.00	70			
03/09/08	\$78.14	4,400	\$78.50	\$77.00	\$77.57	1,400	\$78.00	\$77.00	\$73.36	330	\$80.00	50	\$76.48	48,744	\$77.25
03/08/08	\$72.90	54,784	\$74.75	\$70.75	\$69.58	17,184	\$70.75	\$68.00	\$64.88	200	\$69.38	0			
03/07/08	\$72.90	54,784	\$75.00	\$70.75	\$69.58	17,184	\$70.75	\$68.00	\$68.00	75	\$65.50	120			
03/06/08	\$71.51	84,720	\$74.75	\$70.00	\$66.94	22,048	\$68.75	\$64.00	\$72.50	0	\$67.50	0			
03/05/08	\$70.82	60,928	\$73.25	\$69.25	\$66.05	19,136	\$67.00	\$64.00	\$71.25	0	\$65.45	0			
03/04/08	\$68.33	49,360	\$70.00	\$66.75	\$63.08	18,136	\$65.25	\$61.75	\$71.00	100	\$67.29	280			
03/03/08	\$69.45	62,080	\$72.00	\$67.25	\$66.59	15,176	\$67.50	\$65.00	\$66.08	186	\$56.37	215			
03/02/08	\$69.68	4,000	\$70.00	\$69.00	\$62.00	400	\$62.00	\$62.00	\$62.51	0	\$56.09	720	\$66.59	45,528	\$67.50
03/01/08	\$68.33	49,344	\$71.50	\$67.50	\$63.71	17,776	\$65.00	\$62.25	\$61.14	110	\$59.95	455			
02/29/08	\$71.68	74,976	\$73.00	\$71.00	\$65.22	11,504	\$65.75	\$64.25	\$65.00	40	\$62.45	950			
02/28/08	\$71.66	84,800	\$73.00	\$70.75	\$65.47	11,392	\$66.00	\$64.75	\$70.47	900	\$62.12	410			
02/27/08	\$71.66	84,800	\$73.00	\$70.75	\$65.47	11,392	\$66.00	\$64.75	\$71.75	0	\$64.00	30			
02/26/08	\$71.54	86,096	\$72.00	\$70.50	\$64.42	10,584	\$65.25	\$63.50	\$69.00	40	\$64.00	0			
02/25/08	\$69.26	66,608	\$70.25	\$68.75	\$65.41	10,848	\$66.25	\$64.25	\$69.38	0	\$58.00	40			
02/24/08	\$68.08	4,800	\$68.25	\$68.00	\$64.50	600	\$64.50	\$64.50	\$65.00	370	\$61.25	204	\$65.41	32,544	\$66.25
02/23/08	\$68.02	65,888	\$69.05	\$66.75	\$63.13	18,048	\$65.50	\$62.00	\$62.59	620	\$61.49	590			
02/22/08	\$68.02	65,888	\$69.05	\$66.75	\$63.13	18,048	\$65.50	\$62.00	\$75.00	75	\$65.00	50			
02/21/08	\$70.44	84,688	\$71.25	\$69.25	\$63.68	11,448	\$64.75	\$63.00	\$77.99	134	\$81.00	50			
02/20/08	\$70.34	77,296	\$71.50	\$66.25	\$62.64	14,248	\$64.00	\$60.00	\$72.00	150	\$62.50	0			
02/19/08	\$70.00	103,744	\$72.00	\$66.00	\$62.01	13,488	\$65.15	\$60.50	\$69.25	0	\$60.70	100			
02/18/08	\$67.26	120,432	\$67.75	\$66.75	\$63.02	14,368	\$64.00	\$62.50	\$65.63	80	\$55.00	70			
02/17/08	\$66.28	4,496	\$67.50	\$65.00	\$60.00	600	\$60.00	\$60.00	\$53.29	350	\$56.72	0	\$63.02	41,904	\$64.00
02/16/08	\$64.25	91,280	\$66.00	\$62.75	\$58.16	14,088	\$60.00	\$56.75	\$52.25	200	\$58.00	68			
02/15/08	\$64.25	91,280	\$66.00	\$62.75	\$58.16	14,088	\$60.00	\$56.75	\$57.94	0	\$65.22	410			
02/14/08	\$67.27	108,048	\$68.50	\$66.25	\$60.67	21,448	\$61.50	\$59.75	\$69.37	255	\$77.00	150			
02/13/08	\$67.27	108,048	\$68.50	\$66.25	\$60.67	21,448	\$61.50	\$59.75	\$67.44	170	\$60.38	0			
02/12/08	\$67.85	80,368	\$69.00	\$65.00	\$60.36	23,032	\$61.00	\$59.50	\$65.80	375	\$60.38	0			

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