

AGENDA REPORT

DATE November 3, 2004

ITEM Capital Contribution to Southern Montana Electric Generation & Transmission Co-Op

INITIATED BY Equity Investment in Southern Montana Electric G&T

ACTION REQUESTED Approve a capital contribution to SME G&T Co-Op in the amount of \$395,717.28 to bring the City up to par in terms of equity investment with the five other members of SME G&T. Funds will be used to continue progress on permitting, design and construction of a 250Mwh CFB 'clean coal' electric generation plant.

PRESENTED BY Coleen Balzarini, Fiscal Services Director

RECOMMENDATION: It is recommended that the City Commission approve a capital contribution of \$395,717.28 to SME G&T Co-Op.

MOTION: I move the City Commission approve a capital contribution to SME G&T Co-Op in the amount of \$395,717.28.

SYNOPSIS: The City of Great Falls is a member of Southern Montana Electric Generation and Transmission Co-Op. As a member of SME G&T the City is participating in a project to select a facility site, to construct a CFB 'clean coal' technology electric generation facility in Montana, and to acquire electricity from the plant to supply electricity to the Great Falls area as well as certain rural eastern Montana communities. Since October 1, 2004 the City has also entered into the wholesale electricity business via the purchase of a 5 MWh block of power from SME G&T. This purchase is supplying electricity to city, school district, and airport facilities as well as airport related businesses. The City is selling electricity to its customers at \$37.60/Mwh. The market rate for November and December are \$50+ and \$60+ respectively.

This capital contribution will bring the City's contributions level with the other members of SME G&T. The basis of this participation is derived from a formula determined on a 'load ratio share'. In other words, a capital contribution calculation is made to determine each member's relative share of the total anticipated load served by the SME G&T group. City Commission authorization of a capital contribution in the amount of \$395,717.28 will bring the City's capital contribution total to \$514,997.03.

BACKGROUND: The City of Great Falls has been a member of Southern Montana Electric Generation and Transmission Co-Op since August of 2003. As a member of SME G&T the City has participated in independent consultant studies to determine the economic feasibility of constructing a 'clean coal' technology electric generation resource in Montana. In addition, upon determining the economic viability of such a project, further analysis was done to evaluate potential plant site locations. The results of these studies have been presented to the Rural Utility Service (RUS) division of the U.S. Department of Agriculture (USDA) in Washington D.C. on multiple occasions. On October 13, 2004, a RUS hosted public open house was held in Great Falls at the Civic Center Convention Center. This open house kicks off the beginning phase of an Environmental Impact Statement public process required to be held necessary to obtain approval to begin construction of this project. There have also been numerous other public meetings and presentations to service groups in Great Falls and throughout the member Co-Op communities of Big Horn, Fergus, Tongue River, Mid Yellowstone, and Yellowstone Valley.

The intent is to build a 250 MW electric generation plant using the most environmentally compliant coal fired electric generation facility technology currently available. The electricity from this plant will be used by the members of SME G&T to replace existing long-term federal power supply contracts which will terminate beginning in 2008 and to provide stable, reliable prices to the City of Great Falls in place of the current default

supply electricity currently available to the City.