

AGENDA REPORT

DATE October 18, 2005

ITEM: ELECTIC CITY POWER (ECP) AND SOUTHERN MONTANA ELECTRIC GENERATION AND TRANSMISSION (SMEG&T) POWER PURCHASE AGREEMENT, ADDENDUM #1

INITIATED BY: LONG-TERM STABLE ELECTRIC SUPPLY NEEDS IN GREAT FALLS

ACTION REQUESTED: AUTHORIZE THE CITY MANAGER TO EXECUTE ADDENDUM#1

PREPARED BY: MARTHA CAPPIS, OPERATIONS SUPERVISOR

PRESENTED BY: COLEEN BALZARINI, FISCAL SERVICES DIRECTOR

RECOMMENDATION:

It is recommended that the City Commission authorize the City Manager to execute the Electric City Power and Southern Montana Electric Generation and Transmission Power Purchase Agreement Addendum #1.

MOTION:

"I move the City Commission authorize the City Manager to execute the Electric City Power and Southern Montana Electric Generation and Transmission Power Purchase Agreement Addendum #1 for an additional shaped 6 mW block of power for Electric City Power.

SYNOPSIS:

ECP continues to build a customer base and is becoming better known by local businesses as an affordable stable electricity supplier in the city. Staff has been contacted by several companies requesting electric service. As the City moves forward with the Highwood Station, a long-term, stable customer base is necessary. This block of power will provide 5 mW's of power during the low load hours of need and 6 mW's of power during the high load hours. This shaping allows ECP to better balance the actual power usage demands and minimize costs during each day.

BACKGROUND:

The City entered into a Wholesale Power Purchase Contract with SME on September 21, 2004. This Contract, along with the Agreement signed October 22, 2004 clarified the terms and prices of the first 5 mW block of power through December 31, 2008. It also included the option for ECP and SME to negotiate an addendum to the terms to purchase additional power. This has proven to be a very fiscally wise transaction for ECP. ECP has in turn entered into contracts at the initial price of \$37.60 per mW, increasing to \$40 per mW on October 1, 2005, through December 31, 2008, with the Great Falls Public Schools, Great Falls Airport Authority, MANG, and Federal Express. This addendum allows the purchase of an additional shaped 6 mW's of power to cover the occasional over usage of the first block of power and the usage required by the addition of Benefis Healthcare, General Mills, and Meadowgold Dairies to our customer base. These three customers have entered into contracts with ECP for the term of September 1, 2005, beginning at \$43.90 per mW through June 30, 2011, at \$46.14 per mW. The contracts have yearly 1% increases built into the rates. The proposed Residential and Small Commercial pilot program is currently under review with the Montana Public Service Commission.

**AGREEMENT, ADDENDUM #1
ELECTIC CITY POWER (ECP) AND SOUTHERN MONTANA ELECTRIC
GENERATION AND TRANSMISSION (SMEG&T) POWER PURCHASE
AGREEMENT**

THIS ADDENDUM #1, made and entered into this _____ day of _____, 2005, by and between **SOUTHERN MONTANA ELECTRIC GENERATION AND TRANSMISSION COOPERATIVE, INC.**, corporation organized and existing under the laws of the State of Montana, with its principal place of business at 3521 Gabel Road – Suite #5, Billings, Montana 59102, (hereinafter referred to as Southern Montana), and **CITY OF GREAT FALLS, dba Electic City Power**, an incorporated city with its principal place of business at City Hall, 2 Park Drive South, Great Falls, Montana, 59403, (hereinafter referred to as City). The City and Southern Montana are collectively referred to hereinafter as the Parties.

WHEREAS, the Parties entered into the **AGREEMENT** on October 22, 2004, to allow the City to purchase a 5 mW flat block of power,

WHEREAS, the above mentioned contract, in Section 2, allows the Parties to negotiate an addendum hereto which will identify the terms additional power is needed; and

WHEREAS, the City has a need to purchase an additional 6 mW shaped block of power, with a delivery term of September 1, 2005 through June 30, 2006, increasing to a 10 mW shaped block of power with a delivery term of July 1, 2006 through September 30, 2011, to provide electric energy and related transmission services for the purpose, among other things, of supplying wholesale electric energy to additional customers.

NOW, THEREFORE, in exchange for good and valuable consideration, the parties agree as follow:

1. The City agrees to pay Southern Montana at a rate of \$44.15 per mW for the additional block of power during the delivery term of September 1, 2005 through September 30, 2011.
2. The Parties agree Southern Montana will provide separate billing records and invoices for each block of power.
3. All payment terms previously agreed to will apply to the second block of power, with the exception of the raw water credit.

This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

EXECUTED the day and year first hereinabove written.

SOUTHERN MONTANA ELECTIC GENERATION AND TRANSMISSION
COOPERATIVE, INC.

By: _____ Attest: _____
President Vice-President

CITY OF GREAT FALLS

By: _____
City Manager

Attest: _____
Fiscal Services Director

STATE OF MONTANA)
 :SS.
COUNTY OF _____)

On this _____ day of _____, 2005, before me, the undersigned, a Notary Public in and for said state, personally appeared _____ and _____ the President and Vice-President, respectively, of Southern Montana Electric Generation and Transmission Cooperative, Inc., a Montana corporation, each known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that they executed the same, on behalf of said corporation, for the purposes therein expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first hereinabove written.

(Notary Seal)

Printed Name: _____
Notary Public for the State of Montana
Residing in: _____
My Commission Expires: _____

STATE OF MONTANA)
 :SS.
COUNTY OF _____)

On this _____ day of _____, 2005, before me, the undersigned, a Notary Public in and for said state, personally appeared _____ and _____ the City Manager and Fiscal Services Director, respectively, of the City of Great Falls, an incorporated city, each known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that they executed the same, on behalf of said corporation, for the purposes therein expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first hereinabove written.

(Notary Seal)

Printed Name: _____
Notary Public for the State of Montana
Residing in: _____
My Commission Expires: _____