

JOURNAL OF COMMISSION WORK SESSION
June 17, 2008

City Commission Work Session

Mayor Stebbins presiding

CALL TO ORDER: 5:30 p.m.

ROLL CALL: City Commissioners present: Dona Stebbins, John Rosenbaum, Bill Bronson, Bill Beecher and Mary Jolley. Also present were the City Manager, Assistant City Manager, Directors of Community Development, Library, Park and Recreation, Planning and Public Works, Fiscal Operations Supervisor, the City Attorney, Fire Chief, Police Chief, and the City Clerk.

1. 4TH AVENUE NW ROADWAY (FEDERAL COURTHOUSE PROJECT)

Public Works Director Jim Rearden presented a PowerPoint update of the Federal Courthouse project. Mr. Rearden explained the redevelopment issues of contaminated soils, unsightly buildings, incompatible land and building uses, and inadequate vehicle and pedestrian access. The purpose of this project is to provide access to the Federal Building area, West Bank Park, and the redevelopment area west of the railroad tracks, and to provide improved utilities to the Federal Building area and to West Bank Park. The project consists of 800 feet of new roadway, a new traffic signal at 3rd Street NW and 4th Avenue NW, a new signalized railroad crossing on 4th Avenue NW, water main extension into West Bank Park and Federal Building area, a widened sidewalk and trail, and clean up of contaminated soil under roadway.

Montana Specialty Mills intends to relocate in 2009. A main railroad track and two side spur tracks run through the property. City staff is working with Montana Specialty Mills regarding removing the two side spur tracks and only have the one main track remaining.

Project Engineer Lyle Meeks explained the roadway plan/profile, the extent of the contamination, and acquiring property for right-of-way purposes.

Mr. Rearden concluded with the projected cost estimates and sources of funding totaling \$1,320,000.

Commissioner Beecher inquired about the timetable of the project. Mr. Rearden responded that, within the next month or two, the lights and railroad crossing equipment needs to be ordered. The anticipated completion date is May/June 2009. The parties discussed BNSF as being not too forthcoming and the resulting frustrations. Mayor Stebbins requested that a letter be drafted to the Montana Congressional Delegation for execution by the City Commissioners.

2. HIGHWOOD GENERATING STATION UPDATE

City Manager Gregory T. Doyon introduced SME General Manager, Tim Gregori. Mr. Gregori provided a HGS update with regard to financing. The progress has been slow working through the air quality permit with the BER. Mr. Gregori explained that SME shares the concerns of those with regard to PM2.5, and will have the best available control technology. Mr. Gregori explained that there are no current pressing needs for the City to consider, except for the fire protection contract. The Commission will set the fees for that contract and review the fees on an annual basis.

The parties discussed the reserve issue. Mr. Gregori explained that his prior graph showed reserves would expire in 2015. NERC shortened that time to 2009. The price of power doubled from the year 2000 to 2006, went up 50% from 2006 to 2008, and is projected to increase 20%-30% over the next couple of years. Due to the significant escalation in price, Mr. Gregori believes the justification for building HGS is stronger today.

Wind is bringing more energy to the market, but not capacity. Most wind development has the same requirements as imposed on SME. Contracts must show revenue stream. The contracts are for energy, not capacity. Mr. Gregori explained that his perspective is that Montana is an excellent state to develop wind resources. However, there is not adequate transmission capacity.

Mr. Doyon inquired if it was expected that ECP would be making any decisions in the upcoming weeks regarding the construction costs of HGS. Mr. Gregori answered that, with the withdrawal of Yellowstone Valley and the development of a new corporation, the City has no pressing issues or immediate decisions to make.

A discussion took place regarding the ownership percentage of HGS since the City first contemplated its own financing and post HB25. The parties further discussed the difference in the financing structure from RUS contemplated financing for the coops and the City through revenue bonds, to the transition of single SME financing.

Commissioner Jolley inquired if the City decided not to continue with the HGS project, would SME not be too concerned because others would want that capacity. Mr. Gregori responded that SME is close to the point of setting up a financial closing. The City has a contract with SME till 2048. The finance team looks at that revenue stream to determine if there is adequate means to retire the debt.

Commissioner Beecher requested an update on the CO₂ process. Mr. Gregori explained that SME engaged the Big Sky Carbon Sequestration Partnership – MSU Bozeman to look at the project and follow state and federal legislation. All are concerned with climate change and believe it to be an important issue. The CO₂ process will raise the cost of all electricity.

SME's goal is to start construction in the fall and is predicted to be finished in 52 months. The circulating bed boiler was designed to burn Powder River Basin coal. It was not designed to burn coal from Sand Coulee or Stockett.

The parties discussed Montgomery Energy approaching SME. Mr. Gregori explained that SME looked closely at natural gas, but spreading money between two fuels increased the cost.

Mr. Gregori stated that \$20 million has been invested in this project for development costs. Of that, about \$2 million has come from the City. Mr. Doyon asked what the likelihood was of SME asking for an additional investment. Mr. Gregori responded that when he has more concrete information he would be willing to come back and talk with the Commission. Commissioner Beecher commented that everyone's budget is tough right now, and that reality will be on the table when the need to consider an additional investment comes up.

ADJOURN

There being no further discussion, Mayor Stebbins adjourned the work session of June 17, 2008, at 6:44 p.m.