

Regular City Commission Meeting

Mayor Stebbins presiding

CALL TO ORDER: 7:00 PM

PLEDGE OF ALLEGIANCE

ROLL CALL: City Commissioners present: Dona Stebbins, Sandy Hinz, Diane Jovick-Kuntz, Bill Beecher and John Rosenbaum. Also present were the City Manager, Assistant City Manager, City Attorney, Directors of Community Development, Planning and Fiscal Services, Acting Directors of Park and Recreation, Public Works, Library, the Police Chief, Acting Fire Chief, and the Acting City Clerk.

NEIGHBORHOOD COUNCILS

NC 4 Update. The Home Place.

1. **Bob Stubbs**, NC 4, reported that their Council had been working on cleaning up areas by the soccer fields. Mr. Stubbs said they are not “rolling over and playing dead.” They are still working and digging, and making a good, safe neighborhood. Mr. Stubbs continued that NC 4 has always been a moving council, and he was sure it wouldn’t change with whoever gets elected to Council at the next election. On a separate note, Mr. Stubbs asked the Mayor and Council members to think seriously of annexing the The Home Place into the City of Great Falls. NC 4 says the County has gone as far as it can to clean it up. NC 4 needs the help from the Commission to finish cleaning the property. Mr. Stubbs concluded that he would recommend for NC 4, that the City Commission annex The Home Place and get it finally cleaned up and get their neighborhood back to being good.

PUBLIC HEARINGS

Res. 9694, Cost Recovery for Hazardous Sidewalk at 325 1st Avenue North, GFO, B309, L9. Adopted.

2. **RESOLUTION 9694, COST RECOVERY FOR HAZARDOUS SIDEWALK, 325 1st AVENUE NORTH.**

Acting Public Works Director Dave Dobbs reported that the City Engineering Office received a complaint of a tripping hazard at 325 1st Avenue North, owned by Michael Hanson, on July 5, 2006. A pedestrian was walking, tripped, and fell at the above address. A subsequent inspection found 514 square feet of sidewalk adjacent to this property to be heaved, cracked and broken.

The owner of the property was notified of the hazardous situation at least twice with the final notice sent by certified mail. The owner contracted with The Concrete Doctor to mudjack 359 square feet of the sidewalk, but neglected to have the remainder removed and replaced with new concrete. Engineering Staff then received three bids to repair the remaining sidewalk.

The owner of the property, Michael Hanson was issued a "Notice of Public Hearing" on September 19, 2007 to inform him of the public hearing set before the City Commission at 7:00 PM on October 2, 2007.

After conducting a public hearing, Mr. Dobbs recommended the City Commission adopt the resolution and assess the property with interest and penalties on the unpaid balance.

Mayor Stebbins declared the public hearing open. There being no one to speak in favor of or opposition to Resolution 9694, Mayor Stebbins declared the public hearing closed and asked for the direction of the City Commission.

Commissioner Hinz moved, seconded by Commissioner Jovick-Kuntz, that the City Commission adopt Resolution 9694.

Motion carried 5-0.

Res. 9695, Cost Recovery for Hazardous Sidewalk 1100 1st Avenue South, GFO, B378, L1 North 103 Feet. Adopted.

3. RESOLUTION 9695, COST RECOVERY FOR HAZARDOUS SIDEWALK, BETWEEN 11th AND 12th STREETS SOUTH ON 1st AVENUE SOUTH.

Acting Public Works Director Dave Dobbs reported that the City Engineering Office received an email from the City's Risk Specialist that a tripping and falling incident had occurred between 11th and 12th Street South on 1st Avenue South on May 1, 2006.

Upon inspection, it was determined that the address was 1100 1st Avenue South. The property was owned by William O'Neil, and 25 square feet of sidewalk adjacent to this property was heaved and broken. The owner of the property was notified of the hazardous situation at least twice with the final notice sent by certified mail. The Public Works Department then took bids and got the work completed. In the process a couple more slabs were broken due to the age of the sidewalk. That was the contractor's responsibility to fix that. Actually more sidewalk ended up getting fixed, but it was not a price that was passed on to the homeowner.

After conducting a public hearing, Mr. Dobbs recommended the City Commission adopt the resolution and assess the property with interest and penalties on the unpaid balance.

Mayor Stebbins declared the public hearing open. Speaking in favor of Resolution 9695 was:

Michael Witsoe, 510 11th Street South, noted City sidewalks like in his mother's and father's neighborhood were built in 1914. Last year or the

year before, his mother was going to get on the program where the City had a grant. Mr. Witsoe continued to say that on the lower south side, Neighborhood Housing has built houses, and when they dug up the alley access, they left big holes in the alley. When people have curbs where they have yellow paint and somebody falls – Mr. Witsoe inquired whose responsibility the corrections were. He inquired about City trees pushing up the concrete. Mr. Witsoe asked, “If a person lives in a house for 60 years and the sidewalk was bad, and they had paid taxes for 60 years, whose responsibility is it?”

Mr. Witsoe asked for further clarification on the owner’s responsibility to “upkeep and maintain” sidewalks, outside of shoveling and cleaning it off. He inquired when the subcontractor for Neighborhood Housing caused damage in the alley, would he go after Neighborhood Housing, because the excavator acknowledged it? Mr. Witsoe added he did approve this because he knows the walk was bad, etc. Mr. Witsoe concluded that it was a shame that the City had to go to this extent to clean it up.

There being no one further to speak, Mayor Stebbins declared the public hearing closed and asked for the direction of the City Commission.

Commissioner Rosenbaum moved, seconded by Commissioner Hinz, that the City Commission adopt Resolution 9695.

Motion carried 5-0.

**OLD BUSINESS
NEW BUSINESS**

Assignment and Assumption Agreement with Electric City Power, Inc. Approved.

4. ASSIGNMENT AND ASSUMPTION AGREEMENT BETWEEN ELECTRIC CITY POWER, INC. AND THE CITY OF GREAT FALLS

Fiscal Services Director Coleen Balzarini reported that this Assignment and Assumption Agreement was between Electric City Power, Inc., a nonprofit entity created by the City of Great Falls and the City of Great Falls. In essence, what it does is transfers and assigns all the City’s rights, title and interest in the City’s power supply contracts and customer contracts to the nonprofit utility, Electric City Power, Inc. It was created under the Interlocal Cooperation Act provided for under Montana Code and would allow ECP to take all of the existing customer contracts.

Ms Balzarini continued that Electric City Power had met the night before. There were unforeseen circumstances that prevented a quorum. Otherwise they would have asked the Electric City Power Board to approve this. The Agreement was prepared by legal counsel (Dorsey &

Whitney) and reviewed by co-counsel (Chapman & Cutler) as well as staff and the rest of the finance team. Electric City Power Board members will take action to approve it, assuming action was taken to approve it tonight, at their next board meeting.

Mayor Stebbins asked for the direction of the City Commission.

Commissioner Beecher moved, seconded by Commissioners Jovick-Kuntz and Rosenbaum, that the City Commission approve the Assignment and Assumption Agreement between Electric City Power, Inc. and the City of Great Falls, and authorize the City Manager to execute the agreement.

There being no questions from the public, Mayor Stebbins called for the vote.

Motion carried 5-0.

**Wholesale Power
Contract Between
Southern Montana
Electric and the City of
Great Falls. Approved.**

5. WHOLESALE POWER CONTRACT BETWEEN SOUTHERN MONTANA ELECTRIC AND THE CITY OF GREAT FALLS.

Fiscal Services Director Coleen Balzarini reported that this Agreement is between Southern Montana Electric G&T (“SME”) and the City of Great Falls. The City of Great Falls is the member of Southern Montana Co-Op. This Wholesale Power Contract renews-extends the existing Wholesale Power Contract that the City already has with Southern Montana through 2045. Ms. Balzarini continued that regardless of whether HGS is built, Southern Montana would continue to be the City’s provider of electricity services that we would then pass on to its customers. Ms. Balzarini reported that she heard that there were some clerical errors in this document at the Electric City Power Board Meeting. The corrections have been made. They were immaterial. They had no impact whatsoever on the content of this document. Southern Montana’s legal counsel, Mike McCarter, is there and available to answer any questions on this contract. Ms. Balzarini continued that the intent of this document was valid and intact and continues the agreement and arrangement that the City has as a member of Southern Montana’s Board.

Ms. Balzarini also shared an item that was mentioned the prior evening that this agreement was not as favorable to the City as one might think an agreement of this type would be. In reality, this agreement was very similar and to the extent possible, was identical to the agreements the other co-op members have signed. It actually envisioned, portrayed and depicted a co-op type of agreement. So the City would receive the benefits of being a member of the co-op, and the co-op would agree to provide unrestricted, uninterrupted supply of power.

Mayor Stebbins asked for the direction of the City Commission.

Commissioner Beecher moved, seconded by Commissioner Rosenbaum, that the City Commission approve the Wholesale Power Contract with Southern Montana Electric and authorize the City Manager to execute the contract.

Commissioner Hinz requested an explanation of the following wording on page 12 of the draft, paragraph ii – the cost that ECP would be paying for power if the City was not a percentage owner, “at a price based on operating the HGS, together with a reasonable charge reflecting an allocated share of SME’s debt service requirement...”

Mike McCarter stated he was one of the attorneys for Southern Montana Electric and he worked with Dave Swanson of Dorsey & Whitney in drafting this agreement. Mr. McCarter apologized for the typographical errors. He confirmed the changes were immaterial to the contract. Mr. McCarter continued that with respect to Subparagraph (e), what that essentially provided was that the price of electricity from the Highwood Generation Station would be at the cost of generating that power. It would basically be the same cost as what it cost the other members of SME including a 2% fee. The members pay a margin that goes towards their purchase of electricity and essentially that was some sort of equivalent there. Essentially it would be the same price that the members would be paying insofar as that electricity was available to go to the City if it was not an equity shareholder.

Commissioner Hinz reiterated that her question was the language that talks about the debt. If that was just incorporating all the costs that SME incurs in charging out the power, and whether that was correct.

Mr. McCarter confirmed that that was correct. Basically that would be capitalized and it would have to be amortized over the life of the plant. That amortization cost would be passed on to the other members of the co-op, as well as to ECP and the City.

Ms. Balzarini added that when the City does our water and sewer debt service, we do water and sewer debt issuances; the cost you pay within your bill helps to pay that debt. This was the same type of thing. The cost of electricity you will get from the Highwood Generating Station facility will include the debt that was incurred to build the plant.

Commissioner Hinz inquired about Page 18 on the very bottom, talking about determining that the City can not be a voting member of SME. Was there a conflict? Not only was Electric City Power a member of SME, or the City a member of SME, but Electric City Power has the authority to then sell electricity. The City has voting power (correct?) on SME’s Board. Was there enough separation of conflict of interest

here – as a speculative question.

Mr. McCarter responded that neither counsel for the City (Mr. Swanson or himself) saw a conflict. Essentially all the members of SME, including the individual co-ops are buying the electricity from SME and each of them are voting members. But each of them buys that electricity from SME and resells it to their members. The situation with the City was very similar to those of the other members.

Commissioner Hinz further inquired and requested an explanation on why the language was added “were it to be determined that the City could not be a voting member.”

Mr. McCarter responded that this was one of those worst-case scenarios. In essence it comes out of some drafting that they were doing with respect to the Development Agreement and maybe the Ownership Agreement with respect to the City being an equity owner in the plant. It was just inserted as an overabundance of caution in case some court at some future date were to say that the City couldn't be a member in SME. Then they would try to provide some sort of other structure for the City to continue to have a say in the management.

Mayor Stebbins asked for questions from the public.

Andre Deligdish, 3016 Central Avenue, inquired who was going to get the vote – the City or Electric City Power. How many votes were there going to be? One? Who was going to do it?

Ms. Balzarini responded that if the question was who had the vote and who had the seat on the Southern Montana Board, it was the City of Great Falls.

Ms. Deligdish continued that Electric City Power has just, by the Commissioners' previous vote, assumed everything. Right?

Ms. Balzarini responded that they had assumed the contracts and the customers and the ability to issue debt and use those contracts from their customers as the collateral for that debt. The Board position for Southern Montana does not change. The City of Great Falls still provides representation for that.

Mary Jolley, 1910 2nd Avenue North, noted that this was a long term contract and there were not any competitive bids for power. She noticed there were competitive bids for sidewalks to be fixed. The Commission has work sessions on Park & Ponder, Channel 7, and the Humane Society. A work session on a contract of this long term nature would be beneficial. There was no rush to do this. Mr. Gregori was quoted in the AP article as saying that the plant was on hold until the lawsuits were

settled. That appeared in the Great Falls Business Monthly last month. She indicated she was not the only one that didn't have a chance to read it, but even if she read it, she didn't think she would understand it. So a work session might be helpful.

Additionally, Ms. Jolley noted there were work sessions on the power plant, she was at one, and she heard about a plant that was going to be built; but she didn't hear that the City was going to own part of it at that work session. For years we have been told that 75% of the funding was secure and that was just not the case according to Ms. Jolley.

Kathleen Gessaman, 1006 36th Avenue NE, agreed with the last speaker that there was no need to rush into this contract, because it was a very confusing contract. As a citizen of Great Falls and a taxpayer who does pay the bills for the City power use, she thought the Commission should have a little more discussion involved with this contract. She cited the example of Page 20, for the Co-Gen facility (number 22). The City was now a member of the SME Co-Op, so they no longer have the independence to operate their own power. They can operate their own power generation (this co-gen operation at the wastewater treatment plant facility) but the City of Great Falls would have to sell this power to SME on terms mutually agreed to by both parties; then SME will sell that power back to the City. She believed that was supposed to be a 2% administration fee and she thought that should be inserted at this point. She thought it should make sure that this was clear, it's just not in a court of law that we have something to look at in the document. Then it goes on to say "at the same price subject to terms and conditions established by the board." She did not know what that board was, as it was not identified. She believed that the City of Great Falls will in turn put up to 3% administration fee to sell the power to ECP. So she believed now that from the Executive Director of ECP, that that would be 1% (at this time), but that could be up to 3%. So this would mean that the power produced was going to have an up to 5% markup, our own power we produce, and if in the future we would want to put in a windmill or something, we have to sell that power to SME and they will sell it back to City at 2% and then we will put up to 3% administration fee on that and then that will go to ECP, then ECP will sell it to whomever. Ms. Gessaman stated she thought we needed to understand this better and see if this was where we wanted to go. We have no other contracts from NorthWestern. Ms. Gessaman opined that the City seems to have locked itself into this co-op agreement, so she was not sure if that means that ECP will always have to be locked in as well. She stated it would nice to have a less formal discussion group so we could talk these sorts of things over.

George Golie, 316 20th Avenue South, Vice Chair of Electric City Power Inc. stated he thought the point of this contract was the rates for the power. He heard we should go to Northwestern Energy for power

supply. Right now he is paying \$58.00 and some of the customer rates for our customers right now are paying \$42.00, some are paying \$44.00, and this refinery's highest rate in 2011 would be \$46.14. Getting beyond all this negativism that we're constantly hearing here, we're looking at cost-based power and what was wrong with that? Cost-based power that helps the taxpayers and customers of Electric City Power. Cost-based power that helps the businesses out there that are using this power whereas they can maybe invest in infrastructure and higher wages. There was nothing wrong with that. He hoped that the Commission would approve this proposal.

Olaf Stimac, Jr., 300 7th Avenue South, stated that because of what had been done at the legislature, if any municipality wants to put up a windmill, they would have to sell the power to NorthWestern and have NorthWestern sell the power to the residents of that municipality. This we can thank the MEIC and NorthWestern Energy working hand-in-hand. There was nothing wrong with public power and he would like to see this go forward.

Ron Gessaman, 1006 36th Avenue NE, stated that it was a shame that on the most important day of the Electric City Power Board, they could not even come up with a recommendation on this contract. They could not even come up with a quorum at their latest meeting to make a recommendation on contracts that will determine the future of Electric City Power for the next 41 years because this contract extends out to 2048, not 2045. He realized that unforeseen circumstances certainly do come up, but someone should have sorted this out before yesterday. He stated he had in the past been very critical of ECP and this was another illustration of how these people on the ECP Board are not paying enough attention to their job. He believed that the City had rules and regulations on attendance on Boards and Committees, and the ECP Board has been in consistent violation of those rules. So he again asked the Commission to follow those rules and remove those individuals from the ECP Board that were in violation of the rules.

Mr. Gessaman further stated he was one of the individuals that spoke to the ECP Board at the "unofficial" meeting yesterday regarding the errors in the contracts and he did not read all of the other contract (the Wholesale Contract) because he was so disenchanted with all the errors he spotted right away in the draft contract. He did look at the draft Assignment Contract carefully and asked the Commission to note the yellow and red marks on his copy of it. Because of what he saw in these contracts, he thought the City was rushing things. Again, ECP had been in existence since October 1, 2004. They had been operating under whatever rules they are currently operating on, and now we suddenly had a multi-month activity rush to come up with a bunch of contracts that would determine the future for 41 years. Mr. Gessaman didn't feel this was right and there was already a precedent, which if you look at

the ECP bylaws, you would find it was passed by this Commission, and it was full of errors. He just couldn't understand how people could do this. He was an engineer and careful about details. There was a national court case in which millions of dollars recently changed hands because of the placement of a single comma in a contract, and here we have commas all over the place that are missing or where they shouldn't be. We have spelling errors, we have SWE for SME. There were multiple errors. The way he interprets the passage of a contract, when the Commission approves a contract, they don't approve a corrected contract somewhere down the road.

Susan Kahn, 1708 Alder Drive, stated her concern for the educational background of the Electric City Board and wondered if there were any engineers on the Board. Ms. Kahn stated she was embarrassed the Commission does not take the leadership and management role over the Board. She also inquired where the expertise on that Board was. She expressed her concern over making a 40 year commitment without drawing on the experts. She requested the contract be combed over by people who would represent the City of Great Falls.

David Warner, 321 8th Avenue South, voiced his support and encouragement for the Commission to accept this document and enter into this contract. He thought that it would be a good engagement for the City of Great Falls and thanked the Commission for entertaining this.

Ed McKnight, 906 3rd Avenue North, first commented on what Mr. Golie said because it went back to items the Commission passed in the past. When setting a rate on May 1, 2007, this rate quoted was used to figure out how much money we were saving. He noted rates quoted by NorthWestern Energy, as was pointed out in the comment period, was not a rate that the City paid. Mr. McKnight noted the rates were from most expensive to least expensive. The rate quoted was the most expensive residential rate and that was pointed out in the comment period. Mr. McKnight requested that whenever you are talking about how much money you are saving please do not refer to rates the City does not pay and begin referring to rates the City does pay. Mr. McKnight continued that Mr. Golie referred to Montana Refining Company and he (Mr. McKnight) averaged up all the contracts and it turned out the City was of course saving Montana Refining Company money because the City was carrying the debt and liability for the amount of money we are saving Montana Refining Company.

Mr. McKnight stated he was confused by an SME advertisement in the paper Sunday because the plug was out of the wall because we don't have any electricity. We're not capable of getting electricity once Bonneville Power Administration stops their contract – lights are going out. There was not going to be any electricity, unless we build the HGS.

Yet the Commission was signing this contract whether HGS was built or not. Yet SME apparently, as far as the information Mr. McKnight had, was associated with nine other co-ops in eastern Montana. Every one of those nine other co-ops have been able to somehow purchase their electricity at a long term stable rate and are having no problems at all. It was only SME, they have made it very clear, that unless HGS was built, it was not even possible for them to buy electricity at a reasonable rate at all. Why would we enter into this long term contract with a company that has no possibility of buying affordable electricity at all.

Aart Dolman, 3016 Central Avenue, stood with the previous speakers that everything was on hold. There is no need to rush into this contract. As Mr. Gessaman noted there was much litigation about a comma, and for example in the Tribune editorial page by SME's accountant about the slippery slope of language. A few months ago he was told this was merely a cash transaction. It looked good in SME's account. Now he discovered reading that here we are involved in something like a security agreement, like a renter. The problem was a renter might pay for this kind of agreement a few hundred dollars for his rent. But here we are talking about several million dollars. Mr. Dolman added after reading the contract there were some gross errors in it and if one could go to court based on a comma or word, it would not go good for this contract. There was bound to be accountability, therefore he respectfully requested that the Commission hold off on this contract and study that very carefully and get some legal opinion where we are going with this.

Carol Fisher, 500 53rd Street South, urged the Commission that based on the simple typos that they hold off on this and someone take a red pen and go through there and correct them. She also added she would be very concerned if a comma could make that much difference, that there were a lot of errors just quickly looking over it in about five minutes.

Tim Gregori, General Manager of Southern Montana Electric Co-Op, addressed a couple of the statements and comments. With regard to Commissioner Hinz's comments on the rates, the electric utility industry, as with the water industry and all other industries, there was a phrase known as cost of service – which was the basis for determining rates. A cost of service study was performed when you take a look at all the costs of a particular commodity (whether it was electricity or water), including cost of operation, cost of maintenance, cost of debt service, rates of return, cost of transportation, and so on and so forth. You bring all those costs together for a particular period of time. Then you determine the amount you have to charge for each unit to be able to retire all of those costs. In the case of electricity on an annual basis, what you do is you take a look at all of your costs, including debt service, and you figure out how much you have to charge for each kilowatt hour in order to retire all of those costs. Mr. Gregori continued to say that that was a very important point because it moved into the

second part of what he wanted to address which was with regard to the cost that the City of Great Falls would pay for electricity as opposed to a purchase you make from investor utility.

Mr. Gregori explained that electric cooperatives are by their charters required to sell the energy they produce at the cost of service with a very minimal margin. He continued that within the contract there was a phrase that refers to the amount of margin that Southern Montana would charge the City of Great Falls for electricity, that was 2%. You could go to any Public Service Commission that regulates investment on utilities and you would see that the typical rate was somewhere between 12-14%. So there was a savings there. You have two facilities that are operating and producing electricity. The savings and the reason you form a cooperative is you do not get a rate of return because you are selling it at cost. In return for that, the owners and the customers (which are one in a cooperative) share the risk and that benefit was passed on. That was why you will notice in the contract that the cost of service refers to those things such as debt service. Mr. Gregori added that a comment was made referring to the rates. There was a different rate with NorthWestern Energy with regard to the cost of service they charge for industrial customers, residential customers, lighting customers and on through the entire list. The rate that was typically referenced here was the residential rate. The reason the residential rate was referenced was it folds all of those costs together and into a single member. You will often hear the number \$57.00/mwh, \$56.00/mwh. What that means in layman's terms was 56 cents/kwh. The rate from Electric City Power would be less than that. That does not mean that there was any subsidy flowing from the City of Great Falls or from anyone else to his rate – it simply means that the passed through rate together with all the associate charges will be much less than that 5.7 figure. Certainly it was cheaper for an industrial customer, it may be cheaper for lighting. But if you bring into account the demand charge as well as the energy charge, and you pull those together, you are going to come up with a rate fairly close to that 5.7 cents.

Mr. Gregori continued that the second comment he wanted to address was the statement that their plant was on hold. He went on to say he had a profound disagreement with the reporter on what he reported as far as what he said. Mr. Gregori's comment to the reporter was "There are a number of issues that we have to deal with, including litigation, concerning our Record of Decision and the Air Quality Permit. It would be premature at this time to say that the plant was on hold because of these challenges. There are a number of things that need to be addressed. The plant could be placed on hold, but at this time our legal team was working on those issues and we remain hopeful that they will be dealt with in a timely fashion." Mr. Gregori added that was an incorrect statement to say Highwood Station was on hold. Highwood Station was not on hold.

In regard to the contracts, Mr. Gregori reported that with regard to the co-generation facilities, it was very common in electric cooperatives that you share the good – and you share the bad. It's a co-op. If one customer was able to go out and get a better deal because they are a large customer, and another customer goes out and gets a deal because they are a small customer, what you do to ensure that equal benefit was being shared across all those members was you pool those contracts. That's why you call it an All Requirements Contract. An All Requirements Contract was the backbone of the electric cooperative industry across the United States and that's why electric co-ops typically have the lowest power costs in the regions. Mr. Gregori continued to explain that they went out at the same time as NorthWestern Energy to secure the contracts that we enjoy today. Our wholesale power rate today for the members of Southern Montana Power are approximately \$31.00/mwh, NorthWestern Energy's are about \$57.00. Do the math. They continue to show their ability to go out and secure those contracts. The statement was made what happens if Highwood Station wasn't built. They would continue to do what they have done in the past. They would go out and secure contracts. They have contracts in place to carry them out to 2012 and they will continue to watch for appropriate deals on contracts to bridge us through until the time Highwood Station comes on line. They will adjust those contracts to coincide with their date of energization and moving into the future. If they have no energization, they will continue to get contracts and they believe they have the ability to negotiate affordable contracts for the members they serve. Mr. Gregori concluded that as an electric cooperative, all the members have an equal vote. It doesn't matter if you have 55,000 or if you have 5,000 customers – every member gets one vote and it's a co-op. The City of Great Falls, as with all the members, has the ability to come and debate their issues and try to lobby for what they believe to be in the best interests of the co-op. But at the end of the day, they make a decision what was going to be best for the members.

With regard to financing, Mr. Gregori explained that they have an application pending before the Rural Utility Services for their portion of the facility. That application was also not on hold. The financing continues to move forward and it would be dealt with in a timely fashion. With regard to the issue of Southern Montana and the idea to go out and purchase contracts to deal with facilities with emission challenges so on and so forth, Mr. Gregori called to mind that he was the Manager of Central Montana at the point those folks left. He was fully familiar with the contracts these folks had because he negotiated them. They are in a completely different load control area and they have a completely different service system. The members forming Southern Montana took a look at their options. What they decided to pursue, because they did not have the same options available to them on equal

par as the other members, was look for an opportunity to put a reliable, affordable, quality supply of electric energy that had an emissions footprint that they can be proud of. He was not certain he could say that about some of those other contracts, but those are issues that those folks need to deal with. At the end of the day, what we want to see was Electric City be proud of the fact that it has on its borders a facility that will provide reliable, affordable, quality electric energy in which you will have the say not only of how it was priced to its members but also how it affects the community.

Michael Melvin Witsoe, 2612 1st Avenue South, remarked about the errors in the contract and felt the errors were ridiculous and it doesn't even look like a contract produced by a professional firm. Once it was written and once it was signed – it was carved in stone. He urged the Commission to wait two weeks. Mr. Witsoe also inquired about the difference in transportation costs. For the last year and a half he recorded and listened to the people from SME (Mr. Gregori, Bison Engineering and other paid people) and it was like listening to a used car salesman. Mr. Witsoe did not wish to be derogatory or a slick attorney, because every time a counterpoint was brought up they change it. Every time someone brought up a question to the Commission in regard to questions on this, they changed it. Mr. Witsoe noted it seemed there was a rush to put this in for 53 years when two more weeks wouldn't make a difference. Mr. Witsoe emphasized the need for a review, and no need to rush and lock ourselves into a problem. Mr. Witsoe would like the people purchasing to look at the transportation charge differentiation. When we buy it from NorthWestern, they get it from Coalstrip or right here from the dams and we pay a transport charge. When we buy from SME, we pay transport from Billings or somewhere else. NorthWestern charges them to get it down there. The hospital, Sletten, Mr. Davidson, etc. should look into the factor and Mr. McKnight has all of these items and they would be brought up to where transportation does not make it cheaper. Mr. Witsoe continued that at Electric City Power Board's meeting there were questions based on (from knowledgeable people) peak power, standard power and useable power. We're quoting all of ours on peak power. That's like taking a Kawasaki or a generator and you crank it up and it burns all the time-all the way. There are questions, Mr. Witsoe urged the Commission to wait two weeks or so while the public professionals (people other than those paid by the City and SME) to look this over.

Mr. Witsoe inquired whether it was "in stone?" He continued by saying, "Once you guys agree to this and sign it, would it be written in stone? Your non-answer was my answer."

Commissioner Hinz noted that the typos and few commas that were out of place were not substantive. Being an English Major herself, she trusted, and Ms. Balzarini said herself, that they have gone through and

corrected the typos, so what they had before them (the draft) she hoped that the corrections would be made, and when it was signed – yes, it would be signed and there are ways to amend this contract. Commissioner Hinz directed a question to Mr. Gregori that if in fact the Highwood Generating Station was not built, what about the rates that are in this contract? Can the City be assured that we can keep these low rates if you have to go out and shop?

Tim Gregori noted if he could predict the price of electricity and know which contract to sign at exactly which time, we would all have very very low rates. Mr. Gregori called to attention one of the contracts the City has, and it has been in place long enough that he could say this without hindering confidentiality, if he would've known that we signed a contract for \$41.70 mwh that that was going to be a very low price, I would have signed 250 MW of it. But times change. What he did say, was if Highwood Station was not built, they would ladder and diversify their contracts; they will ladder and diversify their portfolios; have a contract pool that had a cross-section of contracts with varying terms from varying sources, using varying resources, from wind to hydro to whatever we can get our hands on and try to make our best guess as to what those contracts would be with regard to price now and moving into the future. He had been at this business since 1979 and over that time, you win a few, you lose a few. There are a number of contracts he wishes he would have signed for longer times and there are some he wished he hadn't. They would make the best decision at that time. As a member of a cooperative, where there are other members in place, when we move beyond the Bonneville Power contracts, it would begin to pool the resources, you folks would share the same resources as the other members.

Mr. Gregori added that the transportation charges that someone pays for electricity has been and remains a regulated charge put into place by the Montana Public Service Commission. Your bill was divided into two parts – a supply charge and a delivery charge. The supply charge was regulated by the PSC, so there was not pancaking of supply charges with regard to your services. We do pay a separate transmission charge because transmission was part of delivery, but over the past period of months (simply by virtue of our load factors and the way we do with our power) we have actually saved a little bit on your transmission charge, so the bottom line was being in a co-op we share the good – we share the bad. We've enjoyed very good rates at Southern Montana since its inception. Central Montana enjoyed very good rates and we're hoping looking into the future that we'll be able to continue to provide you affordable electricity at a rate that was affordable and competitive; and we know by virtue of the fact that we are a co-op and there was not a 12-14% rate of return in there, we have the ability to drive that now.

Motion carried 5-0.

ORDINANCES/RESOLUTIONS

Res. 9696 and Ord. 2985, annexation and zoning for International Malting Company, LLC Addition, B1, L5 and the Abutting Segment of US Highway 87 . Accepted on first reading and set public hearing for November 6, 2007.

- 6A. RESOLUTION 9696 ANNEXES LOT 5, BLOCK 1, INTERNATIONAL MALTING COMPANY, LLC AND THE ABUTTING SEGMENT OF US HIGHWAY 87.**
- 6B. ORDINANCE 2985, ASSIGNS ZONING CLASSIFICATION OF I-2 HEAVY INDUSTRIAL DISTRICT TO LOT 5.**

Planning Director Ben Rangel reported that Montgomery Energy Partners of Austin, Texas proposes to build a natural gas powered electric generator facility along US Highway 87 north of Great Falls, near the malt processing plant. Mr. Rangel added Montgomery Energy was interested in annexing a 55 acre parcel and having it zoned for industrial use.

Mr. Rangel requested the Commission accept Resolution 9696, Intent to Annex, and Ordinance 2985 on first reading and to set public hearing for November 6th to consider assignment of City zoning and to consider a final annexation resolution and agreement at that time.

Commissioner Rosenbaum moved, seconded by Commissioner Beecher that the City Commission adopt Resolution 9696 and set the public hearing for November 6, 2007.

Motion carried 5-0.

Commissioner Hinz moved, seconded by Commissioners Jovick-Kuntz and Beecher that the City Commission accept Ordinance 2985 on first reading and set the public hearing for November 6, 2007, to consider adopt of Ordinance 2985.

Motion carried 5-0.

Ord. 2982, zoning for Lot 6A, Beebe Tracts (Big Sky Miniature Golf). Accepted on first reading and set public hearing for November 6, 2007.

- 7. ORDINANCE 2982, ESTABLISH CITY ZONING UPON LOT 6A, BEEBE TRACTS (BIG SKY MINIATURE GOLF). ESTABLISHES ZONING CLASSIFICATION OF C-2 GENERAL COMMERCIAL DISTRICT.**

Planning Director Ben Rangel reported that Rodney and Rose Borger have requested that their miniature golf business on 2nd Avenue North at 50th Street be annexed into the City in order to receive water and sewer services.

Mr. Rangel requested the Commission accept Ordinance 2982 on first reading and to set public hearing for November 6th to consider assignment of City zoning. At that time, they would also be asked to

adopt an annexation resolution.

Commissioner Jovick-Kuntz moved, seconded by Commissioner Hinz that the City Commission accept Ordinance 2982 on first reading and set a public hearing for November 6, 2007, to consider adoption of Ordinance 2982.

Motion carried 5-0.

Ord. 2983, zoning for the Minor Plat of Castle Pines Phase IV. Accepted on first reading and set public hearing for November 6, 2007.

8. ORDINANCE 2983, ESTABLISH CITY ZONING UPON THE MINOR PLAT OF CASTLE PINES PHASE IV. ASSIGNS ZONING CLASSIFICATION OF R-3 SINGLE-FAMILY HIGH DENSITY DISTRICT.

Planning Director Ben Rangel reported that Harold Poulsen was the property owner and developer of Castle Pines Addition.

He has received your approval for several phases of the subdivision, and was now ready to proceed with Phase IV, which consists of an additional 5 single family residential lots along 27th Avenue South near 15th Street.

Mr. Rangel requested the Commission accept Ordinance 2983 on first reading and to set public hearing for November 6th to consider assignment of City zoning. At that time, they would also be asked to adopt an annexation resolution.

Commissioner Hinz moved, seconded by Commissioners Rosenbaum and Jovick-Kuntz that the City Commission accept Ordinance 2983 on first reading and set a public hearing for November 6, 2007, to consider adoption of Ordinance 2983.

Motion carried 5-0.

Ord. 2986, zoning for Marks T and 1A, Sec. 15, T20N R3E (1400 14th Street SW). Accepted on first reading and set public hearing for November 6, 2007.

9. ORDINANCE 2986, ESTABLISH CITY ZONING UPON MARKS T and 1A, SECTION 15, TOWNSHIP 20 NORTH, RANGE 3 EAST (1400 14th STREET SOUTHWEST). ASSIGNS ZONING CLASSIFICATION OF C-2 GENERAL COMMERCIAL DISTRICT.

Planning Director Ben Rangel reported that in February of 2006, the City Commission adopted Ordinance 2930 regarding the annexation of parcels receiving water and/or sewer services, but located outside the city limits. The Commission has decided to annex these parcels to create a more coherent and consistent City boundary and to provide services more effectively to everyone in the City. It was also a matter of fairness to current City residents to make certain that those who use City services help to equally pay for the cost of providing them.

Mr. Rangel added there were a number of properties involved in this

annexation program. This agenda item and the next five agenda items were included in the program.

This agenda item involved a single-family residence along 14th Street SW owned by Casey and Lisa Schearer.

Mr. Rangel requested the Commission accept Ordinance 2986 on first reading and to set public hearing for November 6th to consider assignment of City zoning. At that time, the Commission would also be asked to adopt an annexation resolution at that time.

Commissioner Beecher moved, seconded by Commissioner Hinz that the City Commission accept Ordinance 2986 on first reading and set a public hearing for November 6, 2007, to consider adoption of Ordinance 2986.

Motion carried 5-0.

Ord. 2987, zoning for Mark I, Sec. 15, T20N R3E (1420 14th Street SW). Accepted on first reading and set public hearing for November 6, 2007.

10. ORDINANCE 2987, ESTABLISH CITY ZONING UPON MARK I, SECTION 15, TOWNSHIP 20 NORTH, RANGE 3 EAST (1420 14th STREET SOUTHWEST). ASSIGNS ZONING CLASSIFICATION OF R-1 SINGLE-FAMILY SUBURBAN DISTRICT.

Planning Director Ben Rangel that as noted with the previous agenda item, this was the next property proposed to be annexed under Ordinance 2930.

This item also involves a single-family residence along 14th Street SW owned by Steven and Kelley Grubb.

Mr. Rangel requested the Commission accept Ordinance 2987 on first reading and to set public hearing for November 6th to consider assignment of City zoning. At that time, the Commission would also be asked to adopt an annexation resolution.

Commissioner Jovick-Kuntz moved, seconded by Commissioners Hinz and Rosenbaum, that the City Commission accept Ordinance 2987 on first reading and set a public hearing for November 6, 2007, to consider adoption of Ordinance 2987.

Motion carried 5-0.

Ord. 2988, zoning for Marks J and J1, Sec. 15, T20N R3E (1500 and 1508 14th Street SW). Accepted on first reading and set public hearing for November 6, 2007.

11. ORDINANCE 2988, ESTABLISH CITY ZONING UPON MARKS J AND J1, SECTION 15, TOWNSHIP 20 NORTH, RANGE 3 EAST (1500 and 1508 14th STREET SOUTHWEST). ASSIGNS ZONING CLASSIFICATION OF C-2 GENERAL COMMERCIAL DISTRICT.

Planning Director Ben Rangel that this agenda item also involves property proposed to be annexed under Ordinance 2930.

It involves a single-family residence and a general service warehouse business along 14th Street SW owned by Eric and Lori Ellingson.

Mr. Rangel requested the Commission accept Ordinance 2988 on first reading and to set public hearing for November 6th to consider assignment of City zoning. At that time, the Commission would also be asked to adopt an annexation resolution.

Commissioner Rosenbaum moved, seconded by Commissioner Beecher, that the City Commission accept Ordinance 2988 on first reading and set a public hearing for November 6, 2007, to consider adoption of Ordinance 2988.

Motion carried 5-0.

Ord. 2989, zoning for Marks 7D and 7M, Sec. 9, T20N R4E (John's Mobile Home Court). Accepted on first reading and set public hearing for November 6, 2007.

12. ORDINANCE 2989, ESTABLISH CITY ZONING UPON MARKS 7D AND 7M, SECTION 9, TOWNSHIP 20 NORTH, RANGE 4 EAST (JOHN'S MOBILE HOME COURT). ASSIGNS ZONING CLASSIFICATION OF R-10 MOBILE HOME PARK DISTRICT.

Planning Director Ben Rangel reported that this agenda item also involves property proposed to be annexed under Ordinance 2930.

It involves a mobile home court along 2nd Avenue North and 42nd Street owned by Charles and Judith Ferguson.

Mr. Rangel requested the Commission accept Ordinance 2989 on first reading and to set public hearing for November 6th to consider assignment of City zoning. At that time, the Commission would also be asked to adopt an annexation resolution.

Commissioner Hinz moved, seconded by Commissioner Jovick-Kuntz, that the City Commission accept Ordinance 2989 on first reading and set a public hearing for November 6, 2007, to consider adoption of Ordinance 2989.

Motion carried 5-0.

Ord. 2990, zoning for Lots 19 and 19B, Park Highway Garden Tracts (Tolan Distributing). Accepted on first reading and set public hearing for November 6, 2007.

13. ORDINANCE 2990, ESTABLISH CITY ZONING UPON LOTS 19 AND 19B, PARK HIGHWAY GARDEN TRACTS, (TOLAN DISTRIBUTING). ASSIGNS ZONING CLASSIFICATION OF M-2 MIXED USE TRANSITIONAL DISTRICT.

Planning Director Ben Rangel reported that this agenda item also involves property proposed to be annexed under Ordinance 2930.

It involves a single-family residence and a bulk gasoline and oil sales business at the west end of the Northwest Bypass owned by Jack and Virginia Tolan.

Mr. Rangel requested to accept Ordinance 2990 on first reading and to set public hearing for November 6th to consider assignment of City zoning. At that time, the Commission would also be asked to adopt an annexation resolution.

Commissioner Beecher moved, seconded by Commissioner Rosenbaum, that the City Commission accept Ordinance 2990 on first reading and set a public hearing for November 6, 2007, to consider adoption of Ordinance 2990.

Motion carried 5-0.

Ord. 2991, zoning for Mark 11A, Sec. 3, T20N R3E (1001 and 1011 Northwest Bypass). Accepted on first reading and set public hearing for November 6, 2007.

14. ORDINANCE 2991, ESTABLISH CITY ZONING UPON MARK 11A, SECTION 3, TOWNSHIP 20 NORTH, RANGE 3 EAST (1001 AND 1011 NORTHWEST BYPASS). ASSIGNS ZONING CLASSIFICATION OF C-2 GENERAL COMMERCIAL DISTRICT.

Planning Director Ben Rangel reported that this agenda item also involves property proposed to be annexed under Ordinance 2930.

It involves a single-family residence and a log home sales and construction office on the Northwest Bypass owned by Andrew and Mildred Bohl.

Mr. Rangel requested to accept Ordinance 2991 on first reading and to set public hearing for November 6th to consider assignment of City zoning. At that time, the Commission would also be asked to adopt an annexation resolution.

Commissioner Rosenbaum moved, seconded by Commissioner Hinz, that the City Commission accept Ordinance 2991 on first reading and set a public hearing for November 6, 2007, to consider adoption of Ordinance 2991.

Motion carried 5-0.

Consent Agenda.
Approved as printed.

CONSENT AGENDA

15. Minutes, September 18, 2007, Commission meeting.
16. Total Expenditures of \$2,208,447 for the period of September 14-26, 2007, to include claims over \$5,000, in the amount of \$1,970,910.
17. Contracts list.
18. Grant list.
19. Correct public hearing date for Justice Assistance Grant.
20. Set public hearing for October 16, 2007, on Res. 9678, Cost Recovery at 826 2nd Avenue South.
21. Set public hearing for October 16, 2007, on Res. 9703, Cost Recovery at 1416 4th Avenue North.
22. Approve Change Orders SI-2 and SII-2 to Talcott Construction for a net deduction of \$153,208 for Mitchell, Jaycee and Water Tower Pool Rehabilitation, and authorize the City Manager to execute the documents. OF 1501
23. Approve the Addendum for the Municipal Golf Course Concessions Contract with K & M, Inc. to provide concession services at Eagle Falls Golf Club and Anaconda Hills Golf Course, and approve the City Manager to execute the addendum.
24. Approve the engineering services agreement with Thomas, Dean & Hoskins, Inc. in the amount of \$64,111 and authorized the City Manager to execute the agreement. OF 1126.9

Commissioner Beecher moved, seconded by Commissioner Jovick-Kuntz that the City Commission approve the Consent Agenda as presented.

Mayor Stebbins inquired if there was any comment from the public regarding the consent agenda.

Michael M. Witsoe, 2612 1st Avenue South, inquired whether the concessions were the people that had it before and noted people had said they had improved quite a bit.

Motion carried 5-0.

BOARDS & COMMISSIONS

25. MISCELLANEOUS REPORTS AND ANNOUNCEMENTS.

CITY MANAGER**26. MISCELLANEOUS REPORTS AND ANNOUNCEMENTS.****Jim Sullivan Resignation.
Marty Basta
Appointment as Interim
Director.**

City Manager reported that the Park & Recreation Director, Jim Sullivan, had resigned. He had been here a little over a year and his last day would be October 5. Mr. Lawton continued that Mr. Sullivan had some business and personal issues in North Dakota that he has not been able to resolve and he needed to give full-time attention to those issues; and was unable to continue his appointment here.

Mr. Lawton noted in the little over a year since Jim has been here, the City has made some important progress on some very difficult issues, primarily the golf courses. Jim had been very influential along with Connie, Patty and the rest of the staff on setting the golf courses on a course to financial recovery. In addition the quality of the courses had improved and continued to improve. Mr. Lawton stated he was very pleased with that accomplishment. Mr. Sullivan had also been a very big part of the contracting procedure for getting the pools rehabilitated. Even though he had been here a short time, he had been able to have an impact and we appreciate that.

As of next Monday, Mr. Lawton appointed Marty Basta, Operations Branch Chief in Public Works. He was responsible for sanitation, for the streets, and certain other things over there. Mr. Lawton appointed him as the Interim Director until we figure out how we want to handle this situation. Marty is a long-term City employee, one of our strong leaders, and Mr. Lawton thought he would do a very good job. Patty would remain in her position as Deputy Director of the Department so we have plenty of continuity. Mr. Lawton had met with the other staff and thought they were looking forward to working with Marty and not missing a beat as this transition was made and continue progress in the important areas that we are working on. That would take place Monday. Mr. Lawton thought that we would continue and not lose any ground as we continue to improve our Park & Recreation programs.

CITY COMMISSION**27. MISCELLANEOUS REPORTS AND ANNOUNCEMENTS.**

Mayor Stebbins stated her personal thanks to Jim for getting the golf courses back on track. She had talked to a lot of golfers over the last couple of months and they had said the greens were in great shape and the course was good and it's looking good. Looking at some of the preliminary reports, it looked like we may be on the road to running in the black. She was very pleased with that. Mayor Stebbins added she laid that at Jim Sullivan's feet. He did a wonderful job of getting that back on track.

28. PETITIONS AND COMMUNICATIONS**Code of Ethics.**

Ed McKnight, 906 3rd Avenue North, noted that approximately six weeks ago he came up to ask the Mayor a question and requested the question be directed to Mr. Lawton. He indicated the Mayor declined. Earlier tonight somebody asked the Mayor a question, and requested the question be directed to some other employee here. He indicated the Mayor declined again. Mr. McKnight proceeded to read from the Code of Ethics where it says:

O. All officers or employees shall be sensitive and responsive to the concerns and questions of the public. Mr. McKnight continued that it also said:

No elected officer shall be prohibited from making an inquiry for information on behalf of a constituent.

Mr. McKnight thought that the Mayor could give him some of her guides that she read that gave her the authorization to refuse these requests.

Mayor Stebbins responded that she refused to allow the public to grill the staff. If he had a legitimate question or concern, he could take it up with that particular staff member and she encouraged him to do so.

Mr. McKnight asked then if she did in fact, when he asked that question to be directed to Mr. Lawton, say that it was not a legitimate question.

Mayor Stebbins responded that it may have been a legitimate question, but it may not be a legitimate time to ask it.

Mr. McKnight asked if it was her belief that when someone asked a legitimate question, and she declined, did that not violate the Code of Ethics?

Mayor Stebbins responded she didn't believe it did because staff doesn't always have everything right at their fingertips.

Mr. McKnight countered that the staff could just say they didn't know. Mr. McKnight pointed out he asked the Mayor to direct the question to staff, and she said no. He said she refused staff to say for themselves that they did not know. Mr. McKnight believed the Mayor was violating the Code of Conduct when she did that and stated he would not do that.

Public Comment Period.

Mary Jolley, 1910 2nd Avenue North, stated she did not attend the last City Commission meeting, but she did watch it on television. The Commission had a vote on extension of City services without annexation and the Mayor didn't ask if there were any comments from the public or questions before that vote. When the five minute rule was instituted, Ms. Jolley specifically asked if the Agenda item would have

a time for public comment and the Mayor said yes. Ms. Jolley noted the Mayor didn't have it then. She further stated that she was actually thinking of coming in and speaking in favor of that, so she was sure glad she didn't get out of bed that day.

HGS.

Kathleen Gessaman, 1006 36th Avenue NE, shared her point of view that on their recent NorthWestern Energy power bill, they calculated the price to be \$53.04/mwh so she was not too sure what Mr. Gregori was quoting from. Another point to remember was when a carbon tax was implemented by Congress, any energy that was coal-tagged will have a \$30-50/mwh tax on this. In the case of ECP all the power they will be selling was 100% coal-tagged. So that means this power could be between \$60-80/mwh. That was quite a significant number. Since we are now members of the SME co-op, Ms. Gessaman would like to recommend that perhaps the co-op could think about doing away with the HGS and look into decentralizing their power production and perhaps financing some smaller wind generators on the different co-op members' property and spread throughout the SME's service area. This extra power could fill the grids and it would be clean energy. We could use not only the wind but perhaps some other ground source heat, especially down in the Billings area. We could do that instead of working on something that was going to inevitably have a very high coal tax on it. In fact there was a very good summary of all these things from the Billings Outpost News.

Malmstrom APZ1 and APZ2.

Carol Fisher, 500 53rd Street South, was noting that on the news and she thought in the paper there have been some articles that they may be reopening the runway at Malmstrom. She also heard that the 400 ft stack of the Highway Generation Plant, there could be a conflict there. There have been numerous studies done. Ms. Fisher inquired whether there had there been anything brought up whether there would be a conflict with the stack and reopening of the runway.

Mayor Stebbins responded having been involved in this runway issue for some time, she can say right now that to the Air Force that runway does not exist. You walk into their office and they say we don't want to hear about the runway. She added we have done some studies on the APZ1 and APZ2 and she believed those were coming out Thursday and there was a public meeting and more information would be available there.

HGS.

John Hubbard, 615 7th Avenue South, noted his original question was for the SME lawyer on how they could ignore the Supreme Court's ruling to curb these kind of coal-fired generators from being built, because they are against the Clean Air Act. Apparently no one here knows what an order is, or who the Supreme Court is. No one knows what clean air is and no one knows what Global Warming is. The lawyer left out the door so he could not pose that question to her.

Mr. Hubbard shared his concern for the country. He asked also if they are not allowed to ask questions or “grill the Board.”

Mayor Stebbins reiterated individuals can ask as many questions as they like, but if they don't have the answer, you won't receive a definitive answer. It would be much better for individuals to contact staff during the day when they are in their office, with all the information at hand.

Mr. Hubbard noted this should be public access. He also asked if Mr. Lawton would take his \$5,500 desk with him when he retired.

Mayor Stebbins responded that the desk belongs to and stays with the City.

HGS.

Butch Hankins, Square Butte, Montana, stated he was a contractor presently working at Eddies Corner. He covers a lot of area, within 100 miles or so of Square Butte. Square Butte was actually about 60 miles east of here which was downwind. He continued that there are a lot of concerned citizens out there about this proposed coal plant. He knows everyone involved here was trying to do the best they can to preserve what we have, not just here in Great Falls but globally also. Most of the people he talks to are very concerned about what was about to happen to this great area. If there was any chance that we can do things absolutely the best of the best – that was what we need to do. We shouldn't settle for anything less than the absolute best. If it doesn't have to be coal, then he didn't think it should be. Maybe it could be something else. We're all in this thing together, we just need to look out for each other.

Electric City Power.

Ron Gessaman, 1006 36th Avenue NE, noted he had a couple of disconnected comments. When Mr. Gessaman reviewed the minutes approved tonight, he found it very interesting that both SME's lawyer and SME's General Manager were allowed to speak without providing their address. The Commission didn't allow anybody else to do that. How are those people allowed to speak and the same thing happened tonight when Mr. Gregori spoke, there wasn't any indication of his address. There were some of us that would like to know whether he lives in the Great Falls area.

Mr. Gessaman continued to say that the Commission was definitely a gullible lot. Mr. Gregori fed them a whole series of lines about the cost of his power. He proceeded to read two short statements from an email Mr. Gessaman received from Mr. Raney who was a PSC Commissioner. *ECP plans to offer electricity at cost-based rates. That means they buy it from some other entity and they resell it to you. How was that any different from what NorthWestern Energy does? NorthWestern Energy*

uses a highly trained staff to buy electricity from the market while mixing resources and contract links. NorthWestern Energy does not receive one dime of profit for providing electricity. The cost of electricity was passed directly to the customers with zero markup. ECP plans on a 3-5% markup for providing that service.

The second item says: NorthWestern Energy will continue to be the transmission and distribution company for both ECP and residential customers. ECP-acquired electricity will have to pay the same transmission and distribution costs as does NorthWestern Energy-acquired electricity. NorthWestern Energy, however, makes all of its money on transmission and distribution and none on the price of electricity because they are not allowed to mark the supply costs up. ECP must make its necessary return on the electricity it sells. Well guess what, so must SME. So they have a 2% markup, which automatically makes their power more expensive than NorthWestern Energy's. "If the PSC can recognize this, he didn't understand why the members of this City Administration and the members of this Commission cannot recognize that." Mr. Gessaman said he found it interesting that this Commission and this City Administration are more than willing to accept advice from people who have no skills whatsoever in this particular problem (referring again to Mr. Gregori). He stated Mr. Gregori hadn't been out in the market buying contracts until they started providing power to ECP, because he's always had his contracts from BPA. He certainly didn't dictate to BPA what the cost of power was. BPA dictated to Mr. Gregori how much he was going to pay for power. Mr. Gessaman opined that Mr. Gregori and his group have never operated a generation plant. They have absolutely no experience doing this and they are going to tell people like me how it's going to be done. He stated that was just ridiculous.

Mr. Gessaman made an additional comment that in review of City minutes, he happened to look at one set of minutes from October 7, 2003, which Mr. Lawton as the City Manager addressed the problem with power. Mr. Lawton pointed out that if this ECP group was established, the total additional cost to the City would be over \$300,000 annually. This was a direct quote from the minutes. That was pretty much what we are seeing. ECP was losing a couple hundred thousand every year. Mr. Lawton was foresighted in his prediction.

HGS.

George Golie, 316 20th Avenue South, noted we keep dwelling on the cost of electricity and encouraged those present to think about one thing. What was the incentive for NorthWestern Energy to secure an energy supply for us. He had been wondering because at \$58.00 if you are a resident right now, there was no incentive because it was a passed on cost. Compare that to the projected cost of electricity from the Highwood Generating Station. Granted the co-ops or SME have projected a price down in the \$40.00 range. The City of Great Falls has

hired their own independent consultant to take a look at the costs, and our projected cost was higher than that. The idea here was to supply businesses, taxpayers and 20 of us on the pilot program with a stable, competitive supply of electricity. That is our goal. Remember, it is cost-based power.

HGS.

Olaf Stimac Jr. works at 300 7th Street South, commented on the Environmental Impact Statement. The USDA and the DEQ selected an independent contractor with no ties to Southern Montana Electric and directed the contractor's preparation of the EIS in accordance with RDA Regulations. There were 26 options looked at. Out of the 26 (which included No Action Taken) the Highwood Station at the Salem site was chosen. On 4.1415 on the No Action Alternative, it was noted that other generation sources may be pre-existing and under the purview of less stringent, safety and emission regulations, the no action alternative could potentially be contributing to regional impact on human health and safety.

ADJOURNMENT

There being no further business to come before the Commission, **Commissioner Hinz moved, seconded by Commissioner Beecher that the regular meeting of October 2, 2007, be adjourned at 8:45 p.m.**

Motion carried 5-0.

Mayor Stebbins

Acting City Clerk