



Item: Authorize actions for finalizing Electric Fund (ECP) balances
From: Melissa Kinzler, Fiscal Services Director
Initiated By: Electric City Power Settlement and Fiscal Year End Procedures
Presented By: Melissa Kinzler, Fiscal Services Director
Action Requested: Authorize actions for finalizing ECP balances

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission authorize reclassification in the Electric Fund of the investment in joint venture of \$1,186,617 to a loss in joint venture and recognize the loss of the Southern deposit of \$866,567.01 in Fiscal Year 2013.”

2. Mayor calls for a second, discussion, public comment, and calls the vote.

Background: The City of Great Falls, ECP and Southern Montana G & T, through their attorneys, reached a Settlement Agreement and Release that will totally, completely and permanently sever the City’s relationship with Southern Montana G&T.

The settlement agreement included a water credit owed in the amount of \$1,186,061.83 plus a mediated settlement amount of \$2,063,938.17 totaling \$3.25 million. The City Commission approved the Settlement Agreement and Release at a Special Meeting on May 1, 2013.

The settlement will be paid in two payments. The first payment of \$2.5 million was paid June 14, 2013. The second payment of \$750,000 is due on or before December 31, 2013.

On June 14, 2013 when Resolution No 10019 to approve the Fiscal Year 2013 budget amendment for the first payment of the settlement was passed, it was noted that subsequent actions would be considered in the coming months. This is to authorize some of those actions.

1. Authorize reclassification of investment in joint venture of \$1,186,617 to a loss in joint venture. The loss for the entire amount would qualify as an extraordinary item since it is not within the control of management, unusual in nature, and infrequent in occurrence.

During fiscal year 2004, the City entered into an agreement (joint venture) with Southern Montana Electric Generation and Transmission Cooperative, Inc (Southern). Southern was organized by five electric cooperatives and the City of Great Falls to provide electric services to its members and to construct Highwood Generating Station (HGS), a 250 MW coal-fired plant. Four of Southern's member cooperatives then formed another cooperative called SME and pursued the construction of a gas fired electric generation facility. The \$1,186,617 investment in joint venture is included in the unrestricted portion of the total net assets. After the ECP settlement, this asset is no longer viable and needs to be reclassified as a loss in joint venture. With this reclassification, cash will be not be effected. The balances in the fund will be reclassified from an investment in joint venture account to a loss.

2. Authorize the recognition of the loss of Southern cash deposit of \$866,567.01. The loss for the entire amount would qualify as an extraordinary item since it is not within the control of management, unusual in nature, and infrequent in occurrence.

Currently, ECP has a cash balance of \$866,567.01 on the books as a deposit with others. This cash was on the City's general ledger but held by Southern. After the ECP settlement, this cash is no longer available to ECP and needs to be recognized as lost. This entry would affect the cash on ECP's general ledger by reducing it \$866,567.01. The restricted fund balance would be transferred into the unrestricted fund balance.

Concurrences: The City's auditors reviewed the proposed classifications. Junkermier, Clark, Campanella, Stevens, PC (JCCS) will audit these transactions in depth during the Fiscal Year 2013 audit and a special emphasis audit on the transactions will occur.

Fiscal Impact: These actions will affect the ECP fund balance as a \$2,053,184.01 loss.