EXHIBIT 12
DATE 1.24.05
HB 303

SME

Southern Montana Electric
Generation & Transmission Cooperative, Inc.

24 January 2005

RE: House Bill 303 – Eliminate Bond Requirement for Air Quality Appeals

Chairman Peterson, members of the committee, for the record my name is Tim Gregori and I am the General Manager of Southern Montana Electric Generation and Transmission Cooperative. Southern Montana Electric G&T provides wholesale electric energy and related supply services to five rural electric distribution cooperatives located in south central Montana, and a select number of electric services for the City of Great Falls - such as the City's water treatment facilities, schools, airport and municipal governmental functions.

In October 2004, Southern Montana Electric G&T completed an extensive study of suitable alternatives capable of meeting the future wholesale power requirements of the member systems it serves and is moving forward with the construction of a 250 mW electric generation facility near Great Falls, Montana. The proposed facility will utilize a circulating fluidized bed boiler (CFB), modeled after a public power project nearing completion in Maysville, Kentucky. Once fully commissioned, this plant will be one of the most environmentally compliant coal fired electric generation facilities ever constructed in North America.

Southern Montana Electric G&T is dedicated to developing a state of the art electric generation facility that will utilize the best available control technology (BACT) to minimize the impact of this new facility on air quality in the Great Falls area and the state of Montana. From the early stages of project development, Southern Montana Electric G&T has made a concerted effort to inform the public of its intent to move forward with this project, and has met with representatives of the environmental community in an effort to share with them the technical attributes of the anticipated air emissions from this proposed facility.

The members of Southern Montana Electric G&T understand and respect the rights of entities that may not necessarily see coal fired generation as their first choice as an affordable, reliable and quality source of electric energy and related service. We also understand that at various stages in the process of developing this project those entities may challenge permits issued to the project – such as the air quality permit.

Existing statute requires that challengers to an air quality permit accept a reasonable degree of responsibility for their actions if they decide is to oppose the issuance of an air quality permit. That is only fair. In the case of Southern Montana's project, where the plant is intended to meet the existing needs of the customers we serve in the absence of other suitable supply alternatives, any delay in completing the project places the members at the mercy of the "open market" where price volatility can have a devastating effect on the price the members would pay for wholesale electric energy and related services. Southern Montana Electric G&T is not asking that anyone's rights be curtailed – Southern Montana is simply advocating that the right to challenge be exercised responsibly.

Montana is a state rich in heritage and natural resources. And for over sixty years the members of Southern Montana Electric Generation and Transmission Cooperative have made sure that the customers they serve have had access to affordable, reliable and quality electric energy and related services. A reliable source of electric energy necessary for the customers they serve to live and prosper in the Montana communities they feel blessed to call home.

Mr. Chairman, members of the committee, Southern Montana Electric G&T believes the elimination of the bonding requirement for air quality appeals would tip the scale of fairness so as to advantage one view over another. Therefore, in the spirit of fair play – Southern Montana Electric G&T urges the committee to maintain the status quo and turn back the concept fostered in HB 303.

Thank you, and I will be available to answer questions at the appropriate time.

Sincerely,

Tim R. Gregori
General Manager