



MEMORANDUM

TO: ENERGY AND TELECOMMUNICATIONS INTERIM COMMITTEE OF
THE MONTANA LEGISLATURE (ETIC)

FROM: CANDACE PAYNE, GOVERNMENTAL RELATIONS SPECIALIST
FOR SOUTHERN MONTANA ELECTRIC

SUBJECT: STATUS REPORT ON PROGRESS OF CONSTRUCTION OF
HIGHWOOD GENERATION POWER PLANT

DATE: September 20, 2005

At the ETIC meeting of June 21, 2005 Tim Gregori, Manager of SME, agreed to keep this committee informed as to the progress made on the permitting and construction of the Highwood Generation Station (HGS) coal-fired power plant east of Great Falls. As you will recall, SME is a Montana cooperative that supplies wholesale electric energy and related services to five rural electric cooperatives in central and south-central Montana and the City of Great Falls, serving about 120,000 people in Montana. The power from this plant will be used for the benefit of those Montana citizens.

Since June 21 SME has made the following progress:

1. On July 26 SME met with members of the Solid Waste Management Program of the MDEQ, delivered to them a proposed management plan for consideration, and agreed to work with MDEQ on a voluntary solid waste regulatory review for HGS.

2. On August 19, the USDA Rural Utility Service (hereafter "RUS") announced that they had selected the EIS Contractor, Mangi Environmental from Virginia (with subcontractors in Montana). The EIS Contractor will prepare an environmental impact statement (EIS) for the project. The EIS contractor is an independent contractor, not chosen by SME. The EIS will be the basis for the permitting and financing decisions made by RUS and MDEQ on the HGS project.
3. On Sept. 2, 2005 SME submitted a draft air quality permit application to the Montana Department of Environmental Quality (MDEQ), and following completion of required baseline air quality monitoring, will deliver a complete air quality permit application for review by the MDEQ. The monitoring data should be complete in November. In order to make sure that adequate data is available, the monitoring will continue for several months longer than required by the permitting rules.
4. On Sept. 8, 2005 the EIS kickoff meeting was held in Great Falls followed by a tour of the two preferred sites. Attending the meeting were SME representatives, members, engineers, and lawyers, representatives of the Rural Utility Service, representatives of MDEQ from both the Air Quality and Solid Waste programs, the newly appointed EIS contractor and the various subcontractors hired by that entity.

Thank you for this opportunity to bring you up to date on the continuing progress of this exciting project.