

The following newspaper pieces are included in your mailing at the request of Richard Liebert of Great Falls. Over the two previous interims, the ETIC has tracked issues surrounding the development of the Highwood Generating Station.

Missouri company buys Highwood station

Richard Ecke 2:06 p.m. MDT August 11, 2015



(Photo: Tribune photo/Annisa Keith)

A Missouri-based company has purchased the Highwood Generating Station for an undisclosed sum, but that doesn't mean the power plant's parts will end up in the Show Me state.

An official Tuesday confirmed a Great Falls Tribune report Monday that the Highwood Generating Station power plant eight miles east of Great Falls will be dismantled, and identified the buyer as ProEnergy Solutions based in Sedalia, Mo.

Closure of the plant will cost Cascade County nearly \$400,000 per year in property tax revenue.

Dean Swick, Houston-based trustee for the Highwood Generating Station Holding Trust, explained Tuesday: "Southern (Montana Electric) and the Trust have entered into a dismantling and sale agreement with ProEnergy Solutions (Pro). Pro will be the new owner of the plant assets and will remove the plant assets from the current site. The sale does not include the underlying 197 acres where the plant is located. This land will likely be sold at a later time."

Swick added, "Pro is in the business of purchasing power plant assets for resale to others, one or several buyers and may involve multiple different locations for final use of the assets."

So the Highwood Generating Station may be sold off piece by piece, as opposed to a natural gas-fired power plant that will be disassembled east of Great Falls in the coming month and reassembled as a whole power plant elsewhere. A spokesman for ProEnergy Solutions could not be reached for comment Tuesday.

Swick said Tuesday the entity he oversees, the Highwood Generating Station Holding Trust, was formed out of a bankruptcy case filed in October 2011 by the six-member, Billings-based Southern Montana Electric Generation and Transmission Cooperative. The federal bankruptcy court for Montana approved a reorganization plan in June 2014.

Under the plan, the trust was set up to sell the power plants, with proceeds going to bond-holders who helped put up \$85 million for the power plant to be built. It's not known what ProEnergy Solutions paid for the plant, but it's expected to be a far cry from the loan amount.

"After exploring various liquidation strategies, the trust, with the support of Southern, has determined that dismantling and removing HGS will best maximize its value," Swick said in a statement Tuesday. "The dismantling and removal will involve the removal of materially all equipment, buildings, poles and wires at HGS and extending from HGS to the NorthWestern Energy substation under a dismantling and sale agreement with ProEnergy Solutions, LLC, a contractor experienced in similar projects."

It is anticipated ProEnergy will begin work later this month or in early September and will complete its work in early November of this year.

The city of Great Falls was a longtime member of Southern Montana Electric, but it negotiated a departure from the co-op during bankruptcy proceedings. The co-op nearest to Great Falls still a member of the group is Fergus Electric based in Lewistown.

Reach Ecke at 406-791-1465, or follow him @GFtrib_REcke on Twitter. See a Tribune editorial in Thursday's print edition on lessons to be learned from the demise of the Highwood Generating Station project.

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Eight lessons from power plant mess

Tribune editorial board 9:27 a.m. MDT August 13, 2015



(Photo: Tribune Photo/Annisa Keith)

When the Highwood Generating Station is carted off in pieces this fall from its perch near Salem Road east of Great Falls, a sorry chapter in the city of Great Falls' history will be closed.

The city of Great Falls lost an estimated \$15 million after getting caught up in power-plant fever and joining the Billings-based Southern Montana Electric Generation & Transmission Cooperative. Five other members of the group, all rural electric cooperatives from Fergus County to the east and south, combined will lose more than the city did. Federal bankruptcy court disposed of Southern Montana Electric's bankruptcy case in June 2014, but ripples are still being felt in Montana and elsewhere.

For all the trouble it caused, the Highwood Generating Station virtually never operated, except for show. The plant was the quintessential white elephant. Fortunately, the city got out of the Southern Montana Electric co-op in the nick of time, and has righted its sinking financial ship.

The nightmare is over, but we think it's important to ponder lessons learned from the power plant's failure, and the city's misguided venture of trying to sell wholesale electricity through a utility arm called Electric City Power.

Here are eight lessons we have gleaned from this dark past:

- 1. Openness is best.** Throughout its history, Southern Montana Electric operated as if it was the National Security Agency or the FBI, employing secrecy to hide information from its customers and the public. Management at the co-op should have been more forthcoming, and city of Great Falls officials should not have participated in such secrecy, given city government is a public entity.
- 2. Coal not so popular.** Southern Montana Electric launched its crusade to build a coal-fired power plant east of Great Falls a dozen years ago, just as use of coal for energy was becoming increasingly unpopular. Since then, few coal-fired plants have gone online. It was a bad time to push coal, which riled up Great Falls area residents over health concerns.
- 3. Don't get cocky.** Promoters of the Highwood Generating Station thought they were in like Flynn when they received an air quality permit from the state of Montana. Despite gaining the permit, promoters were assailed by critics at virtually every turn. Grassroots opposition from regular citizens, environmental groups and others showed it's possible to derail a project even when backers think there is no turning back.
- 4. Don't pour good money after bad.** Developers of the power plant invested tens of millions of dollars into the project. Then the federal government, in early 2008 under President George W. Bush, refused to finance the Great Falls plant or any other coal-fired power plant requests for federal dollars. Southern Montana Electric should have canceled the project at that point and cut its losses. Instead, the group borrowed \$85 million to build a natural gas-fired power plant. That ended up hurting Great Falls taxpayers, rural co-op customers and investors who put up the \$85 million in loans. Know when to quit.
- 5. Revenge isn't sweet.** The city of Great Falls joined Southern Montana after a subsidiary of NorthWestern Energy canceled a power contract with Montana schools and cities in 2003. That angered Montana officials, but Great Falls was the only municipality to actually enter the wholesale electricity business.
- 6. When you go into business, mean it.** Great Falls got into the power business because it hoped to own up to one-fourth of the Highwood Generating Station and sell power generated by the plant. Becoming a power peddler was more of a means to get the plant built than a serious entry into the power business. The city also lacked expertise to join a cyclical, tricky business such as energy sales. The city of Great Falls should have stuck to its core functions and not ventured into this risky area.

7. **Change happens.** Worries about rising power costs helped push Great Falls and others to support the risky new power plant. But the recession of 2008 put the skids on rising energy prices. Don't assume energy prices will continue to rise or fall, as they tend to be cyclical.

8. **Don't expect an apology.** About the only group that ever apologized after the fact over the Highwood Generating Station debacle was this newspaper, which acknowledged it should have been more critical of the power-plant scheme and Electric City Power on its editorial pages. We're not aware that any of those gung-ho, full-speed-ahead folks who backed the plant project or Electric City Power ever apologized for making mistakes. It would be courageous to take responsibility for the folly, but don't hold your breath.

— *Tribune editorial board*

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