

Testimony
On House Bill 121
Before the House Federal Relations, Energy and Telecommunications
By Doug Hardy on behalf of the Montana Electric Cooperatives Association
1-19-05

Mr. Chairman, Members of the committee, I am Doug Hardy General Manager of Park Electric Cooperative based in Livingston, Montana testifying on behalf of the Montana Electric Cooperatives' Association. I will address two points and give a comparison of what the proposed mandated net metering does.

The first point is that with about half of all the rates we collect going to pay for the poles and wires, to the degree we allow net metering to effectively bypass the poles and wires costs, other member consumers will pay higher costs as the cost of the poles and wires does not go down and ultimately members pay the costs. Net metering can and is being done without shifting those costs, but not under the State net metering statute as this bill if un-amended proposes.

The second point is size, of the Cooperative and of the generator. Park Electric serves 5,000 member consumers, which is 1/60th the number Northwestern serves in Montana. Park is connected with three net metered customers with a 4th coming on soon. That is comparable to 240 net metered customers for NorthWestern. In addition we are interconnected with two wind producers and four small hydro producers which would make our renewable interconnects comparable with 600 for NorthWestern's size. Just a few interconnections can make an economic impact. The second impact of size is on our spread out systems. We connected to a 65 kW wind generator, just a bit larger than the size mandated with the State's existing net metering law for NorthWestern. Before that consumer could connect a second generator without causing too much voltage flicker to himself and other consumers on that line, a \$100,000 upgrade, planned for other reasons had to be completed. This increased the line's conductor size. The point is that if larger net metered interconnects are mandated on some of the long small conductor lines, expensive upgrades could be required and since our only source of money is from the member consumers, significant costs can occur. (Even borrowed money has to be paid back with money from ratepayers)

The third point is that interconnects of customer generators are happening at Cooperatives without a state mandate, many without the cross subsidy embedded in existing net metering state law. Local boards have all adopted net metering policies that work in their case. It is not logical that a larger cooperative in an area with little wind, such as Flathead Electric in the Flathead, would have the identical net metering policy as a small cooperative with long lines and few customers located in the windy plains of Eastern Montana.

Please respect the local control of Rural Electric Cooperatives whose elected boards of trustees provide oversight. Local control for these cooperatives was maintained when the state implemented customer choice in 1997. Local control served their members very

well, having, for the most part, avoided the supply problems experienced by the state's largest regulated utility. Please maintain local control protecting local co-op board's rights to keep rates as low as possible, allowing net metering without significant cost shifts.

Let's cut to the chase: This bill is not about allowing net metering – all cooperatives in Montana offer net metering. This bill is about forcing cooperatives to increase the subsidy from non net metering members, including the poor and working poor, to those that have the money to invest in net metering.

Thank you for the opportunity to testify before your committee and I will be available to respond to any questions you may have.