Testimony for HB 388
2-2-05

EXHIBIT 1
DATE 2.2.05
HB HB388

Mr. Chairman
Gentlemen and Ladies of the committee

I am Alan Evans from Roundup, a fourth generation Montanan with grandchildren that are sixth generation. I am a graduate of Montana State - Bozeman and I have done graduate work at both Bozeman and Missoula. Members of my family served for many years, in both houses of this legislature. While more than forty years of my professional career have been spent directly involved in energy policy work, I have never worked for an energy developer – except on oil rigs as I worked my way through college.

My career has been one that centered in energy policy – at both federal and state levels. I have also served on several energy related task forces and boards for Montana Governors – D's and R's. I've been on several boards for Rural Electrification.

During the late 60's and early 70's I worked in Wyoming, Nebraska and Kansas. I struggled in the energy policy work, as an aggressive anti-development movement gained momentum, especially in Wyoming. Then to my satisfaction, the Wyoming Legislature rose up on their hind legs, thanked the anti-d's for their input, but informed them the legislature was Wyoming's policy authority. They set responsible growth policy and look at them now. Well in the black, a robust economy and policy that positions Wyoming well for the future – including competition with Montana.

Montana is known across America as our nations primary storehouse of untapped energy resources – water, wind, oil, gas, coal, even solar. But, during the 40's and 50's a movement began that shut off further hydro. All the wind projects fizzled. Oil and gas began to wane during the 50's and 60's. And, nuclear has fallen on hard times.

During the volatile 70's, energy planners and forecasters correctly predicted growing and immense future energy demand. As a side note, energy forecasters have recently predicted a global energy demand increase of 60% by 2030. Public debates during the 70's measured coal leasing, coal fired power plant prospects.. Montana progress stalled. N. Dakota and Wyoming got wings.

Montana Government lost control. Anti - developers burrowed in.

Montana's economy began to deteriorate from a position of 10th in the US – we now measure between 46th and 50th. Yet, we still are the storehouse of huge undeveloped energy resources. Keep in mind, just the electric component of America's energy is between 10 - 20% of the G.D.P.

I am here to tell you Montana must regain control of energy policy.

In order that Montana have an economic future, that it prosper to the benefit of us all, responsible development must begin.

For that to happen, Montana must allow responsible energy transport systems to be developed. Electric transmission is a vital piece of that. Many years of preparation work has been done. This thing can be accomplished to all of our benefit.

My final thought for you all; responsible energy development and transport is both an Economic and National Security Imperative.

Thank you. Montana is depending on you.

4300 US Hwy. 87 S.
Roundup, Mt. 59072
Jan 20, 2005

Gov. Brian Schweitzer
State of Montana
Capitol Station
Helena, Mt. 59620

Re: Your invitation for ideas – Council of Co-ops, 1-18-05

Dear Gov. Schweitzer:

Montana is sorely in need of leadership in the arena of Energy Policy. I applaud your announcement of an energy summit in June.

I suggest efforts begin a.s.a.p. to create an agenda for the summit. All stakeholders should be assembled to brainstorm the width and depth of this matter. In my earlier work in this field(USDI, USDOE, State of Montana and energy producers), we produced two such events (High Plains Energy Forums I and II). I have those proceedings in my library. Leo Berry tells me Mt. DNRC should still have a draft (20 Yrs. Old) of a Montana Energy Policy Statute proposal. I am sure sister states (i.e., Wyoming, North Dakota) have such energy policy in place.

My concern is that Montana's huge wealth of energy resource is being either isolated by parochial actions of our neighbors (ring fenced, if you will), or purchased by out-of-state / even international interests leaving Montana again as a milk cow for the primary benefit of others.

Montana electric co-ops (26) provide power to approximately 50% of Montana's citizens. In the past, Montana Power Company shouldered the load for electric and other energy fuel policy. Given the status today, co-ops are now the go - to policy leaders. Such a role will be uncomfortable for us initially, but we must step up.

As a start, I suggest the electric component be approached as follows:

Generation– Co-op perspectives
Investor owned perspective
Public power perspective

Transmission– Co-op perspective
Investor owned perspective
Public power perspective
Distribution– Co-op perspective
Investor owned perspective
Public power perspective

Then an array of subset issues:
1) Renewables – wind, solar, hydro
2) Gas– natural, methane
3) Coal– sub-bituminous, lignite
4) Oil
5) International issues – Canada in particular
6) Environmental questions
Needless to say, this list can be extended.

Having served on the Montana Coal Board, and with hopes to continue, my resume is now before you. As you will note I have spent more than forty years working with this subject and have passions and visions to help.

My sincere best wishes to you - and particularly as you lead Montana into better times. Energy is an economic and national security imperative for Montana and America.

Sincerely,

Alan D. Evans
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406-749-9371 (Cell)

OFFICE OF THE GOVERNOR
STATE OF MONTANA

BRIAN SCHWEITZER
GOVERNOR

JOHN BOHLINGER
LT. GOVERNOR

January 28, 2005

Mr. Alan Evans
4300 US Hwy 87 S.
Roundup, MT 59072

Dear Mr. Evans,

Thank you for your interest in the energy summit. I value your suggestion that we take a look at where we have been, as well as reviewing what our neighboring states have developed in terms of energy policies as a first step in developing an on-going energy policy for Montana.

I agree with you that Montana's cooperative electric utilities will play a crucial role in developing and implementing future energy policy in Montana and the views of the cooperative electric utilities will be a part an important part of the energy summit.

I have forwarded your list of issues on to my staff. As you suggested, we will be consulting with energy experts and stakeholders over the next few weeks to flesh out the scope of issues to be addressed in the energy summit. The summit will be international in scope while addressing Montana energy issues. Northwest Power and Conservation Council Members Bruce Measure and Rhonda Whiting are spearheading the energy summit. If you would like to discuss the energy summit further, please feel free to contact either one of them at (406) 444-3952.

Thank you for your service on the Montana Coal Board.

Sincerely,

BRIAN SCHWEITZER
Governor

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MONTANA ENERGY POLICY EXPERIMENTS
{Some worked, some did not}

America, for two hundred and twenty five years, has been a place of population growth and westward expansion. With that, and especially since 1900, has come an exponential increase in energy consumption. People skilled in energy forecast predict an a national annual growth rate of over 3%. Recent estimates are that global energy demand will increase 60% by 2030. To meet these growing needs, thinking people have examined all variety of options.

During the 1940's and 50's new hydro prospects were proposed and then discarded due to objecting voices of an emerging environmental community. Many other concepts were then offered. Several scales of development were analyzed, from entirely in-state consumption to major export facilities.

There is one constant in this issue. New energy projects, for any purpose, involve massive investment by the developer. Additionally, such projects involve large scale raw energy resource supply.

Montana has long been recognized as America's storehouse of developable energy fuel resources.

Early in the 1970's all Montana was agonizing in rancor surrounding coal fired plant development. Coal leasing, Colstrip power plant construction, the twin 500kW 880 mile power line to Bell, Wa, the 1972 Constitutional Convention(Con-Con), debates and law suits unending. Parallel debates were running in North Dakota and Wyoming.

State governments faced these developmental controversies differently. North Dakota and Wyoming legislatures faced the "no growth" people head on. Montana, with its hands tied by the Con-Con, was forced to different dynamics.

Governors Babcock and Judge as well as key department chiefs, crafted a unique Montana approach. Their idea was one of Public- Private partnership in the design and management of such projects. The first effort was siting of the highly controversial Colstrip power lines. The new NEPA and MEPA laws were in place and had to be employed. Ted Schwinden and Leo Berry, both department heads in Montana government, created a new concept state - federal task force called the Corridor Oversight Review Committee (CORC). The CORC's membership included two state appointees, two BLM, two Forest Service and two Bonneville Power Administration people. While not carrying appointee status, Montana Power Co.(MPCo) representatives were continually invited and involved in order to assure industry perspective. That group continued to work together for twelve years, giving oversight to siting of the Colstrip power lines, the Northern Border Pipeline and other projects. Additionally, state and federal agencies, effected a crosshatch of corridor designations over state and federal lands for placement of future lineal facilities in Montana. Montana's successes in this became legend for energy siting actions across America.

Then, in the late 1970's - early 1980's, the Feds took a try. BLM, together with Montana's Chapter 45 of the International Right of Way Association (IRWA) joined forces to produce two regional High Plains Energy Forums. Governors and their key staffs from four states (North Dakota, South Dakota, Wyoming, and Montana), two Canadian provinces (Alberta, and Saskatchewan) and high level representatives from USDI, USDOE, USDA, and many industry people met to attempt regional development policy and process. The forums were productive, particularly for the Dakotas and Wyoming. Montana's imbedded anti-development forces, by in large limited progress here in our state. Major new initiatives in coal power followed in North Dakota and Wyoming. Since then, economic conditions in those two states have rebounded remarkably.

The next phase was put in place in 1982 by then Gov. Ted Schwinden. America and many of the states began an intense and competitive effort to create a new concept in power generation. The program would see high energy physics processes harnessed, leading to hydrogen based generation. The project was named the Superconducting Super-Collider (SSC). Schwinden expanded upon the successes of CORC. This time, a seven person Task Force was named. Appointees were can-do individuals from IRWA, academia, federal agencies, state government, and industry. The Montana effort ultimately lost it's superior bid to higher level politics(G.H.W. Bush) of Texas. The exercise, however, brought success to Montana. Even though out scored by Texas, an audit of contracts secured for Montana businesses (super- conductor related) two years after the task effort, measured well over twenty million dollars. The task force cost was about seven hundred, fifty thousand.

Through all these proceedings, one player was a constant. Montana Power Co. long considered a corporate burden by some in Montana, carried many of the costs and contributed major technical support to these efforts – all in all– a superb corporate citizen in our state. That continued to be true in to the late 1990's. At that point, a new management culture ruled MPCo The new management concept was to change the company to a telecommunications force; this being the place all the bucks were being made. Deregulation accompanied that change over. In hindsight, both actions proved disastrous. MPCo no longer exists.

Into the chaos created by the dismantling of MPCo stepped Northwest Energy Co., a highly leveraged multi-service provider headquartered in South Dakota. Things didn't go well for them. The post 1997 deregulation times were disastrous. Bankruptcy followed.

Montana's current electric energy supply is as follows for its approximate 900,000 citizens:

1) Rural Electric Co-ops (26) serve about 450,000 people.
2) Northwest Energy Co. serves about people.
3) MDU and others serve about people.

Conclusions:

1) Montana is a huge warehouse of developable energy resources.
2) Development of these resources is an economic and national security imperative.

Montana's recovery from #50 in state counts of standards of living can be coupled directly to energy resource development.

3) Public - private partnership is the proven mechanism for achieving these mega-public interest iniatives in Montana.
4) Several tested and proven mechanisms can be employed as Montana moves forward with this development.
5) Leadership for moving into the future rests squarely on the shoulders of Montana's Governor. Several of his predecessors have shown him the way.