

EXHIBIT 16
DATE 2-18-05
HB HB141

Testimony
On House Bill 141
Before the House Federal Relations, Energy and Telecommunications Committee
By Doug Hardy on behalf of the Montana Electric Cooperatives Association
2-18-05

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. We represent all 26 retail distribution cooperatives serving in Montana.

We support HB 141 as presented. HB 141 is the result of a compromise of interests following several meetings of the Energy and Telecommunications Interim Committee. This compromise received broad bipartisan support, passing on a seven to one vote. The rural electric cooperatives have honored every aspect of current USB and have been on record supporting the continuation of USB with some expansion as contained in HB 141. The change in base year contained in 69-8-402 (3) from 1995 to the prior year sales revenue, beginning in 2006, will increase our funding obligations.

The change from 2.4% to 1.91% in the same section would make this revenue neutral based on 2003 sales. However, it is anticipated that between growth and rate changes, this will result in a noticeable increase in revenues for 2006 and beyond.

There are two primary reasons the interim committee kept the low-income obligation for co-ops at 17%.

The most compelling reason is recognition that local control works. Who knows better what the local needs are than local boards of trustees elected by the members of the co-ops? This is demonstrated in the Flathead Valley where major cities are served with their inherently greater low-income needs. Flathead Electric Cooperative provides over double the low-income assistance mandated by law. Conversely, in some eastern Montana locations where the needs are less, the cooperatives have found it difficult to spend the funds currently mandated. Co-ops in those areas have been working with AARP and others to try to find ways to encourage needy folks to accept the funds. In those areas, USB low-income assistance funding naturally tends to be closer to the 17% level.

The second compelling reason for the cooperative difference in need is the areas served. The public outcry related to high bills over the last few years is due to increases in natural gas costs. Generally speaking, cooperatives serve rural areas where natural gas is not available. The two notable exceptions where natural gas is more available are Billings and the Flathead Valley. In both cases, those co-ops fund low income far above the minimum required by law. In other words, local control works. For these reasons, the interim committee saw the prudence of retaining local control rather than mandating artificially high minimum funding levels.

HB 141's change in the base year allows gradual increases in funding. Cooperatives have indicated willingness to accept a gradual increase. Had the percentage increases been more significant, the increases would be perceived as a sales tax that would be difficult for cooperative members to accept

We encourage the committee to embrace the provisions of HB 141, recognizing the bipartisan nature in which it was adopted and that it retains local control. The bill does this by allowing increased spending where increased needs exist rather than mandating increased spending regardless of need.

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