EXHIBIT 3
DATE 4.11.05
SB SB415

Montana

Northwest
Power Planning
Council

Bruce Measure, Council Member
Rhonda Whiting, Council Member

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Date: February 15, 2005

To: Chairman Olson and Committee Members,
Federal Relations, Energy, and Telecommunications

From: Bruce Measure,
Northwest Power and Conservation Council

Re: Senate Bill 415, Expand production and use of alternative energy

On behalf of the Governor's Office and the Montana Office of the Northwest Power and Conservation Council, please accept these comments in support of SB 415.

The Northwest Power Planning and Conservation Council (Council) is required to develop a 20-year power plan to assure the region of an adequate, efficient, economical, and reliable power system. In December of 2004, the Council adopted its 5th Power Plan (Plan) for the region. The Plan emphasizes the need to plan for year-to-year uncertainty regarding hydroelectric generation, demand for electricity, fuel prices, as well as possible climate-change mitigation policies. Renewable energy technologies, such as wind, though capital intensive, have short construction lead times and provide a hedge against fuel price and climate change risk. Electricity generated from wind is projected to be a cost effective resource for meeting future energy needs. The Plan expects that wind will play an expanded role as a resource beginning in 2010 with over 6,000 MW of wind resources recommended for development over the life of the plan. The Plan also calls for the measured development of large-scale wind at geographically diverse locations during this decade.

The renewable portfolio standards in SB 415 are consistent with the resource recommendations contained in the Council's Plan. SB 415 requires that regulated utilities and competitive electricity suppliers meet a portion of their customers' electricity needs from renewable resources and requires cooperative electric utilities with 5,000 or more customers are required to establish and implement a renewable power standard that recognizes the intent of SB 415.

SB 415 also requires that a significant amount of the renewables standard be acquired from small wind projects of less than 5 MW to spread the economic benefits of wind development across rural Montana to the greatest extent possible. Those benefits might include, but not be limited to some of the following:

- A wind power project in conjunction with proposed generation at Tiber Dam or any small hydro project, with the hydro component available to "firm up" the wind on days that it doesn't blow; or
- together with a methane powered turbine at the local landfill; or

- tied to a Biomass converter at the regional feedlot or sawmill.

Enactment potentially will provide rural communities who take advantage of the opportunity with a modest number of high paying jobs, a means to partially stabilize their own energy costs in unstable cost environments, and a modest source of income for the community as an investor.

Under SB 415, regulated utilities are authorized to apply for, and the Public Service Commission is authorized to grant, advanced approval of renewable resources. Advanced approval will protect customers from excessive costs and will protect utilities from the risk of disallowance of the costs of meeting the renewable standards required by SB 415. SB 415 provides further customer protections by requiring the Public Service Commission to set cost caps for the acquisition of renewable resources by public utilities. SB 415 requires that regulated utilities and competitive electricity suppliers acquire electricity generated by renewable resources according to benchmark standards while offering "off-ramps" so that if the development of renewable resources proves to be too costly, or jeopardizes system reliability, customers will not be faced with unreasonable rate increases.

The Montana Office of the Northwest Power and Conservation Council support the concepts embodied in SB 415 as presented and urge the committee to pass this bill out of committee.

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