

Testimony  
On Senate Bill 256

Before the Senate Energy and Telecommunications Committee  
By Doug Hardy on behalf of the Montana Electric Cooperatives Association  
1-25-05

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 four points about the impacts of SB 256 on our cooperatives.

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. Under SB 256 the net-meterer's use of the poles and wires is the same as prior to net metering, they just pay less, ultimately other members pay the costs shifted by the net-meterer. Net metering can and is being done by the cooperatives without shifting those costs. SB256 would allow unlimited size services to be net-metered increasing the magnitude of costs shifted to other consumers.

The second point is power supply. We schedule power in every hour of the month to meet our loads. If we schedule too little the balance is supplied at market costs which are typically much higher than our contracted supply. If we schedule too much, we are penalized. Our schedulers are pretty good at meeting our fluctuating loads but wind is less predictable. More net-metered customers, especially the large ones this bill allows, will cause additional costs as too much or too little power will have been scheduled. Under SB 256, these additional costs will be borne through normal rates of customers who do not net-meter. Utility bills of net-metered customers can be netted out at zero.

The third point is size, of the cooperative and of the generator. Park Electric serves 5,000 member consumers, which is 1/60<sup>th</sup> the number Northwestern serves in Montana. Park is connected with three net metered customers with a 4<sup>th</sup> 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. The larger the size of the net-metered service the greater the economic impact. Just a few large 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 56 kW generator without causing voltage problems 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 ultimately from the member consumers, significant costs can occur. (Even borrowed money has to be paid back with money from ratepayers)

The fourth 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 would not be logical that Lincoln Electric in Northwestern Montana, for example, where there is little wind to have the identical net metering policy as a small cooperative with long lines and few customers located in the windy plains of Eastern Montana. Lincoln has a more liberal net metering policy as their exposure is lower. 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. In 1997 the Legislature recognized the importance of local control with the passage of the customer choice law. This Local control has served members well. Most cooperatives avoided the power supply pitfalls experienced by the state's largest regulated utility.

**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.