

## TESTIMONY

ON SB 307

BY GARY WIENS  
ON BEHALF OF MONTANA ELECTRIC COOPERATIVES' ASSOCIATIONBEFORE THE SENATE  
ENERGY AND TELECOMMUNICATIONS COMMITTEE

February 8, 2005

Mr. Chairman, Members of the Committee, for the record, my name is Gary Wiens representing Montana Electric Cooperatives' Association. Thank you for the opportunity to testify. We rise in strong opposition to SB 307.

In addition to the fact this bill will have significant financial impacts on our co-op customers' power bills, SB 307 repeals virtually every provision – enacted through strong bipartisan votes – that is designed to ensure co-op customers do not face rate increases in order to pay for USBP. The co-ops' decision not to oppose USBP when it was first established in 1997 was made contingent upon the bipartisan pledge made by legislators to make certain our customers would not see higher power bills as a result of USBP. SB 307 reneges on that bipartisan commitment.

This afternoon I will give you an overall viewpoint of why we oppose SB 307 and then allow you to hear from two co-op managers – one from eastern Montana and one from western Montana – to explain to you specific problems we have with this bill and offer a compromise bipartisan solution to address the basic concern about the need for increased expenditures on USBP.

By way of background, Montana Electric Cooperatives' Association consists of all 26 retail electric distribution cooperatives serving more than 400,000 Montanans and serving in all 56 counties. We are not-for-profit electric utilities owned by our consumers and governed by boards of trustees democratically elected by their consumers.

When the USBP law was first established in 1997, the Legislature's stated intent was to ensure that utilities and large customers would continue to spend money on conservation, renewable resource projects and low-income energy bill assistance as they transitioned to customer choice of power supplier. The co-ops were very concerned about the need for the mandates of USBP because many of them were already voluntarily exceeding the law's minimum expenditure requirements, especially regarding conservation and renewable resource projects.

As you will hear in more detailed subsequent testimony, SB 307's proposal to increase the overall minimum USBP charge from 2.4 percent of 1995 electricity sales to 3 percent, to raise the minimum low-income charge from 17 percent to 30 percent, and to establish a new 15 percent charge for renewable resource projects, will have a major impact on our co-ops' operating costs. These proposed changes far exceed the commitment we made when USBP was first established.

We also will vigorously oppose the provision in SB 307 that repeals our co-ops' ability to claim USBP credits for conservation and other projects embedded in co-ops' wholesale power purchases. Authority to claim these credits was codified in law by the 2001 Legislature on strongly bipartisan votes of 82-18 in the House and 43-5 in the Senate. Moreover, it was passed by the House committee on a 12-0 vote and a 10-1 vote in Senate committee. Democrats and Republicans alike recognized the fairness of granting co-ops the right to claim credits for these very legitimate historical projects.

The same level of strong opposition will be made by our co-ops to the provision of SB 307 that repeals our authority to pool USBP credits in order to collectively satisfy the USBP spending obligations. This provision is critical to our ability to protect co-op members against rate increases to pay for USBP. Pooling of our credits recognizes the significant differences between co-ops and their local community needs when it comes to funding conservation projects, renewable resource investments and assistance to low-income people. It also recognizes the differences in co-op sizes and financial capabilities. For example, our co-ops range in size from 50,000 members to less than 800 members. In essence, the ability to pool our credits treats co-ops – for USBP purposes – as a single statewide utility in much the same way as NorthWestern Energy is treated in the law.

A third provision of SB 307 that is of great concern is its significant expansion of record-keeping requirements and of allowing greater involvement by the courts in resolving disputes over USBP credits. The bill does away with the provision allowing summary reports and eliminates the ability of the cooperatives to rely on their statewide association to file these reports on their behalf. These are unnecessary changes which will only further add to the paperwork burden of individual co-ops, resulting in increased operating and court costs for our co-op customers. Only once in the 7 years that USBP has existed has any one ever formally challenged the information contained in our USBP reports filed with the state Department of Revenue. In that case the department, after considerable review, agreed that the challenge was invalid.

Finally, Montana Electric Cooperatives' Association opposes SB 307 because, in addition to the charge increases it proposes, the bill severely weakens co-ops' local control over USBP expenditures. It does this by raising or establishing new individual co-op spending requirements to in some cases unattainable levels, eliminating our authority to pool credits and denying the right to claim wholesale power conservation costs for USBP credit.

This local control is vital to the workability of the USBP law.

Our co-ops' ability to continue to accomplish the intent of USBP – that of ensuring meaningful expenditures on USBP-eligible projects – will remain strong so long as each local co-op is able to have maximum flexibility, unencumbered by government specifications and mandates that tend to obfuscate local economic, local-customer realities. For example, what works for a high-growth co-op in western Montana may not – in fact, probably will not – work for a no-growth or slow-growth co-op in eastern Montana.

This local control translates into local awareness that makes it possible for our cooperatives to respond in the most practical, effective manner. In other words, we, as local co-ops, can target our dollars where they are most needed and best used because we're on the ground out there, know our neighbors and know our communities. The harmful changes of SB 307 ignore those realities.

We urge a do-not-pass recommendation on SB 307. Thank you again for the opportunity to testify.