

Testimony  
On Senate Bill 307

Before the Senate Energy and Telecommunications Committee  
By Doug Hardy on behalf of the Montana Electric Cooperatives Association  
2-8-05

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 the Cooperative position and impacts of several portions of SB 307.

Page 8, Line 25, contains an increase to 3 percent of 2004 revenue numbers. On the surface this looks like a simple increase of six tenths of a percent over the former 2.4 percent. But when you take the year change in SB 307 into account, this alone increases the co-ops' obligation 57 percent. Stated in dollars, this amounts to an increase of over two million dollars per year. As the history indicated in 1997, the cooperatives protected their members by having choice of power supplier or deregulation optional. However, we agreed to continue funding the USB-type programs we had been funding well before USB became law. This was agreed to as the only increase we had to fund was in low income which we have faithfully continued to do since USBP became law. The increased contained in SB 307 amounts to a 57 percent tax increase on the consumers of cooperative electricity in Montana.

Page 9, Lines 4-6, removes language Mr Wiens referred to that allows cooperatives to claim as credits conservation project costs embedded in their wholesale power bill. This is a major issue for us because the removal of these costs from eligibility for USBP credit means our ratepayers will be required to pay for these credits on top of their continued payment for the conservation projects contained in their power bills. These payments in wholesale power bills are for real, cost-effective conservation that is accruing benefit now and into the future. We have heard comments that this is just paying for conservation outside Montana, not true – of \$3,666,887 claimed by the Cooperatives in this category for 2003, the last completed reporting period. \$3,451,346 was conservation exclusively in Montana in just the BPA served regions. If these investments are disallowed as SB 307 proposes the Cooperatives will continue to be bound to pay for this conservation and this bill would mandate additional millions be spent on top of these investments in conservation. This is in spite of the strong bipartisan support received in 2001 after both House and Senate committees studied the worthiness of allowing these credits.

Page 10 lines 8 & 9 mandate that a minimum of 15% of the USB obligation be spent on renewables. Although some cooperatives have found renewable projects they deemed to be worthy of investing Cooperative members dollars in, most have not. Since Coops have met all the requirements of existing law and little of the existing funding can be eliminated this is another area of new expenditures of nearly \$900,000 dollars. General funds presently provide incentive for renewables, we believe that rates which are collected from the poor and working poor along with other rate payers are one of the worst places to tax for funding renewables.

Changes to the large customer's section on USB run counter the platform that Montana is Open for Business. Many of the Cooperatives have not built a USB charge into the large customers contract or bill as they are presently self directed. Language in the bill could make other cooperative members responsible for the reimbursement to the large customer for conservation measures the large customer makes. This section creates liabilities for the member owners as well as an implementation nightmare.

I fear that the committee having heard our concerns related to SB 307 may come to the conclusion that we are just against USB. This simply is not the case. We have honored every aspect of current USB and have been on record supporting the continuation of USB with some expansion as contained the Energy and Telecommunications Interim Committee's bill that extends USB to 2009 and brings the base year forward creating future increases in funding as revenue increases. What we are against is radical expansion of USB. We are consistent in our belief that expanding the taxation of ratepayers is not the best funding source for public purpose programs.

In summary, SB 307 would cause Rural Electric Coops to increase funding of USB by over \$4.9 million above present levels, which are already more than \$2 million above the minimum in present law. Much of the increase is due to the elimination of pooling and conservation we pay for each year in our wholesale power bill. The 4.9 million dollar increase is greater than the fiscal note for a variety of reasons. The fiscal note does not factor in the change in base year from 1995 to 2004, the loss of conservation credits in the wholesale power bill, or the increase in renewable funding. The real fiscal impact again is over \$4.9 million.

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