Senate Energy & Telecomm.Comm.
Exhibit No. 1
Date 3.8.05
Bill No. HB 153

TESTIMONY IN SUPPORT OF HB 153
CLARIFYING PSC AUTHORITY TO REVIEW & APPROVE
REGULATED ENERGY UTILITIES' MATERIAL AFFILIATE TRANSACTIONS

Greg Jergeson
Chairman, Montana PSC
March 8, 2005

Mr. Chairman and Members of the Committee,

The Public Service Commission unanimously supports House Bill 153. This bill is an important consumer protection measure because it clarifies that the PSC has the ability to review transactions between a regulated energy utility and its parent company or affiliates to ensure that the regulated utility is insulated from the adverse effects of risky activities that may be undertaken by its unregulated affiliates.

"Ring fencing" is the term commonly used to describe the tools used by state commissions and legislatures to protect the customers, employees, retirees and investors of regulated utilities from harm caused by the activities of the utilities' parent companies or affiliates. Ring fencing is not onerous; in one form or another it is used by more the half of the states. Ring fencing does not infringe on the day-to-day activities of a regulated utility.

House Bill 153 would ensure the PSC is able to implement ring-fencing mechanisms if necessary. The recent bankruptcy of NorthWestern Corporation, which occurred due to its failed non-utility affiliates, illustrates the urgent need for legislation that ensures the PSC is able to review material affiliate transactions between a regulated utility and its parent or affiliates that have the potential of putting the regulated utility – and the public interest – at risk.

The purpose of the bill is to minimize the possibility that Montanans will ever again face the prospect of unregulated activities dragging a regulated energy utility into a financial abyss. The PSC supports this bill because it is flexible enough to address business structures and transactions that may occur and it does not unduly limit the PSC's ability to protect the public interest as situations develop. Any material affiliate transaction between a regulated energy utility and an affiliate that could have an adverse effect on the financial stability of the utility should be subject, without exception, to PSC review.

Over the last two years, the PSC worked with Governor Martz's Energy Consumer Protection Task Force and with the Energy & Telecommunications Interim Committee to draft

this bill. The PSC has no objections to the minor amendments that were made in the House. The PSC urges a DO PASS on House Bill 153.