SENATE TAXATION
EXHIBIT NO. 5
DATE 2-4-05
BILL NO. 2-4-05

Testimony
On Senate Bill 340 SENATE TAX
Before the ~~House Federal Relations, Energy and Telecommunications~~
By Doug Hardy on behalf of the Montana Electric Cooperatives Association
2-4-05

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.

We support SB 340 which extends the tax credit for geothermal systems to new residences constructed by the tax payer.

A geothermal system is a heating system that typically utilizes electricity to extract heat from the ground. Even though the ground, warmed by the sun may only be 40 degrees the heat pump concentrates that heat through a refrigeration process providing heat warm enough to heat a home; even the domestic hot water.

The credit for geothermal systems began years ago when the legislature, recognizing the benefit of these systems due to their high efficiency, provided an incentive in the form of a tax credit. The systems are expensive to install but their high efficiency provide savings for many years making them cost affective. The electricity consumed to concentrate the heat provides three to four times the heat to the home for a given amount of electricity.

Extending the credit to those building homes makes the same good sense as providing the credit to those owning homes; the long term societal benefit is the same.

Thank you for the opportunity to testify before your committee and I will be

available to respond to any questions you may have.