

Testimony
On House Bill 218
Before the
House Federal Relations, Energy and Telecommunications Committee
By Doug Hardy on behalf of the Montana Electric Cooperatives' Association
1-22-2007

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.

Co-ops are net metering without a state mandate, many without the significant cross subsidy embedded in existing state net metering law. Local co-op boards of directors have all adopted net metering policies that work in their case. It is not logical that a larger cooperative in an area with little wind, such as Flathead Electric in the Flathead Valley, would have the identical net metering policy as a small cooperative with long lines and few customers located in the windy plains of eastern Montana.

The co-op I manage, Park Electric, serves 5,000 member consumers, which is 1/60th the number Northwestern Energy serves in Montana. Park Electric's system is connected with four net metered customers. That number is comparable to 240 net metered customers if we were NorthWestern's size. In addition, we are interconnected with two wind producers and four small hydro producers. This makes our renewable energy interconnects comparable with 600 if we were NorthWestern's size.

A typical rural electric cooperative has many miles of line with few customers per mile. This means long, small-capacity power lines. Park Electric's power line system is connected to a 65 kW wind generator, just a bit larger than the size mandated with the state's existing net metering law. Before that consumer could connect a second generator without causing too much voltage flicker to his residence and other consumers on that line, a \$100,000 upgrade had to be completed. This increased the line's conductor size. We did that upgrade for unrelated reasons.

My point is, if larger net metered interconnects are mandated on some of the long, small-conductor lines, expensive upgrades could be required and because our only source of money is from the member consumers, they could incur significant costs to pay for these upgrades. (Even borrowed money has to be paid back with money from ratepayers)

Those with small renewable generation have had an option since the early 1980s to sell into the grid as a Qualifying Facility under federal law. The utility pays for the production at the utility's avoided cost. In simple terms, avoided cost is the value of the electricity the utility would have purchased from another source.

So why the push for net metering? The program started out for little generators whose production was so small that a direct sale seemed impractical. It seems now that the push for net metering is to shift the net metered consumer's costs to other consumers.

To understand what I am talking about, let's look at what costs an electric rate is established to cover. About half to 2/3 of the revenue we collect through rates goes to pay for the costs of maintaining poles and wires. To the degree we allow net metering to effectively bypass these poles and wires costs, as mandated under HB 218, other member consumers will pay higher rates.

The chart we handed out shows the co-op expenses a power bill goes to help pay. Net metering can zero out a power bill even though the consumer uses the poles and wires just as other consumers of like size. This effectively shifts payment for use of the poles and wires, taxes, depreciation, interest, etc., from the net-metered customer to the non-net-metered customers.

This is a zero sum game because all these costs have to be paid for by consumers. So is this a big deal? Probably not, if there were very few net metered customers. But the cross subsidy quickly adds up.

HB 218 would mandate co-ops to net meter up to 50 kW per service. A 50 kW wind plant generating at a 35 percent annual load factor could generate up to 153,300 kWh. If the service associated with the generator used this amount, the amount of costs shifted to other members would be over \$7,000 per year.

If this typical co-op has 5,000 services and had just 1 percent of its customers net meter in this manner, the cost shift to other co-op customers would total over \$350,000. This would add up to an additional \$72.00 to each remaining customer. Imagine if the percent of net metered customers was even higher, which could happen, especially for rural co-ops.

As you can see, it is a big deal and our goal should be keeping rates affordable for everyone, not shifting costs from those who can afford wind generators to those who could not. Net metering can and is being done by co-ops without shifting those costs.

Please respect the local control of Rural Electric Cooperatives whose elected boards of trustees provide oversight. Local control for these cooperatives was maintained when the state implemented customer choice of power supplier in 1997. Local control has served co-op members very well. Please maintain this local control, protecting local co-op boards' rights to keep rates as low as possible, allowing net metering without significant cost shifts.

It is our opinion that 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-metered generation.

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