

Chairman Olson,

EXHIBIT 2

DATE 02/16/07

HB 681

On behalf of the Montana Large Customer Group, I urge you to lead the Federal Relations, Energy & Telecommunications Committee in voting DO NOT PASS on HB 681. I regret that I can not attend today's hearing and testify on the bill, but would request that you accept this comment for the record. I have provided a copy to Mark Lambrecht, whom I understand will also be testifying in opposition, with the request that he or one of his colleagues offer these comments with his testimony, if he wishes.

We are by no means opposed to the additional of renewable and alternative energy to the resources available to customers, both large and small, in Montana and throughout the West, when that addition is cost effective and consistent with the capacity of the infrastructure. Mandated targets are, however, inevitably expensive to customers, as are the ancillary services associated with meeting mandates. Suppliers pass costs through and "competitive suppliers" are not limited in those pass-throughs by any regulatory body. As a result, passing HB 681 is equivalent to voting for an increase in electric rates for any customer that purchases from a competitive supplier in Montana. Ironically, it will also drive up costs for cooperatives and public utilities to the extent either is required by law or desires to compete for the same high-priced resources.

It is likely inevitable that our failure to construct sufficient generation and infrastructure soon enough is going to raise most electric rates in coming years under most scenarios. We need to get on with the job of addressing that deficiency. Other bills that you and your colleagues have sponsored will promote that important objective. But by requiring that any party that wishes to construct and sell generation within Montana to do an "add-on" of mandated renewable power, without consideration of the infrastructure or markets available to them, will necessarily discourage the addition of any generation, whether coal or otherwise, that is not specifically deemed "renewable." So, HB 681 may put additional pressure on for purchasing higher-priced "renewable" power, but the unintended consequence of "sharing the pain" by expanding the existing mandates to others will be to increase the price of such power across-the-board to customers and to raise the cost to any potential investor in non-renewable generation.

The members of the Montana Large Customer Group support efforts to expand the alternatives for electric power (and other energy resources) in Montana. There are several good bills being pursued in this legislative session to accomplish that objective. Unfortunately, HB 681 would detract from that goal rather than move it forward. Please oppose increased total costs to Montana electric power customers by opposing HB 681.

Thank you for your consideration.

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