

EXHIBIT 809
3/26/07
337

GREEN ELECTRICITY BUYING COOPERATIVE'S RESPONSE TO MDU'S OBJECTIONS TO SB337

Claim: MDU argues that since it is required by Montana law to develop wind power, it makes no sense to require it to then allow access to its customer base.

- 1) **Response:** Existing law already allows green buying cooperatives access to MDU's customer base. Assertions to the contrary are simply not true. All SB 337 does is say that instead of buying green power to service its customers, the Green Electricity Buying Cooperative (GEBCO) may own its own generation. See 69-8-103(25) "'Public utility' means any electric utility regulated by the commission pursuant to Title 69, chapter 3, on May 2, 1997, including the public utility's successors or assignees." This includes and has always included MDU. GEBCO already has the right under 35-19-102 to serve green power customers from MDU and NorthWestern. The Section 1 change to the "distribution utility" in the bill merely eliminates GEBCO's not needed ability to serve customers of Flathead Electric. It succeeded Pacific Power & Light.

Claim: MDU has embedded costs that other customers will have to defray if customers leave the MDU system.

- 2) **Response:** MDU and NorthWestern will not lose any revenue for the embedded costs of their transmission and distribution systems. The customers of green electric buying cooperatives will continue to pay the same amount they always have for those systems through appropriate tariffs. The difference in procedure is merely taken care of by accounting through a settle-up tariff between GEBCO and the utilities.
- 3) The embedded costs MDU has in its Montana rate base for generation have diminished over time because it has been depreciated over many years. MDU has not had a general rate case for at least 15 years. An exit tariff can easily pay for the remaining embedded generation costs of service left for existing customers.

Claim: MDU asks, "Why should it now have to give its customers to the Green Power [sic] Buying Cooperative so that cooperative can provide them renewable power?"

- 4) **Answer:** Because MDU and NorthWestern have not agreed to provide the same renewable power product that the Green Electricity Buying Cooperative is offering. Green Electricity Buying Cooperative customers are willing to pay a premium price for clean electricity if they are not required to pay for fuel, pollution control and carbon tax increases that they do not contribute to. The PSC has not established a tariff that requires that. Simple fairness dictates that if you pay extra for a clean product, you should not also have to pay when fuel costs, etc. go up because there is no fuel cost in the wind. Green Buying Cooperative customers know that their costs should stay roughly the same while those who want to buy electrons generated by polluting plants will continue to rise.
- 5) Montana's Renewable Portfolio Standard only requires up to 15% green energy by 2015. Many surrounding states require more, including Colorado which will go to 20% by 2020, and Minnesota which likely will go to 25%. Allowing the Green Electricity Buying Cooperative to own windmills puts additional green energy into the system.
- 6) The proposed monopoly model allows big out of state power companies to own the wind. That model does not make sense or cents for Montana. **You can have choice, vertical integration (utilities owning generation) and reregulation. It is done daily in the telecommunications industry.**

Support reregulation and customer choice.

PLEASE SUPPORT SB 337. It makes sense for Montana's small farmers who deserve a piece of the clean energy boom. And it makes sense for Montanans who want to support our hard-working farmers by buying clean, affordable, reliable energy from them.