

**U.S. Senate Committee
on Energy and Natural Resources**

**Testimony of Doug Hardy,
General Manager,
Central Montana Electric Power Cooperative**

April 19, 2018

Good Morning Chairman Murkowski, Ranking Member Cantwell, and members of the committee. My name is Doug Hardy. I am the General Manager of Central Montana Electric Power Cooperative, in Great Falls, Montana.

Thank you for the honor of testifying before the committee.

I will discuss some of the challenges of serving the rural areas and communities of Montana along with the importance of the hydropower we purchase from the federal power marketing administrations, in our case, the Western Area Power Administration.

Central Montana is a co-op of co-ops whose primary responsibility is to ensure we have the electricity and transmission services to deliver power to about one-third of the 25 distribution cooperatives in Montana. The distribution cooperative member systems of Central Montana provide approximately 70,000 Montanans with affordable electricity and related services at competitive, locally regulated rates. Prior to managing Central Montana, I managed a distribution cooperative serving a portion of south central Montana. My entire career has been spent doing all I can to ensure our consumer-members have safe, reliable and affordable electricity.

Delivering power in a state like Montana that is mostly rural and, in some ways, even frontier-like in its vastness, requires a tremendous amount of power-system infrastructure. Our electric co-ops provide power in parts of all 56 Montana counties. If you connected the individual co-op lines in Montana end to end, the resulting line would be long enough to circle the earth at the equator. In fact, this line would be long enough go around the world 2½ times.

The challenges of serving these rural areas are great. These challenges include high, fixed costs of the power lines and the associated power system infrastructure, across vast distances, with fewer customers per mile of line to pay those costs. Compared to cities, rural electric co-ops have few commercial power loads to help spread the fixed costs of the power-system infrastructure.

Keeping electricity costs affordable in the face of little or no demand growth in rural areas also presents a challenge. Many co-op members are farmers and ranchers who, to stay in business, must consolidate and farm or graze livestock on more and more acres. This increases the challenge for many of the cooperatives as small towns shrink or close

down completely, further reducing the number of consumers to pay the fixed costs of the system.

Thank goodness cooperative leaders in the 1950s and '60s saw the merit in contracting for power from the federal dams. At the time, the cost of the federal power was higher than other options at the co-op I used to manage. However, the leaders felt it better to partner with the U.S. Army Corps of Engineers and the Bureau of Reclamation, and later the Western Area Power Administration (WAPA), for cost-based electric generation.

Electric co-ops and other WAPA customers have paid for all the generation-related costs, the transmission lines and a good share of the dams themselves as amortized with interest. The Western Area Power Administration has been essential to keeping power somewhat affordable east of the Continental Divide in Montana. West of the Continental Divide, Bonneville Power Administration serves that same role in Montana and other Northwest states. Other federal hydropower agencies do the same elsewhere in rural America.

It is the lower cost of this cost-based electricity provided by the Western Area Power Administration that I pass through to my distribution cooperatives. This power is vital to these distribution co-ops and the rural consumers they serve. That's particularly true given that half of the distribution cooperatives I provide the power to have less than one member per mile of line.

Another challenge of hydropower in rural areas is maintaining a balance between affordable power and protecting fish and wildlife. I am one of the stakeholders of the Missouri River Recovery Implementation Committee (MRRIC) representing hydropower and am proud that we are nearly complete with the most comprehensive adaptive management program to protect endangered species on the Missouri River. It is my hope that with this comprehensive 10-year process, we will have a plan that can allow the continued generation of electricity at the dams and have a science-based, peer-reviewed environmental protection process into the future.

In closing, I have a few requests and thank-yous related to keeping electricity affordable for the people struggling at the end of the lines in our rural areas. Cooperatives are not-for-profit entities and the rates we charge our member-consumers are our only source of revenues to pay for electricity and the infrastructure to deliver power.

We are strongly opposed to the Administration's fiscal year (FY) 2019 budget request to sell the transmission assets of three federal Power Marketing Administrations (PMAs) and the Tennessee Valley Authority (TVA). We are equally opposed to the Administration's companion proposal to change the current cost-based rate structure for all four of the PMAs. We have paid the rates that in turn have repaid, with interest, the power portion of federal projects, and we also have entered into long-term contracts as well as helped to prefund improvements in the transmission and generation system. The Administration's proposal would interrupt a long and productive history between PMAs and their preference customers that is one of the country's most successful relationships.

To sell any of the transmission assets to the highest bidder would not only raise costs to rural America, it could also affect reliability. It's also worth noting that, in Montana, many of the power-line easements cross the many Indian reservations we serve and, to our knowledge, these assets are nontransferable.

To go to market-based rates on assets we have paid for through rates is, on its face, unfair. It's also unwise – from the standpoint of how it impacts rural Montana and other parts of the country relying on cost-based PMA hydropower.

Raising electricity prices on rural Americans to raise revenue for the government has been rejected several times in previous debate on this issue and we believe Congress has acted for all the right reasons.

Finally, on behalf of rural electric co-ops, we thank you for the recent passage of improvements in vegetation management for our lines on federal lands. Managing vegetation on rights of way so that we can prevent fires will help keep power affordable. Thank you again for providing me this opportunity to testify before the committee and I would be pleased to answer any questions you may have.