

## HOUSE BUSINESS & INDUSTRY COMMITTEE

Chairman, Rep. Jerry Metcalf, called the Business & Industry Committee to order on March 8, 1983, in Room 420 of the Capitol Building, Helena, Montana at 9:00 a.m. All members were present except Rep. Ellison and Rep. Kadas who were excused.

### SENATE BILL 423

SEN. TURNAGE, District 13, sponsor, opened by saying we are all aware of the nuclear energy power development failures on the coast. A number of Montana rural electric utilities became involved in a contractual basis with the development of those plants which failed in completion and they are now serious losses for those participating. There were five co-ops in the loan shares in WPPS 4 and 5. Glacier Electric Co-Op has a \$4,027,500 obligation; Missoula Electric Co-Op has a \$13 million bad debt; Northern Lights Co-Op has \$11 million outstanding; Ravalli Electric Co-Op has \$5 million and Vigilante Co-Op has \$6 million in bad debts. These must be paid because bonds have been issued and the consumers of the utility will have their rates raised to pay these expenses. The idea behind the bill would be to put red flags up in the future for long-term bonding to the utilities. This will not deny payment of the bonds already in place. This would require a meeting of the members of the co-op and they would vote as to whether they should enter into such obligations. It is amended to apply to operations of nuclear power generation facilities.

### PROPOSERS:

TIM STEARNS, Northern Plains Resource Council: Much of our membership are co-op members and some belong to the co-ops involved in the WPPS. If we were to complete all five of the nuclear plants it would cost \$24 billion. This bill will prevent more WPPS, hopefully, but it ignores the current reality. No one is contemplating more nuclear plants - they cost too much. Their promise was power without cost - their grim reality is cost without power. I would suggest this bill be amended to reflect the size of new generation, not the source. Both coal plants and hydro electric plants are just as susceptible to inflation, cost over-run, high interest rates and design changes as are nuclear plants. This should be amended to some kind of size threshold.

ROD HANSEN, Rural Electric Co-Ops: We have discussed this bill and have agreed we will not oppose it. We do have one suggested amendment. On line 20, Page 1, we would like the word "its" changed to "those" so it would be a majority of those present at the advertised meeting who vote. Co-Ops promote conservation. They have to or they end up paying more. The bulk of our needs is furnished by Montana Power and the federal government. With the amendments suggested by Mr. Stearns, it would be almost impossible to get our job done. We are paying \$2.50 per kilowatt under the step 1 rate and \$12 per kilowatt under step 2.

SEN. TURNAGE, in closing, said he has no objection to Mr. Hansen's amendment. He understands and sympathizes with Northern Plain's

but he does not want to create a problem for the co-ops.

QUESTIONS:

REP. FABREGA: Please explain the \$2.50 per kilowatt. Mr. Hansen: The way the rate structure is designed, if we purchase any of those kilowatts at the step 2 rate, then we have to continue paying for it for the balance of the season. There are two seasons a year. If we exceed during the winter season, the allotted kilowatt demand that we have, then we have to buy that additional power at the \$12 rate and continue paying that for the rest of the season.

REP. HARPER: What are your notice requirements for meetings and do you state what the meeting is for? Mr. Hansen: We give about 20 to 30 days notice and they always specify what the agenda will hold.

REP. HANSEN: Is there anything in the Northwest Power Planning Act that designated how these plants are going to be built in the future? Tim Stearns: The Northwest Power Planning Council has developed a range forecast and they are developing a range of options to build the forecast. Bonneville, who implements the plan, now has the ability to purchase power but the intent of the act is that Bonneville not get into building plants, but that they purchase power.

SENATE JOINT RESOLUTION 16

SEN. TURNAGE, District 13, sponsor, opened by saying this is a counter-part to SB 423 in that it points the finger at the public utilities that are privately owned by stockholders. It urges the Public Service Commission to monitor requests for long-term debt relating to nuclear power generating facilities to prevent unnecessary rate increases caused by abandonment or delay in completion of the project. To my knowledge, Pacific Power and Light is the only Montana utility involved. They are involved in Pebble Springs Nuclear Plant No. 5. There is a request before the PSC seeking \$970,000 additional revenue for five years which involved 27,463 Montana users.

PROPOSERS:

BILL OPITZ, Public Service Commission: The Commission wants to go on record supporting the commission looking at long-term debt obligation of the utilities. I did not realize that it had been amended to nuclear generating facilities only. There is a statute that makes the commission look at securities of the regulated gas and electric utilities under our jurisdiction. I don't think it's necessarily true that Pacific Power & Light is going to be able to charge it's consumers for the fiasco at Pebble Springs because the commission has been very careful to put boiler plate in the long-term debt obligation that says nothing in their approval will automatically say when a plant is built by these obligations that they will be put into the

rate base of the utility. The plant has to be useful to the consumer. If it's avoided, it's not useful.

OPPONENTS:

GENE PHILLIPS, Montana Dakota Utilities: Pebble Springs was supported entirely by privately utilities. It was terminated for reasons completely different than the termination of WPPS No. 5. The Commission already reviews the long-term debt obligation of a private utility. This only applies to long-term debt and has nothing to do with securities. Utility companies raise their capital in two ways. We issue long-term debt first mortgage bonds & we issue stock. Pacific Power and Light had a construction budget in 1981-82 of \$300 million. We have to go to the market place and sell securities or first mortgage bonds to raise that money. The commission reviews each one of those offerings. To date, the commission has not looked specifically at where these funds go, unless there is a very specified issuance of bonds. I don't think this is going to do what Sen. Turnage thinks it will. The commitment to enter into the Pebble Springs project was made in 1974. A binding agreement was entered into in 1976, but the expenditures that went into that plant started in May of 1975, almost 8 months after we had committed. It wasn't until 6 months after the binding commitment that we expended \$22 million. At that time we didn't issue any long-term debt for that, it was all done on short-term borrowers. Therefore, prior to the time when the commission looks into this, the company has entered into a long-term debt and made binding commitments. If it is intended that the commission evaluate each financing by individual project it's going to involve the commission in a great deal of work.

SEN. TURNAGE, in closing, said he would recommend taking out the amendment that limited it to nuclear plants.

QUESTIONS:

REP. HARPER: Bill Opitz - would you respond to the statement that the commission gives approval for long-term obligation. Do you see that as committing you to allow that introduction into the rate base? Mr. Opitz: I don't see where this is any more restrictive to the commission than the statute we presently operate under for all the securities. The commission has allowed them to go to the market to raise large amounts of money in recent months primarily because of the fluctuation in the money market, feeling that timing was essential to get the lowest rate, but none of those obligations would necessarily go to the rate payer because the commission has given approval.

REP. FABREGA: You presently have to approve financing for them. Is it for specific projects or for cash flow management? Mr. Opitz: There is a statute that specifies use of funds but it is quite broad. Rep. Fabrega: So far you haven't run into a situation where there was a presumption of prior approval by the commission and someone takes you to court saying you approved them and now you are refusing to let them put it into the rate base? Mr.

Opitz: No, we have never had that problem and if we ever did then we would have to come to the legislature and say we needed more time to review these obligations because right now we are given 30 days - we would need 9 months.

REP. METCALF: Would the commission feel more comfortable if we took these amendments out restricting it to nuclear power generation only? Mr. Opitz: Our statutes are much broader than this and I would hope that this would not restrict us.

REP. METCALF: You already have statutory authority to do what is in this resolution? Mr. Opitz: Yes, for natural gas and electricity - not for telephone. It's quite specific in the statute, 69-3-501.

EXECUTIVE SESSION:

SENATE JOINT RESOLUTION 16

REP. FABREGA: I move we TABLE SJR 16.

QUESTION: Motion carried with Rep. Ellerd voting no.

SENATE BILL 423

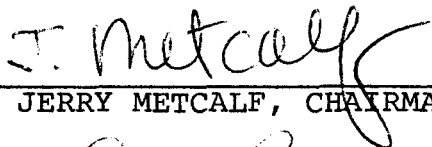
REP. FABREGA: I move to amend line 20, page 1 removing "its" and inserting "those".

QUESTION: Motion carried unanimously.

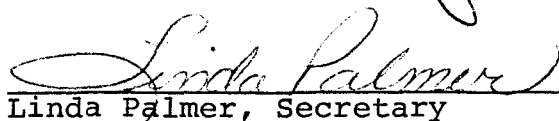
REP. FAGG: I move SENATE BILL 423 BE CONCURRED IN AS AMENDED.

QUESTION: Motion carried unanimously.

The hearing adjourned at 10:00 a.m.



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REP. JERRY METCALF, CHAIRMAN



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Linda Palmer, Secretary

# STANDING COMMITTEE REPORT

Linda Talmer

MARCH 8

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MR. **SPEAKER:** .....

We, your committee on **BUSINESS & INDUSTRY** .....

having had under consideration **SENATE** .....

Bill No. **423**

third reading copy (blue color)

**A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THAT CERTAIN COOPERATIVES MUST HAVE MEMBERSHIP APPROVAL TO CREATE LONG-TERM OBLIGATIONS RELATED TO BONDED INDEBTEDNESS UNDER CERTAIN CIRCUMSTANCES."**

Respectfully report as follows: That **SENATE** .....

Bill No. **423**

**BE AMENDED AS FOLLOWS:**

- 1. Page 1, line 20
- Strike: "its"
- Insert: "those"

**AND AS AMENDED**

**SHOULD BE CONCURRED IN**

VISITOR'S REGISTER

HOUSE Bus. & Ind.

COMMITTEE

BILL SJR 16

DATE 3-8

SPONSOR \_\_\_\_\_

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
GENE PHILLIPS	KALISPELL	PACIFIC POWER & LIGHT		X
J. A. Young	Saneto	Transtar	X	
Bill O'Keefe	Helena	PSC	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE Bus + Ind.

COMMITTEE

BILL SB 423

DATE 3-8

SPONSOR \_\_\_\_\_

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP POS
Tom Stearns	Helena Box 858	NARC	X	
Rob Hanson	Fairfield	STATU		X
Tennoy	Senat	Sponsor	X	

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WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.