

TESTIMONY OF COMMISSIONER ROGER KOOPMAN

Senate Bill 331

House Federal Relations, Energy and Telecommunications Committee

April 8, 2019

MR. CHAIRMAN. If you believe that corporate welfare, risk-free protectionism and consumer subsidized monopolies are the ways to encourage free enterprise -- and help the people of Colstrip -- then this is your bill. But if you believe that sound public policy is based on sound economics, and sound economics is based on freedom and free markets, not on government schemes that enrich specific companies at the expense of everyone else, then this bill is an absolute disaster.

Make no mistake. NorthWestern Energy has always had the opportunity to acquire more Colstrip assets. Had they done so five years ago, when that purchase could have been packaged with the hydros acquisition, Colstrip would not be facing the economic crisis it is today. Instead, they specifically excluded any CU4 assets, owned by the same company selling the dams, in the pre-approval application before the commission.

Why? And why, five years later, are they now reversing their position and showing a curious interest in owning more of CU4? This committee must answer that question first, before considering this legislation.

The only possible answer is economics. I don't believe, at the time, NorthWestern would have taken PPL's Colstrip assets if they were thrown into the sales agreement free of charge. They obviously regarded the assumption of a greater share of CU4 as ruining the deal for the hydros, being too risky of a proposition for both the company and its customers.

What has changed in five years? Considering the ongoing efforts of environmental advocates, is Colstrip coal generation any less of a risky investment now than it was in 2014, when NorthWestern refused it? Certainly not. What *has* changed is NorthWestern's self-interested strategy. They have now come before this legislature with Senate Bill 331, that makes much of that risk magically disappear, and land in the laps of the ratepayers. At the same time, it erases the regulatory duties of the Public Service Commission to protect the public from imprudently-incurred utility costs, and turns us into a rubber stamp. What a splendid Christmas gift for the shareholders of NorthWestern Energy!

Such is the NorthWestern Energy School of Economics: maximize your profit by socializing the risk. And while you're at it, turn the PSC into the regulatory dog wagged by the utility tail.

As originally drafted, this legislation was so obviously and unjustly self-serving that an outcry of protest erupted all across the state. That was the bill NorthWestern truly wanted you to pass, but the Senate felt obliged to peer the measure down -- particularly Section 2, which had

shielded *already existing* Colstrip assets of NorthWestern's from PSC cost review and rate regulation. However, the basic concept of the bill remains the same, and is as wrong-headed as ever. To prompt (not require) NorthWestern Energy to acquire up to 150 MWs of additional ownership in CU4, the legislature is asked to throw rational economics out the window, and put defenseless ratepayers on the hook for \$75 million over 10 years. Section 3 of the bill paints the Public Service Commission completely out of the picture, providing no regulatory oversight of the rates being charged to consumers.

SB 331 is predicated on the belief that NorthWestern has a definite need for baseload power, and would thus be attracted to the additional 150 MWs of CU4. But this notion is utterly false. The fact is, NorthWestern's last three resource procurement plans all made no mention of the company seeking baseload power. To the contrary, the plans are all focused on *capacity* – dispatchable, flexible capacity, that can be ramped up quickly and backed off quickly with changing load demands. This was again confirmed in a very recent PSC hearing on the Beaver Creek wind projects, when a top NorthWestern official testified that the company needs flexible capacity, not baseload. Coal generation is baseload, and by their own admission, they simply don't need it.

None of SB 331 makes economic sense. Yet proponents apparently believe that the legislature can repeal the laws of economics, as long as they get the ratepayers to pay for it, and Public Service Commissioners to sit in a corner twiddling their thumbs. Before taking that leap into crony capitalism, you need to answer this question. What is it about the Public Service Commission you don't trust, that you must guarantee to NorthWestern Energy that the PSC will leave them alone, for the first \$75 million of claimed utility costs? If you don't like what the legislature created in the PSC, then do away with us and fashion something different, more to your liking. But to simply pick and choose legislatively, when the public duties of the PSC will and won't apply, is disrespectful of our system of government, and a *terrible* way to legislate.

Finally, while I can understand why lawmakers may want to do "something" to protect jobs in Colstrip, is ratepayer-financed bailouts of the coal power industry a fair and justifiable public policy? What other resource-intensive industries have received bailouts from the legislature? Timber, mining and Bakken petroleum have all faced their share of tough times, with major layoffs that impacted whole communities. Yet nobody, to my knowledge, has proposed bailing them out. If we start this precedent with Colstrip, how do we later say no to the others. And where does it end?

Bottom line: SB 331 is a bill with no redeeming qualities. In the long run, it will not help the people of Colstrip in the slightest. Meanwhile, it will provide 100 percent benefit to the utility monopoly and 100 percent harm to the ratepayers. This committee can put an end to this travesty, and I respectfully request that you do so.
