

Slope Electric Cooperative, Inc.

**RESOLUTION NO. 1
NORTH DAKOTA ELECTRIC INDUSTRY LEGISLATIVE ISSUES**

Territorial Integrity Act

We believe the North Dakota Territorial Integrity Act serves the best interest of both rural and urban consumers and electric power suppliers. The Territorial Integrity Act is needed to insure orderly development of the state's electric infrastructure to deliver electricity without wasteful duplication. The Act is fair and it has worked well since it was passed in 1965. It has minimized disputes over service areas. Slope Electric will strongly oppose any legislative, regulatory, or other effort to abolish or weaken the provisions of the Territorial Integrity Act.

Rural Electric Cooperative Board Regulation

As consumer-owned organizations, we oppose any attempts to place North Dakota rural electric cooperatives under rate and service jurisdiction of the North Dakota Public Service Commission (PSC). North Dakota Rural Electric Cooperative's are directed by a member elected board of directors who are responsible for rate and management decisions based on the best interest of the members. We believe the PSC should still be the watchdog for consumers who get their power from for-profit stock companies or other sources in which the consumer is not a member/owner.

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**RESOLUTION NO. 2
RURAL UTILITIES SERVICES PROGRAMS - ELECTRIC**

Slope Electric Cooperative calls upon the Congress and the administration to continue a commitment to a balanced approach to long-term financing for the nation's electric cooperatives including hardship loans (for those systems meeting strict eligibility requirements), municipal rate loans, and Federal Financing Bank and Treasury rate loan guarantees.

While some in this country argue it's time for the Rural Development Utilities lending programs to be eliminated, or that the lending programs be based only on guarantees, Slope Electric opposes such proposals. The need for capital to build new facilities and/or renew existing plant continues at a level that clearly justifies a well-funded loan program. The guarantee program should not become the sole solution to electric cooperative capital needs. While it's enticing to seek guarantees during times of low interest rates, the nation's electric co-ops remember many years when capital costs reached double digit interest rates. Interest rates change with the market; but the primary focus for electric co-ops of serving the high-cost, low-consumer-density areas of this country remains largely unchanged. Nationally, electric cooperatives still serve only about 6.36 customers per mile of line, compared to about 35 customers for the IOU's and about 47 customers for municipal power systems. In North Dakota, cooperatives average 2.5 customers per mile. Slope Electric Cooperative serves 1.31 meters per mile of line.

We would further oppose any effort to eliminate the seven percent cap on Rural Development Utilities municipal rate loans, and would not support the inclusion of any general funds policy that limits a rural electric system's ability to access Rural Development Utilities loan programs.

We also oppose any means testing or move from the once-rural-always-rural test for borrower eligibility.

We wholeheartedly support the current, balanced Rural Development Utilities loan program and urge Congress to fund the program sufficiently.

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RESOLUTION NO. 3 HYDROPOWER POLICY

Preference Clause

Hydropower is an integral part of the Rural Electric Cooperative power supply. Preference power allocations, Power Marketing Agencies, cost based rates, and other Pick-Sloan users are part of hydropower concerns, and regulations in these areas affect rural electric cooperatives and their reliance on hydropower.

We believe that the rightful allocation continues to remain with these existing qualified preference customers. As the capacity of federal resources is limited, we believe that careful consideration must be given when providing allocations to otherwise qualified new customers at the expense of existing preference customers. We further believe that non-contributing private interests, who would use the benefits of the resource for profit, should not be at all entitled to this resource.

Our energy future largely depends on our ability and willingness to use this nation's hydropower resource efficiently. We therefore continue to encourage and support full development of the Missouri River for its traditional preference customers.

The principles establishing the preference clause for the disposition of federal hydropower are as sound today as they were when initiated. We oppose any effort to change it.

Power Marketing Administration

We believe Power Marketing Administrations (PMA's) should not be sold. Selling federal assets is not sound fiscal policy. Likewise, we oppose the privatization of power marketing agency maintenance contracts for federal dams. We believe the federal government is best suited to provide the maintenance for the dams they run and can provide the maintenance for a lower cost than private contractors.

The partnership that exists between the federal government and rural electric's regarding PMA's is an example of how the federal government can work to benefit its citizens. We believe that partnership should continue to benefit the rural, sparsely populated states like ours.

The power we receive from PMA's remains a vital component in continuing to ensure universal electric service at the lowest price possible.

Hydropower Rates

We do not believe hydropower rates should be increased beyond cost-based pricing. We strongly oppose any violation of the long-standing covenants between the government and its citizens which clearly provide hydropower to be sold at the lowest possible cost, consistent with sound business principles. Straight-line amortization, surcharges, increased interest rates and other changes for accelerated repayment by Power Marketing Agencies have been proposed by the Office of Management and Budget under various Administrations as well as by Members of Congress. Similarly, the budget proposal to increase PMA rates to "market levels" is nothing more than a discriminatory tax that would fall inequitable upon millions of rural Americans. We urge Congress to reject this proposal and others that abandon the fair, reasonable and equitable principles that have guided the pricing of federal power for nearly a century.

Pick-Sloan Benefits

We recognize the water development benefits promised to Upper Missouri Basin states to compensate for Missouri River bottom land flooded to provide down-stream flood control as part of the Pick-Sloan Plan.

Any changes from the original authorization for these federal projects should not jeopardize this region's hydroelectric users. We oppose changing preference clause provisions or raising hydroelectric rates to pay the debt obligation of the dams presently assigned to irrigation. We urge the Congress to strongly resist any attempts to provide for repayment assistance to municipal and industrial water systems in hydropower rates contrary to the reclamation law. We oppose any attempt to alter the benefits to preference customers which would increase hydropower rates to subsidize an investment which is not the responsibility of hydroelectric consumers.

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RESOLUTION NO. 4 ENVIRONMENTAL

Nature

As a rural state and region, we are concerned about the interrelation of man and nature. Issues such as conservation, global climate change and carbon sequestration affect our land, and we believe that stewardship of our natural resources and concern for the environment are primary to all our members. We support continued study and greater scientific knowledge of the changes and issues that affect our environment here and in our nation and world.

Clean Coal

Electric cooperatives operating coal-based generating facilities in North Dakota have invested heavily in clean coal technology. We support their efforts and encourage even more research and funding for clean coal technology to reduce emissions of sulfur dioxide, mercury and nitrous oxide to ensure that the region's rural electric consumers can continue to benefit from the use of our state's plentiful lignite coal resources.

North Dakota Wilderness and Wild and Scenic River Proposal

Slope Electric Cooperative opposes proposals to redesignate a portion of the Little Missouri National Grasslands or other lands across the state as National Wilderness Areas, or to designate portions of the Little Missouri River, the Pembina River, or other rivers running through the state as wild and scenic rivers or otherwise unduly interfere with private property rights or the orderly development of coal and other energy reserves when adequate protections already exist to protect the beauty of these areas and rivers.

Clean Water Restoration Act

We oppose removing the word "navigable" from the clean water acts definition of waters under federal jurisdiction.

Whereas immediate consequences would usurp the states' power to regulate streams, ponds, and other permanent "wetlands". It would also create federal regulation over isolated waters, drainage ditches, ponds, prairie potholes, etc.

Accidental Wildlife Electrocutation

Recent interpretations of the Migratory Bird Treaty Act (MBTA) have asserted that accidental electrocution of raptors and migratory bird species is a deliberate "taking" of wildlife by electric utilities. In addition, the MBTA is a "strict liability" law, which means that the U.S. Fish and Wildlife Service (USFWS) only has to show that the birds were killed by the activities of an individual or business.

Severe penalties have been assessed and proposed against utilities whose systems have experienced avian contacts with their facilities. USFWS is advocating that rural electric cooperatives enter into Memorandums of Understanding (MOUs) to eliminate migratory bird mortality due to electrocution on transmission/distribution lines and associated equipment.

Rural electric cooperatives support the goal of reducing avian electrocutions, and they have installed equipment on lines and created attractive perches away from dangerous locations to prevent avian deaths. It is impractical, however, to convert all aerial equipment to underground or to retrofit all existing equipment to eliminate all impact to avian species.

We urge balance in the federal government's approach to establishing the MOUs for rural electric cooperatives. We urge Congress to act by changing two provisions of the MBTA by (1) modifying and tempering the language that treats in-flight electrocutions or contacts by avian species as an intentional "taking" of protected avian species, and (2) a reevaluation of the "strict liability" standard for utilities that have implemented avian protection measures.

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**RESOLUTION NO. 5
SUPPORT FOR FAMILY FARMERS**

North Dakota's rural electric cooperatives have invested over \$800 million in electric distribution facilities, and another \$5 billion in generation and high-voltage transmission facilities, to provide dependable electric power to the state's largest industry—agriculture. This investment was made by rural electric leaders based on a vision of a widely-dispersed network of prosperous family farms that would in turn support rural communities.

In this time of relative uncertainty in agriculture, it is important to maintain a strong public partnership with the federal government to help family farm agriculture compete in a global economy. This can be achieved by maintaining a strong farm program that includes an adequate safety net for farmers, countercyclical payments in times of depressed market conditions, improved crop insurance, and a permanent disaster relief program of emergency assistance.

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RESOLUTION NO. 6 GLOBAL CLIMATE CHANGE

Concern about global climate change has accelerated, leading to strong efforts to enact federal and state policies to reduce man-made emissions of greenhouse gases into the atmosphere, including carbon dioxide from burning coal. Because the electric industry in general and electric cooperatives in particular rely heavily on coal for base load electric generation, poorly designed policies would cause substantial harm to electric consumers without measurable benefits in stabilizing or reducing global warming. We must assess the costs of current proposed global climate change legislation that has the potential to double wholesale coal-based electricity rates. To address climate change responsibly, we strongly endorse the following principles to guide climate change policy:

- Emission reduction requirements must be directed to all sectors of the economy.
- Emission reduction plans must be based on international understandings and agreements that ensure other nations, including both developed and developing nations, participate.
- The emission reduction targets must be achievable and timed with the advancement and commercialization of technologies.
- Emission reduction proposals, such as cap and trade plans, must include an economic safety valve, to avoid excessive financial hardships, market manipulation, or large price swings.
- Fuel diversity should be encouraged to avoid reliance on a few sources of electricity, which will limit competition and create higher prices. This means nuclear energy and coal with carbon capture and storage, must be part of our nation's energy future, together with hydropower and other renewable energy, such as wind and solar power.
- Early adopters should receive credit for efforts made in CO₂ captured and sequestered before climate change policy is enacted.
- New laws and regulations should be prospective rather than retroactive in application.