Jergeson respone to Pancich editorial

By GREG JERGESON

I knew when I chose to offer a detailed dissection of the Burns & McDonnell report on Electric City Power that I might be vulnerable to an "O.J.'s glove" moment.

In his guest opinion published in the Tribune Jan. 14, ECP board member Bob Pancich, taking items out of context from an 18-page document backed up by 15 pages of exhibits, must believe he has found just such an "if the glove doesn't fit, you must acquit" moment.

I have since seen the document that Mr. Pancich claims refutes my argument that NorthWestern Energy's electric supply costs were overstated in the Burns & McDonnell report.

As I reviewed that document, along with some supporting documents, it became readily apparent that Burns & McDonnell and I employed distinctly different methodologies in calculating NWE costs.

I relied on the methodology that manifests itself in the monthly bill of 300,000 NWE customers. In their methodology to present NWE power supply costs, they added certain costs and subtracted other numbers, such as the deferred supply credit. All the while, the Burns & McDonnell report did not describe that methodology or cite the sources for the data. Therefore, I had no way to understand or test the difference at the time I did my analysis.

Of course, the whole comparison with the NWE electricity supply costs is something of a side-show, kind of like O.J.'s glove.

The NWE costs could have been higher or lower than ECP rates at any level and that would not have made a penny's difference in the size of the operating deficit ECP accumulated during the period.

Not one penny. That deficit only eased when Soutern Montana Electric Generation and Transmission Cooperative offered a “lower, blended” rate to ECP midway through fiscal 2009. On the heels of a year when SMEC lost $7,383,319 and saw its net assets decline by $6,659,735, that was a very generous ges-ture, indeed.

However, one cannot expect such “lower, blended” rates to continue, unless, of course, the member cooperatives of SMEC wish to keep raising rates to unprecedented levels for their own members. After all, the “lower, blended” rates for ECP have translated to “higher, blended” rates for the cooperatives’ customers.

Interestingly, on page 3-3 of their report, Burns & McDonnell acknowledge that the deficit will reappear in fiscal year 2011 unless there are substantial increases in the rates paid by ECP customers.

They have recommended an immediate 10 percent increase in ECP rates, followed by annual 5 percent increases. At that point, I think it will be hard to argue that ECP rates are competitive in comparison to any alternatives. The only other way to avoid future deficits is for further increases for the members of the SMEC cooperatives in order to fund more “lower, blended” rate arrangements for ECP.

The Great Falls City Commission has some enormous decisions to make relative to the fate of ECP.

I have offered my analysis, not to dictate the decisions they ultimately make, but to broaden the information base upon which they may rely to inform their decisions.

I wish them well and stand ready to answer any questions they may have.

Greg Jergeson, Chinook, is chairman of the Montana Public Service Commission