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February 18, 2004

The Honorable Alan Olson, Chair
Energy and Telecommunications Interim Committee
State Capitol
Helena, Montana, 59620

Dear Representative Olson,

On behalf of the Board of Directors at Energy Share of Montana, we are pleased to have the opportunity to offer comments on the reauthorization of Universal System Benefit (USB) programs.

In addition to the recommendations contained in this letter we are providing some attachments that explain how Montana's low-income residents have benefited from USB funding to Energy Share, the size of Montana's low-income population, and the need to do more for low-income funding.

Since the beginning of USB in 1997 Energy Share has consistently supported having low-income gas and electric USB treated the same. For us that means:

1. No sunset
2. Funded on the prior year's gross revenue
3. Having the funding level reflect the need and effectiveness of present programs

Additionally, the large customer provision of electric USB has been very beneficial to Energy Share, generating over \$616,238 in donations since 1997. Energy Share would support leaving that portion of electric USB unchanged.

For several years Energy Share has maintained the Public Service Commission should order NWE to segregate USB funds into an interest bearing account, consistent with the staff recommendation 29 on page 9 of the USB workbook. We would support option 29 page 9 requiring utilities to segregate USB funds.

On page 9, first paragraph, I need to clarify the statement attributed to me. My remarks to the committee concerning not receiving gas USB funding were specific to NWE. MDU and Energy West have consistently provided both gas

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and electric USB funding to Energy Share. Additionally, several small gas utilities also donate to Energy Share on a regular basis. Electric cooperatives that donate earmark most of that donation for the benefit of their customers.

I'm not convinced there is a problem with spending electric USB low-income dollars on families heating with natural gas, as long as NWE has sufficient gas USB revenue to fund the customer discount, weatherization and Energy Share. Additionally, families that heat with propane, coal or wood might be left out of any assistance if the USB benefits were restricted. While a large utility might more easily separate the accounting for this recommendation it may be burdensome on the smaller energy providers. We will continue to work with NWE to allocate some gas USB to low income bill support but do not see the necessity of legislative corrections at this time.

Concerning the carry-forward option 31, page 9, again the issue largely revolves around NWE and situations created by renewable energy projects that didn't get off the ground. If the Committee decides to address this option I would only point out there is a small timing problem that requires some carry-forward. The USB charges go from January 1 through December 31 and are based on supply. The supply usage for December isn't known until sometime in January. Customer bill discounts attributable to December usage aren't known until sometime in January as well. If the carry-forward is restricted, it might be more workable to restrict the first three quarters of revenue to no carry-forward and allow the fourth quarter revenue to be carried forward through the first quarter of the New Year.

Finally, we would remind the committee that the Transition Advisory Committee and the Public Service Commission have reviewed the low-income portion of both gas and electric USB. Both public bodies have determined there are no other markets for low-income programs and the need for those programs continues to exist. The numbers in our attached handouts demonstrate the low-income problem has increased in Montana, since the last reauthorization. We hope the committee will permanently establish low-income electric USB along the lines of gas USB and consider the Public Service funding level of electric low-income USB at the 1.12% level the PSC has established for natural gas.

Sincerely,

A handwritten signature in cursive script that reads "Gregg Groepper".

Gregg Groepper
Executive Director