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Exhibit No. 1

Date 2.8.05

Bill No. USB Programs

General Primer on Universal
System Benefits
Programs in Montana

Senate Energy and
Telecommunications Committee
Todd Everts, Legislative Services
Division, Feb. 8, 2005

USBP Overview

- What are USB programs?
- Historical Chronology on USB programs in Montana.
- How does the USB program funding mechanism work?
- What is the over-all funding level for USB programs?

What are USBP Programs?

- Low Income (energy assistance & weatherization)
- Cost-Effective Conservation + R&D
- Market Transformation
- Renewables + R&D

Historical Chronology: 1996

- Governors' Comprehensive Regional Review of Energy recommended public purpose funding in Montana, Oregon, Idaho, and Washington at 3% of annual revenues.

Historical Chronology: 1997

- SB390 established the Universal System Benefits Charge for all electric distribution utilities at 2.4% of 1995 electric utility revenues to begin January 1, 1999.
- Public Purpose categories--low income weatherization and bill assistance, energy conservation, market transformation, renewable resources, and research and development.
- Large customer, those with loads greater than 1000 kW, USBC rate established at the lesser of \$500,000 or .9mills/kWh. Large customers are allowed to self-direct to qualifying public purposes.
- Minimum funding level for Low Income activities was set at 17% of total funds collected.
- Cooperatives allowed to "pool" expenditures to achieve 2.4% of total cooperative revenues.
- Unspent funds were designated to State Low Income USB or State USB special revenue funds.

Historical Chronology: 1999

- USB rates were fixed at initial level.
- Large Customer definition was clarified.
- Department of Revenue was established as entity to whom reports are submitted, timeline for rules was established, challenge process was defined, State Fund administrators named (DEQ for USB Fund and HHS for Low Income USB fund).
- DOR established USB rules for 2000 and beyond.

Historical Chronology: 2001

- Legislature clarified that amortized and non-amortized power purchase costs associated with conservation and renewables are qualifying USBP activities
- Legislature Added that 6% of total funds be directed to Conservation for Irrigated Agriculture—7/1/01 (for Utilities that have Filed Transition Plans—MPC, Glacier, Flathead) (Repealed by referendum)
- Legislature Extended Electricity USB charge sunset from July 2003 to December 31, 2005 (repealed by referendum)

Historical Chronology: 2003

- Legislature Extended Electricity USB charge sunset to December 31, 2005.
- Legislature required that any left over USBP money that flowed into State Special Revenue Accounts be expended in the service territory from which the money was received.

How does the USBP funding mechanism work?

- The recovery of all universal system benefits programs costs imposed is authorized through the imposition of a universal system benefits charge assessed at the meter for each local utility system customer.
- The customer's distribution utility is required to collect USBP funds from the customer.
- The PSC sets USBP rates for utilities subject to its jurisdiction and the governing boards of cooperatives set rates for cooperatives.

USBP Equation Simplified?????

- 1995 Retail Sales = \$100
- USBP Initial Funding Level = \$2.40 (2.4%)
- Subtract any credits = -credits

- Any left over money flows into state account for distribution.

- The cooperatives are allowed to collectively pool statewide credits.

- Large customers' USBP charge equals the lesser of \$500,000 or 0.9 mills per kilowatt hour multiplied by the customer's total kilowatt hour purchases, less credits.

Low Income Portion of USBP Charge

- Of the hypothetical \$2.40 initial over-all funding level, a minimum of .40 cents (17%) must be allocated to low income assistance. The utility can subtract any credits. Left over money flows into state account for distribution.

Reporting

- All utilities and cooperatives are required to file an annual report with the Department of Revenue detailing their USBP expenditures.
- Large customers claiming credit for USBP activities, also must file a report.

**Total USBP Electricity
Obligation in 2003**

■ NorthWestern Energy	\$8,522,939
■ Montana-Dakota Utility	\$808,714
■ MT Rural Elec. Coops	\$3,806,610
■ CFAC	\$500,000

Total: \$13,638,263

**Allocation of USBP Funds 2003
(NorthWestern Energy)**

■ Conservation	21%
■ Market Transformation	13%
■ Renewables	13%
■ Research and Development	3%
■ Low-Income Programs	21%
■ Irrigation	0%
■ Large Customers (self directed)	30%
Total:	100%

**Allocation of USBP Funds 2003
(Montana Rural Electric Coops)**

■ Energy Conservation Programs	74.2%
■ Low Income Programs	25.5%
■ Renewable Resource Projects	0.3%
Total:	100%

**Allocation of USBP Funds 2003
(Montana-Dakota Utilities)**

*Buy for NDE
Energy*

■ Low Income Programs	39%
■ Conservation Programs	4%
■ Research and Development	12%
■ Large Customer Self Directed	19%
■ Percentage Unspent Money Directed to the State	26%
Total:	100%

**Allocation of (NWE) Large
Customer 2003 USBP Funds**

- Total Large Customer USBP Obligation = \$2,574,474
- Total amount self directed by Large Customers = \$2,525,920
- Amount unclaimed by Large Customers = \$48,583
- Amount self directed to low-income = \$120,749
- Amount self directed to conservation = \$2,405,241

Natural Gas USBP

- Commission establishes USB charge taking into account current level of expenditures by a Natural Gas Utility, cost-effectiveness, and similar costs imposed in other states.
- Annual funding requirement for low-income weatherization and bill assistance is established at 0.42% of a natural gas utility's annual revenue.
- NorthWestern natural gas USBP obligation for 2004 = \$1,796,230, 18% allocated to conservation and 82% allocated to low-income.
