

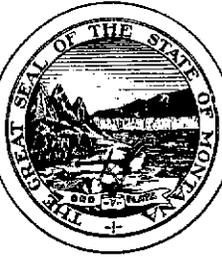
DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES

Senate Energy & Telecomm. Comm

Exhibit No. 2

Date 2.8.05

Bill No. SB 34



JUDY MARTZ
GOVERNOR

GAIL GRAY, Ed.D.
DIRECTOR

STATE OF MONTANA

FAX (406) 447-4287

HUMAN AND COMMUNITY SERVICES DIVISION
Intergovernmental Human Services Bureau
PO Box 202956
Helena, MT 59620-2956

January 12, 2005

To: Senator Cobb

From: Jim Nolan, Chief *JN*
Intergovernmental Human Services Bureau

Subject: Senate Bill 34 – Probable Impact on Low Income Energy and
Weatherization Assistance Programs

You have asked for information concerning Senate Bill 34's impact on low-income energy and weatherization assistance programs. To estimate the impact of increasing from 17 percent to 40 percent, a utility company's minimum annual funding to low-income energy and weatherization assistance, we examined the 2003 annual reports of Montana Dakota Utilities (MDU), North Western Energy (NWE), and the Montana Electric Cooperatives' Association (MECA). The 2004 reports are not due until March 2005.

Montana Dakota Utilities

In 2003, MDU's USB obligation was \$808,714. Approximately 54 percent (\$432,846) of that amount was expended on low-income energy activities targeted to MDU customers. MDU's 2003 low-income USB activities included:

	Amount Expended	Percent of Low- Income Activities
Bill Discounts for LIEAP Qualified Customers	\$80,342	18.6
Weatherization and Furnace Safety	\$267,141	61.7
Bill Assistance (Energy Share)	\$60,000	13.9
Endowment (Energy Share)	\$20,000	4.6
Program Promotion	\$5,363	1.2

Assuming the utility company's intention is to continue funding low-income activities at 54 percent, increasing the minimum annual funding requirement for low-income energy programs from 17 percent to 40 percent should have no impact.

North Western Energy

In 2003, NWE's USB obligation was \$8,522,939. Approximately 32 percent (\$2,712,304) of that amount was expended on low-income energy activities targeted to NWE customers. NWE's 2003 low-income USB activities included:

	<u>Amount Expended</u>	<u>Percent of Low- Income Activities</u>
Bill Discounts for LIEAP Qualified Customers	\$1,521,361	56.1
Weatherization and Furnace Safety	\$846,778	31.2
Bill Assistance (Energy Share)	\$225,000	8.3
Program Promotion, Labor and Admin.	\$106,665	3.9
Security Deposit Loans for LIEAP Customers	\$12,500	.5

Changing the minimum funding level from 17 percent to 40 percent would result in an additional \$696,872 for low-income programs. At a \$3,000 per home average, the additional monies would cost-effectively weatherize approximately 232 high-energy burden LIEAP households annually. At the 2003 caseload level, \$696,872 would also amount to a 45 percent increase in the average bill discount NWE provides its LIEAP customers. If NWE chose to distribute the additional \$696,872 as it did in 2003, the allocations to low-income activities would be as follows:

	<u>Additional Amount Expended</u>	<u>Percent of Low- Income Activities</u>
Bill Discounts for LIEAP Qualified Customers	\$390,945	56.1
Weatherization and Furnace Safety	\$217,424	31.2
Bill Assistance (Energy Share)	\$57,840	8.3
Program Promotion, Labor and Admin.	\$27,178	3.9
Security Deposit Loans for LIEAP Customers	\$3,484	.5

Montana Electric Cooperatives

In 2003, MECA's USB obligation was \$3,806,610. Approximately 26 percent (\$970,529) of that amount was expended on low-income energy activities targeted to MECA customers. MECA's 2003 low-income USB activities included:

	<u>Amount Expended</u>	<u>Percent of Low- Income Activities</u>
Bill Discounts	\$218,042	22.5
Weatherization and Furnace Safety	\$37,812	3.9
Bill Assistance (Energy Share)	\$136,968	14.1
Endowment (Energy Share)	\$24,565	2.5

Program Promotion, Labor and Admin.	\$102,076	10.5
Fee Waivers	\$19,629	2.0
Arrearage Forgiveness, Crisis Benefits, Blankets, and Space Heating Devices	\$347,559	35.8
Power and Equipment Purchases	\$83,879	8.6

Changing the minimum funding level from 17 percent to 40 percent would result in an additional \$552,115 for low-income programs. At a \$3,000 per home average, the additional monies would cost-effectively weatherize approximately 184 high-energy burden LIEAP households annually. At the 2003 caseload level, \$552,115 would also amount to a 253 percent increase in funds used to provide low-income customers bill discounts. If the Cooperatives chose to distribute the additional \$552,115 as they did in 2003, the allocations to low-income activities would be as follows:

	<u>Additional Amount Expended</u>	<u>Percent of Low- Income Activities</u>
Bill Discounts	\$124,226	22.5
Weatherization and Furnace Safety	\$21,532	3.9
Bill Assistance (Energy Share)	\$77,848	14.1
Endowment (Energy Share)	\$13,803	2.5
Program Promotion, Labor and Admin.	\$57,972	10.5
Fee Waivers	\$11,042	2.0
Arrearage Forgiveness, Crisis Benefits, Blankets, and Space Heating Devices	\$197,657	35.8
Power and Equipment Purchases	\$47,482	8.6

Summary

Increasing from 17 percent to 40 percent, a utility company's minimum annual funding to low-income energy and weatherization assistance would add approximately \$1.249 million (over 2003 low-income USB funding levels) to low-income programs. Additional funds would come from the electric cooperatives and NWE. If allocated to the Low-Income Weatherization Program, approximately 416 high-energy burden LIEAP households could be cost-effectively weatherized with the additional funds. Additional low-income USB funds would also substantially increase the effectiveness of bill discount programs offered to low-income customers.

cc Hal Harper
Hank Hudson

1