



Senate Energy & Telecomm. Comm.
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Date 2.8.05
Bill No. SB 371, 307, 365
+ SB 34

February 8, 2005

TO: Chairman Senator Toole and Members of the Senate Energy and Telecommunications Committee

Re: Support of SB 371, Sponsored by Senator Harrington Reforms to Montana's USB Law

Mr. Chairman and Members of the Committee, for the record I am Pat Callbeck Harper, Associate State Director for AARP Montana, and also here is our Legislative and Research Coordinator, Jackie Boyle. We testify in support of SB 371 as a potential vehicle for your recommendations for reform of our Universal System Benefits Program.

AARP is a nonprofit, nonpartisan organization dedicated to bettering the lives of persons 50 and older, with 143,000 members in Montana. We have been active in consumer energy issues for the last 7 years. In the last year we've been

- o Active in the PSC on behalf of consumers dealing with effects of deregulation and the bankruptcy.
- o Participating in NWE's USB Advisory Group on behalf of our low and fixed income consumer needs.
- o Sponsoring the Energy Consumer Summit in February 2004 gathering stakeholders in energy assistance programs and national specialists in energy burden and low income programs to analyze Montana's programs.
- o Consulting during the last year with major stakeholders in our USB public benefit program: NWE, Large Customer Group, PSC Commissioners, low income groups, Human Resource Center directors, conservation and weatherization and renewable advocates, LIEAP director Jim Nolan (DPHHS).
- o Visited three electrical cooperative offices with Gary Wiens of MECA (was impressed with the willingness and eagerness to help low and fixed income members, and with their need for technical assistance and model programs).
- o Testifying in the Interim Legislative Committee on Energy and Telecom.
- o Distributing 50,000 of our Energy Assistance Brochures (for second winter) to all senior centers, community centers, area agencies on aging and other partners.
- o Successful in partnering with NWE, HRC Missoula and National Renewables Project on the stipulated agreement in the PSC to reassign \$621,000 from within NWE's USB program to low income bill assistance for this winter.

Throughout last winter and now again this winter, we are getting many calls from our members asking for help in managing energy bills they cannot pay.



On the blue handout, there are responses to our statewide membership survey of December 2004 showing how strongly our members feel about affordable, reliable energy services and rates. It is one of three top priorities for our legislative session.

A case study: If you are a retiree in Montana living on just Social Security minimum benefit, you receive less than \$900 per month (\$880) or about \$10,800 annually (just above 100% FPL). Energy burden specialists estimate low income Montanans spend 32-34% of their monthly disposable income on energy bills, and AARP estimates they spend another 30-33% on out-of-pocket health care and Rx. *Our members report they are making choices between eating, heating, and taking their medicines.*

It is also not good for small businesses and our senior centers, whose energy burden cuts into their survivability, and if they close, cuts into the survivability of retirees who count on their main street services for their needs. Small businesses contribute to the USB funds at the same rate as residential customers, and large energy customers contribute at a lower rate and can self-direct all of their USB contributions to internal needs. We know some Senior Centers especially in rural areas are considering cutting services and needed remodeling to afford their energy bills.

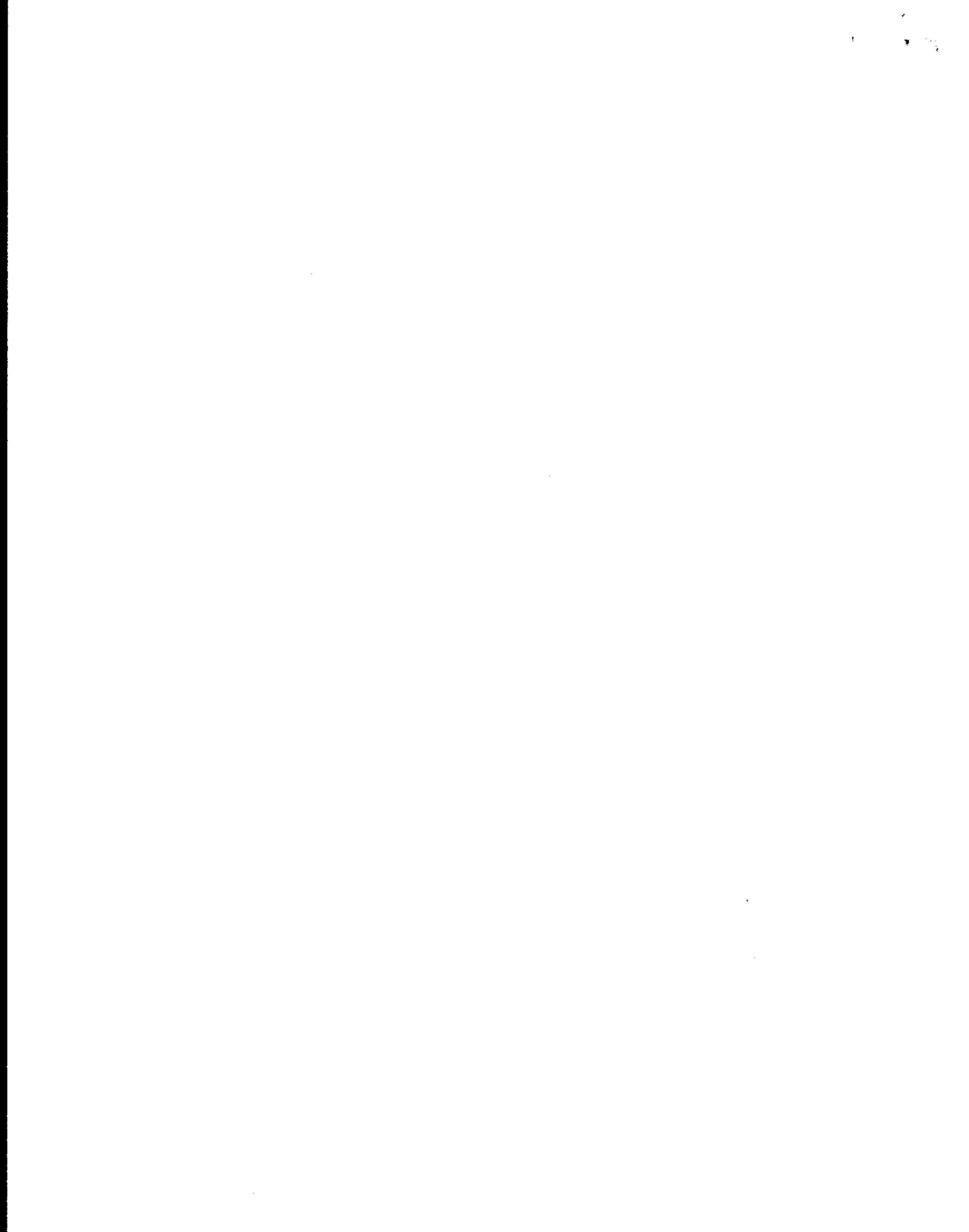
We know from the federal Low Income Energy Assistance Program (Jim Nolan, Montana director) that about 83,000 households are eligible for LIEAP assistance, but only 22,000 have applied. This enrollment gap is critical because if you are not certified for LIEAP funding you cannot access most of the state USB assistance either.

AARP studied our public benefit energy assistance programs over the last two years. We have identified some moderate but key reforms we think will achieve our goals:

- 1. Make our energy public benefit program permanent – it is an important and much needed benefit program, especially now.**
- 2. Without criticizing what has happened to date, make needed improvements in the operations of the USB programs, especially those targeted to our most vulnerable low and fixed income consumers.**
- 3. Prioritize low income bill assistance as the most effective way to avoid crisis approaches, encourage regular bill payment on the balance of the bill, and reduce arrearages and disconnections as much as possible.**
- 4. Move to more comparable obligations for low income programs for all utilities, cooperatives, and users.**
- 5. Do all of this without significantly increasing the USB charge on customers' bills, make our programs more efficient in helping low income households, and "get the biggest bang for our ratepayer buck." Our members believe that their USB charge is going to help needy families pay their bills.**

A Summary of some of the key reforms in SB 371:

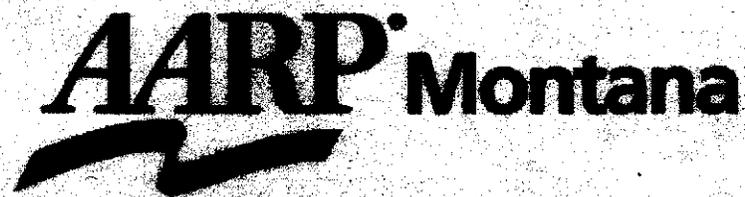
- A. Creates a Montana Energy Assistance Program: prioritizes bill assistance, requires all utilities and cooperatives to set up an internal low-income assistance program (bill assistance and low income weatherization and conservation); sets the amount of USB funding to go to MEAP at a minimum of 30% (up from 17% now).**
- B. Authorizes the PSC to study low income needs for natural gas assistance, set the percentage of gas USB that goes to low income, and allocations to the remaining USB programs.**
- C. Sets the allowable USB programs; major change is to eliminate market transformation as an allowable USB expense.**
- D. Defines “low income customer” as persons receiving LIEAP, but will also include those up to 175% of federal poverty level (\$16,239/year).**
- E. Make the public benefit program permanent, remove any expiration date; remove purchases of power as allowable USB expenditures for cooperatives. Continue to allow cooperatives to pool their USB credits, but the pool would contribute to MEAP at 30%.**
- F. Require all utilities to publish a USB plan.**
- G. Increase portion of USB funds that goes to low income programs (MEAP) from current 17% to 30%.**
- H. Clarify the detail needed in USB reports; low income program reports will be filed with LIEAP Office (DPHHS) and the Interim Energy Legislative Committee.**
- I. Clarify process for challenging a USB expenditure, and place burden of proof for a challenged credit on the utility or large customer, not on the person filing the challenge.**
- J. Prevent co-mingling of USB funds (gas and electric USB).**
- K. Call for DPHHS to conduct a study of energy assistance needs of all Montana low-income customers (funded by USB funds).**
- L. Proposes auto enrollment into LIEAP and utility bill discount programs all Montanans who are eligible for other assistance programs using the same income eligibility as LIEAP.**



These are different days than 1997-99; our energy burdens are significantly different than then. Our fixed- and low-income households really need statewide comparable, effective programs to help them afford their monthly bills.

We know you are considering many options for USB reform. We will be available to you whenever needed to work on a final proposal for your consideration. Thank you.





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What are Montana AARP members saying about energy?

In a survey of our members taken at the end of 2004:

- Most Montana members (85%) said their energy bills have gone up, and they believe that electrical deregulation has hurt consumers like them (70%).
- Almost 9 in 10 said their energy bill has gone up in the past three years.
- When asked about personal concerns, *affordable energy services* was among the top four issues of *extreme concern* to surveyed members.
- Over 4 in 10 (43%) find it to be difficult to pay their energy bills.
- Most Montana members (77%) said that *affordable energy services and rates* were a top or high priority for legislative action this year.

Why Montanans need to reform the Energy Assistance Program...

What is our energy assistance program?

As part of deregulation in 1997, a "universal systems benefits program (USB)" was established to maintain funding for public benefit programs related to energy (low income bill assistance, weatherization, conservation and renewable resource projects, market transformation and research and development). The USB programs were part of the transition from a regulated energy market to a deregulated one, but have remained the primary source of funding for important public purposes.

Why is reform needed?

With the significant increases in energy costs over the last two winters, most low income households in our state, and many middle income households are facing a "kitchen table crisis" making critical choices between *eating, heating and medicines*.

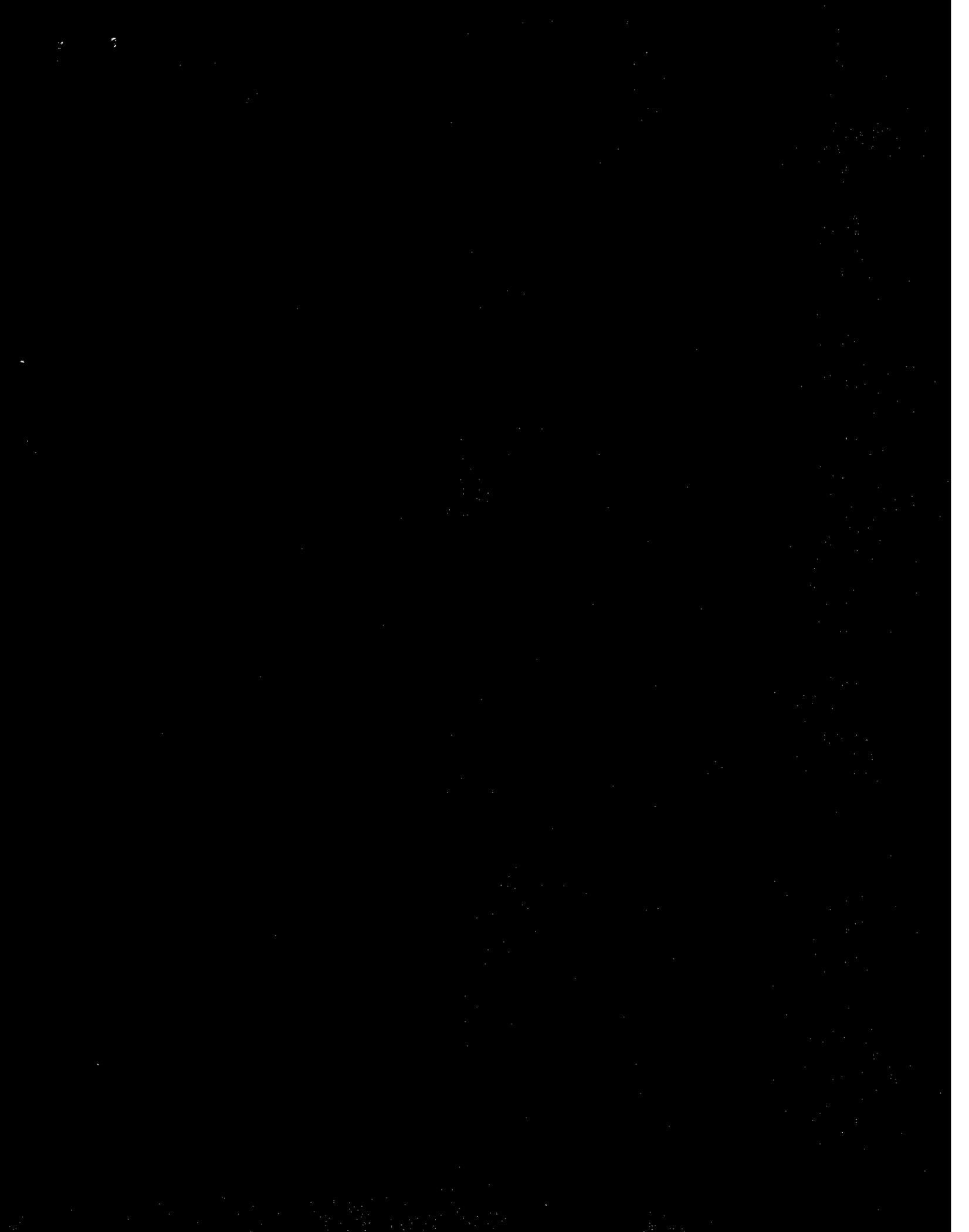
The State estimates that there are 80,000 households that are eligible for the federal program (LIEAP) and therefore eligible for USB assistance... but about 60,000 of these eligible households have not applied for assistance.

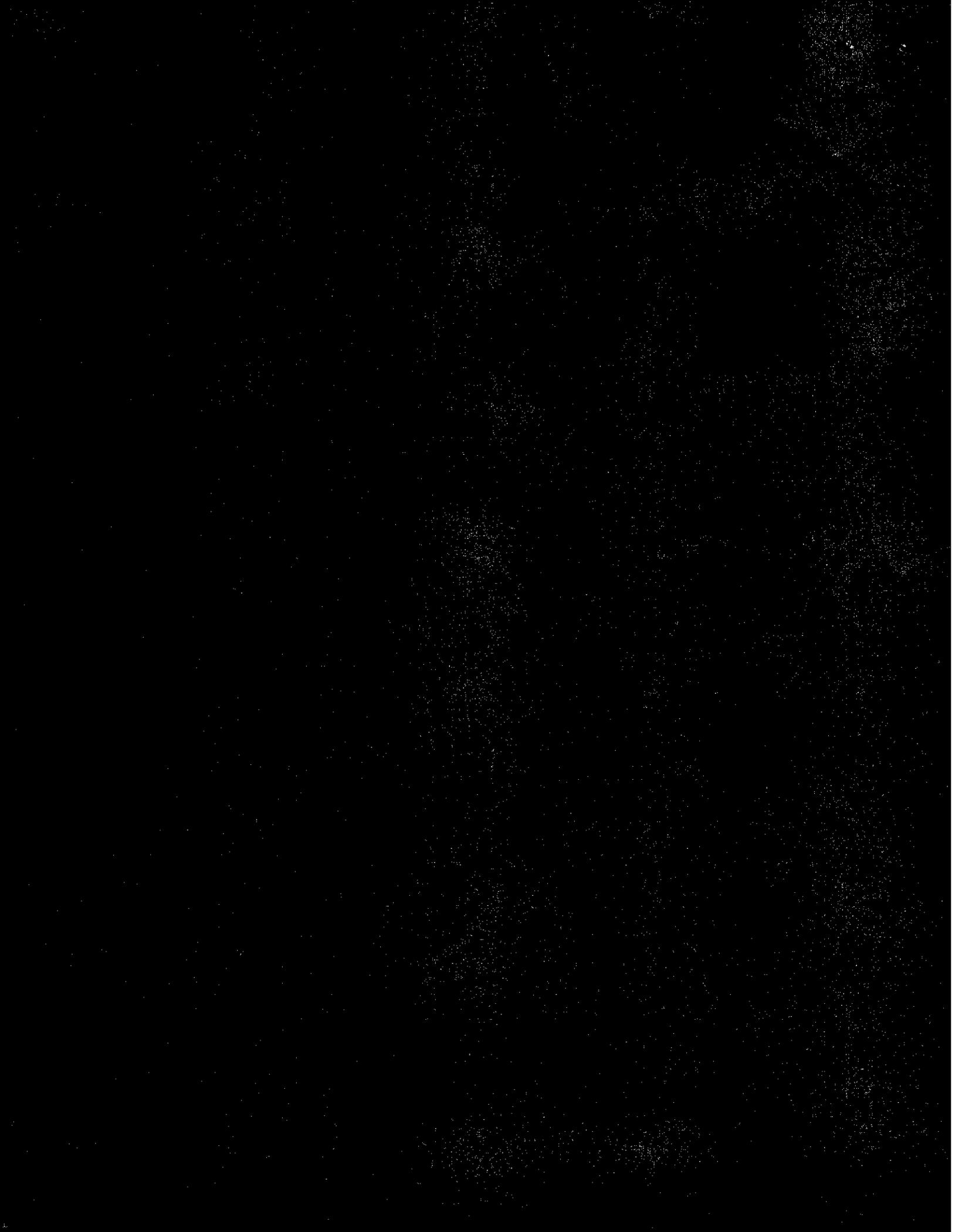
Energy economists estimate that low and fixed income households are paying about 33% of their monthly income on energy bills. Add the 33% that these same folks are paying for out-of-pocket healthcare and Rx costs, and little is left for food, property taxes, home care, gasoline, etc.

What does AARP Montana hope will come through legislative reform?

- ✓ Provide more assistance to more households.
- ✓ Creating a statewide public energy assistance program to provide adequate and comparable assistance across the state and across providers.
- ✓ Clarify the Public Service Commission's authority to monitor energy needs and set natural gas USB rates.
- ✓ Clarify low income assistance obligation for all energy providers and energy users.
- ✓ Raise minimum USB funds dedicated to low income assistance from 17%-30%.
- ✓ Strengthen and clarify accountability, planning and reporting on spending USB funds.

By making these reforms, we want to increase the funds available to USB's beneficial programs.





	Total Households all Income Levels	Total Households @ or Below 150% of Poverty*	Approved LIEAP Households - PY2004*	Approved LIEAP Senior Citizen Households - PY2004*
1 BEAVERHEAD	3,679	1,108	218	57
2 BIGHORN	3,910	1,531	486	114
3 BLAINE	2,531	962	132	39
4 BROADWATER	1,747	395	158	45
5 CARBON	4,067	962	159	50
6 CARTER	547	171	16	10
7 CASCADE	32,633	8,028	1,507	388
8 CHOUTEAU	2,240	625	105	31
9 CUSTER	4,778	1,391	194	69
10 DANIELS	897	259	22	12
11 DAWSON	3,619	1,026	154	51
12 DEER LODGE	4,018	1,109	339	71
13 FALLON	1,126	283	22	15
14 FERGUS	4,860	1,274	265	90
15 FLATHEAD	29,694	7,021	1,238	389
16 GALLATIN	26,357	5,687	741	113
17 GARFIELD	533	191	12	7
18 GLACIER	4,313	1,733	111	39
19 G. VALLEY	360	107	25	10
20 GRANITE	1,201	343	87	29
21 HILL	6,457	1,810	522	70
22 JEFFERSON	3,741	708	217	55
23 J. BASIN	951	251	47	16
24 LAKE	10,233	3,199	449	159
25 LEWIS & CLARK	22,855	4,482	1,554	243
26 LIBERTY	829	207	23	11
27 LINCOLN	7,788	2,606	883	266
28 MADISON	2,958	773	123	52
29 MCCONE	809	230	24	12
30 MEAGHER	807	240	70	36
31 MINERAL	1,592	486	189	50
32 MISSOULA	38,493	9,968	1,983	294
33 MUSSELSHELL	1,865	583	183	55
34 PARK	6,820	1,780	347	78
35 PETROLEUM	209	87	12	8
36 PHILLIPS	1,844	532	101	58
37 PONDERA	2,414	671	162	49
38 P. RIVER	739	208	21	12
39 POWELL	2,433	537	177	55
40 PRAIRIE	537	153	32	15
41 RAVALLI	14,259	3,556	804	238
42 RICHLAND	3,894	937	146	55
43 ROOSEVELT	3,608	1,478	49	22
44 ROSEBUD	3,282	924	64	25
45 SANDERS	4,276	1,436	277	109
46 SHERIDAN	1,748	428	71	30
47 SILVER BOW	14,465	3,766	1,553	308
48 STILLWATER	3,209	567	97	34
49 SWEET GRASS	1,477	304	50	19
50 TETON	2,518	662	137	46
51 TOOLE	1,971	536	86	33
52 TREASURE	363	109	11	8
53 VALLEY	3,143	817	95	47
54 WHEATLAND	835	251	53	23
55 WIBAUX	425	142	15	9
56 YELLOWSTONE	52,113	11,159	2,507	503
STATEWIDE TOTALS	359,070	90,789	19,125	4,732

* Please note that LIEAP figures do not include households qualified by Tribal LIEAP offices. Estimates of households at or below 150% of poverty do include reservation households.



February 8, 2005

TO: Chairman Senator Toole and Members of the Senate Energy and
Telecommunications Committee

Re: Support for SB 307

Mr. Chairman and Members of the Committee, I am Pat Callbeck Harper, Associate State Director for AARP Montana. AARP is a nonprofit, nonpartisan organization with 143,000 members in Montana.

We support SB 307 because it includes some reforms that we know will strengthen the public assistance we give to needy Montanans.

For example, SB 307 changes the reference year for determining the USB fund from 1995 to a rolling mechanism using more contemporary reference years. This will increase the pool of funding for the USB programs possibly by \$1-2 million. SB 307 also adjusts some special arrangements that were made in 1997 and 1999 when circumstances and customer needs were clearly different.

SB 307 does not allow for the cooperatives to pool their USB credits. We don't support this measure. We believe that cooperatives are doing more than we may know right now, and many want to do more if provided technical assistance on low-income program design. We believe the proposal in SB 371 asking cooperatives to report as individual cooperatives on their low-income efforts will give us the information we need about where in the state low-income households do not have access to comparable assistance to that of major utilities.

We believe that SB 307 has several significant options for solid reform that we hope you will consider as you work on a final proposal for the Committee.

Thank you for the opportunity to testify.



February 8, 2005

TO: Chairman Senator Tool and Members of the Senate Energy and
Telecommunications Committee

Re: Support of SB365, Sponsored by Senator Ellingson

Mr. Chairman, I am Pat Callbeck Harper, Associate State Director for AARP Montana. AARP is a nonprofit, nonpartisan organization with 143,000 members in Montana.

We support SB 365, because if no other reform passes this Legislature, this extension of our USB public benefit program must.

We still will not have as effective and efficient a public program as we could have, and reach more and more needy Montana energy consumers. But we will have nothing at all if the program deadline is not extended to 2009 (or made permanent as is our preference).

The extension of this important program should definitely be approved, and hopefully included in a comprehensive bill of reforms that you judge important of the many proposed to you today.

Thank you for the opportunity to testify.





February 8, 2005

TO: Chairman Senator Toole and Members of the Senate Energy and
Telecommunications Committee

Re: Testimony in "Friendly Opposition" to SB 34, Sponsored by Senator Cobb

Mr. Chairman and members of the Committee, I am Pat Callbeck Harper, Associate State Director for AARP Montana. AARP is a nonpartisan, nonprofit organization with 143,000 members in Montana.

We are in "friendly opposition" to Senator Cobb's bill. We appreciate Senator Cobb's intent to raise more funding for low-income energy assistance, and to extend the expiration date on the programs.

However, without other needed reforms in our energy public assistance package of programs, the effect of Senator Cobb's proposal to raise the low-income share from 17% to 40% will squeeze other essential programs in conservation, renewables and research and development that are important components in a comprehensive energy public benefit model.

We support for your consideration the moderate suggestions for these reforms in Senator Harrington's SB 371, and others in Senator Toole's SB 307.

And we thank Senator Cobb with all sincerity for his ongoing commitment to Montana's needy households, whether they are young, mature, or elder households.

Thank you for the opportunity to testify.

