

TESTIMONY

ON SB 34

BY DON PREVOST, MANAGER, LOWER YELLOWSTONE REA

ON BEHALF OF MONTANA ELECTRIC COOPERATIVES' ASSOCIATION

BEFORE THE SENATE
ENERGY AND TELECOMMUNICATIONS COMMITTEE

February 8, 2005

Mr. Chairman, Members of the Committee, for the record, my name is Don Prevost. I am manager of Lower Yellowstone REA electric cooperative headquartered in Sidney, Montana. As chairman of Montana Electric Cooperatives' Association's USBP Legislative Committee, I am appearing today on behalf of our statewide association.

As will be explained in specific detail later in testimony subsequent to mine, SB 34's mandated increase in the minimum USBP low-income obligation from 17 percent of 2.4 percent of 1995 electricity sales to 40 percent of electricity sales will have an enormous impact on our co-ops.

Unlike co-ops' pre-existing expenditures to meet USBP spending requirements on conservation and renewable resource projects, most of our co-ops' expenditures to meet the low-income obligation were added, new costs in our customers' bills. Thus, more than doubling the minimum low-income obligation to 40 percent as proposed in SB 34 makes the certainty of rate increases unavoidable for many of our co-ops.

It is also important to recognize that low-income needs differ from community to community.

In eastern Montana, for example, rural communities such as Lower Yellowstone REA in Sidney, simply do not face the same level of demand for low-income energy bill assistance that you will find in more urban areas or in western Montana. At Lower Yellowstone REA, each year, despite our persistent and direct efforts to communicate with our members regarding the availability of USBP dollars to help low-income people pay their power bills, many of these available dollars go unspent due to lack of requests for assistance. Other co-ops in eastern Montana have experienced similar difficulty distributing these funds.

Multiple reasons exist as to why these low-income funds are not being fully utilized. No doubt some of it stems from the "welfare" stigma some people attach to this assistance. This is particularly true of our senior citizen co-op members. In response to this problem,

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our co-ops have been working with Montana AARP's Pat Callbeck-Harper over the past year to try to determine ways to overcome this obstacle through better communication about USBP low-income assistance with our members. These efforts to reduce the negative stigma about low-income assistance will no doubt improve utilization of these funds. But the overall reality of differing needs in different communities will continue to exist and our ability to pool these credits ensures the local control flexibility that is required to make the law workable.

Another reason why these low-income funds are not being fully utilized in many co-op service areas is that our members typically aren't experiencing the rate increases that other utility customers in urban areas and western Montana, have seen.

Many of our cooperatives serve in rural areas where natural gas is not available. As we all know, natural gas rates in many areas have jumped significantly in the past two years, making natural gas bills a major source of Montana consumers' complaints about their utility bills and a primary driver of the push to raise USBP low-income charges.

However, because of the reality of generally scarce natural gas service in co-op service territories, we simply are not experiencing customer complaints about co-op utility bills resulting from the financial hardships these natural gas rate increases have created. Co-op electric rates, on the other hand, have generally remained very stable for many years.

In more urban areas and in western Montana, where low-income needs tend to be greater and where natural gas service is much more common, we do see much greater demand for low-income USBP dollars. Flathead Electric Cooperative, for example, this past year spent more than a half million dollars to help their low-income members pay their power bills. This expenditure was more than twice the minimum amount the co-op is required by law to spend. Again, this is because the need is greater in that community.

Existing USBP law recognizes this practical reality of differing needs in different communities. Where one co-op is unable to meet the minimum low-income spending requirement due to lower demand, another co-op with different and greater low-income needs will exceed its low-income USBP threshold. But SB 34 makes the low-income spending obligation very difficult to achieve without rate increases to our co-op customer-owners.

That consequence seems to be self-defeating to the whole purpose of using USBP to help the poor. Raising everyone's rates to cover a higher USBP charge so that it's even harder for poor people to pay their power bills and thus forcing them to seek more USBP assistance seems to us a rather absurd way of trying to help them.

We urge the committee to give a decisive do not pass recommendation on SB 307.

Thank you for the opportunity to testify and I will be available for questions.