

Comments on Universal System Benefits Program
Presented by KEMA
February 8, 2005

Summary

Noted by many observers as the saving grace of the original deregulation legislation, the USBC was intended to "ensure continued funding of and new expenditures for energy conservation, renewable resource projects and applications, energy conservation measures for irrigated agriculture, and low-income energy assistance during the transition period and into the future," (Section 69-8-402, MCA). By reducing our reliance on out-of-state energy producers, forward-thinking investments in conservation and renewables will pay future dividends in the form of lower and more stable energy prices. We urge lawmakers to:

- ❖ Extend USB legislation through 2009;
- ❖ Retain conservation programs as a part of USB;
- ❖ Address the inadequate gas USB rate that has resulted in electric USB dollars subsidizing programs for gas customers.

Conservation Programs for "Mass Accounts"

As the contractor since 1992 for the NorthWestern Energy (Montana Power Company) energy audit programs, the remainder of our comments will specifically address the benefits offered to "mass accounts" customers through the E+ Residential and Small Commercial Audit Programs.

The residential customer class contributes approximately 33% of USB revenue and currently receives a direct benefit for those dollars in the form of:

- ❖ Onsite energy audits (for NWE space and/or water heating customers); and,
- ❖ Mailout energy surveys (for NWE baseload customers).

These programs are the only USB programs broadly available and offered free of charge for non-income qualified "mass accounts" customers. In addition, small to medium-sized commercial customers (<300 kW), part of the General Service class which contributes 34% of USB revenue, are offered the Small Commercial onsite energy audit.

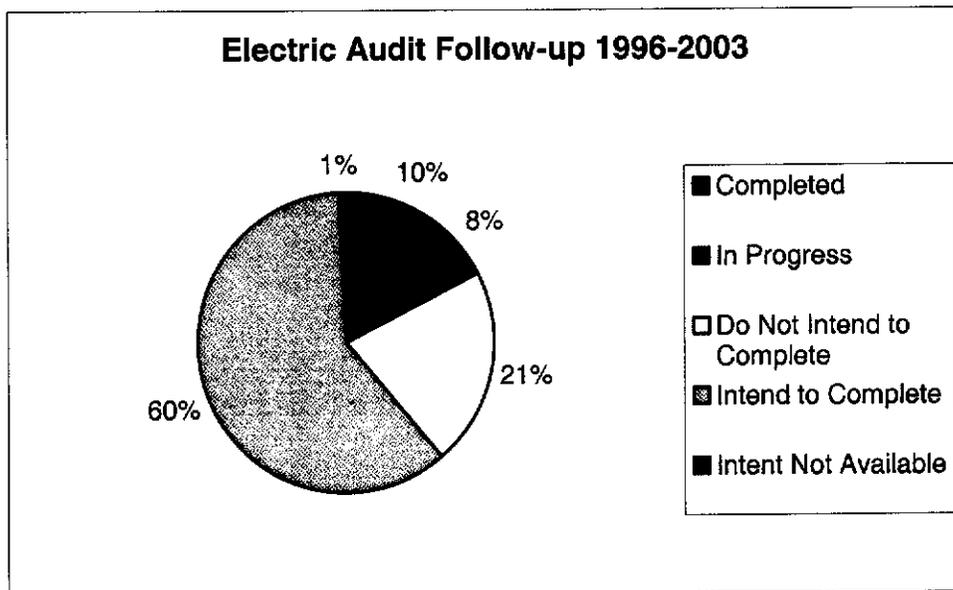
Since 1992, KEMA-XENERGY has performed 43,227 energy audits for residential space and/or water heating customers, 1,654 audits for businesses under 300 KW average demand, and has produced 18,215 mailout energy analysis reports for electric baseload customers.

Why continue energy audit conservation programs under USB?

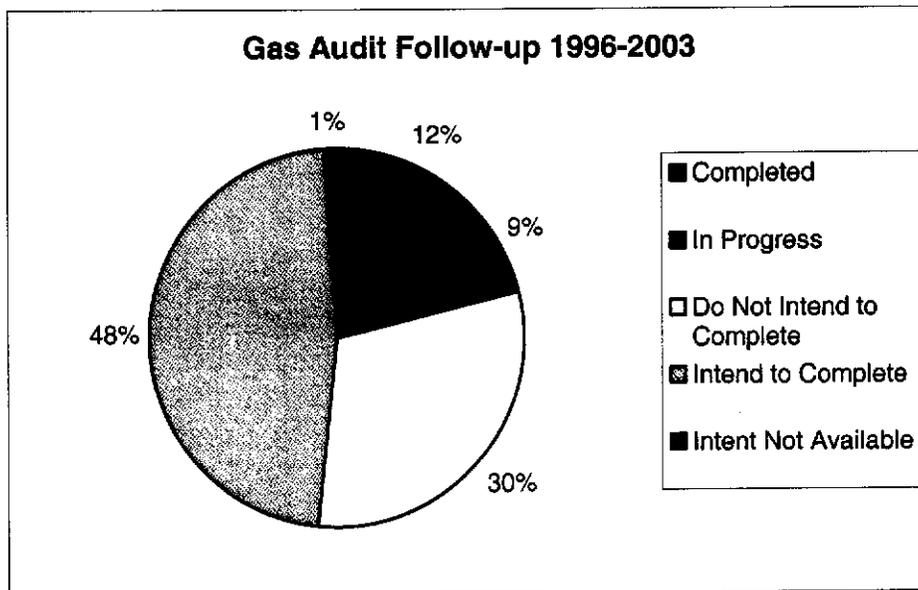
- *Energy audits promote energy conservation to the "mass accounts"* – Including those working poor who are just over 150% of poverty or the **estimated 50% of eligible households who do not participate in energy assistance programs** (Barbara Alexander, *Report to AARP*, January 2004). The energy audit empowers customers to reduce their own energy costs through conservation, mitigating their need for assistance programs.
- *Consumer Demand remains VERY high* - Approximately 3,000 residential audits are performed each year and the demand for the service has grown as energy prices have increased. In addition, each year we turn away hundreds of MDU, Energy West, and other utility customers who request this service from NWE.

- *Consistent Positive Response* – Audit customers are surveyed through a postage-paid rating card mailed directly to NWE. Ratings are 99% positive and many of our audit customers are referred through “word of mouth” testimonials.
- *Over 11,000 Senior Citizens have participated since 1992* – 24% of all residential audits conducted since 1992 had one or more seniors living in the household. According to Barbara Alexander in her *Report to AARP*, “Montana ranks 8th in states with low-income elderly (15.9%).” The residential energy audit helps to fill the gap for seniors who are reluctant, for whatever reason, to participate in assistance programs.
- *Customers are following through with recommendations:* In order to track the rate at which customers implement major energy audit recommendations, follow-up surveys are mailed to all residential audit customers where insulation improvements were recommended.

For electric space heating customers, over 75% of respondents either intended to implement the recommendation or had already initiated or completed the project (see below).



For natural gas space heating customers, nearly 70% of respondents either intended to implement the recommendation or had already initiated or completed the project (see below.)



- *This program SAVES energy!* Since 1995 we have made recommendations for insulation improvements that if implemented would save customers a total of 8,263,083 kWh annually or \$645,346 at current electric rates, and 463,043 Dkt annually or \$4,149,791 at current natural gas rates. If customers followed through with these recommendations at expected rates based on follow-up survey data, 18% or 1,487,355 kWh in annual savings was actually achieved, with an additional 60% or 4,957,850 kWh annual savings likely achieved by customers who “Intend to Complete” the improvement. On the natural gas side, 21% or 97,239 Dkt in annual savings was actually achieved, with an additional 48% or 222,260 Dkt in annual savings likely achieved by customers who “Intend to Complete” the improvement.

In addition to recommendations that require an initial (and sometimes substantial) investment from customers, we also make numerous low-cost/no-cost recommendations as a part of the energy audit. For example, one of the most significant no-cost recommendations made is to unplug secondary refrigerators. We have made this recommendation 9,778 times since 1995 at an average savings of 1060 kWh/year. Follow-up survey data indicates that 10% of audit customers have unplugged their secondary refrigerator based upon our recommendation. By this no-cost measure alone and as a result of our educational effort, these customers have saved a combined 1,036,680 kWh annually.

The effectiveness of this conservation program for the average customer continues to exceed expectations. Based on this success, we feel it is critical to continue on this same path of:

- ❖ Saving energy;
- ❖ Making utility bills more affordable for the average customer; and,
- ❖ Promoting healthy and safe living environments in electric and natural gas heated homes.

**If you have questions regarding this testimony, please contact Taffy Miller
or Krista Partridge at 443-9264 or 1-800-823-5995.**