



Universal System Benefits Programs in Montana

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ETIC and the USB

- o What are USB programs?
- o History of USB programs in Montana?
- o What is the role of the ETIC?
- o How does USB work?
- o What happened with USB in 2015?

What are the Electricity USB Programs?

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



History of USB

1997

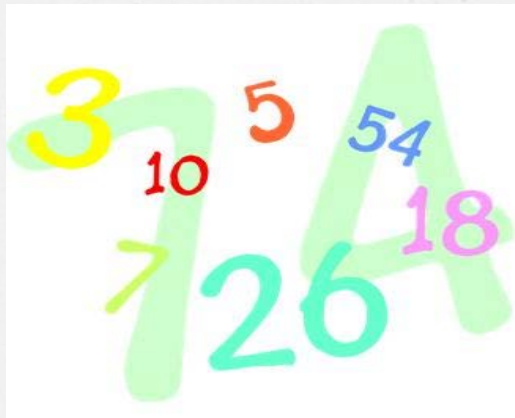
- SB390 established the Universal System Benefits Charge for all electric distribution utilities at 2.4% of 1995 electric utility revenues to begin January 1, 1999.
- Public Purpose categories—low income weatherization and bill assistance, energy conservation, market transformation, renewable resources, and research and development.
- Large customer, those with loads greater than 1000 kW, USB 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. **Changed to 50% in 2015
- 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.

History of USB

2003-2015

- Legislature extends electric USB charge sunset to December 31, 2005.
- Legislature requires leftover USB money that flows into state special revenue accounts be expended in the service territory from which the money was received.
- Legislature extends electric USB charge sunset to December 31, 2009.
- Legislature eliminates the USB charge termination date.
- Legislature requires the ETIC to review the USB programs every interim.
- Legislature increases USB funds used by a public utility for low-income energy and weatherization assistance from 17% to 50% in 2015.
- Legislature exempts natural gas utilities with fewer than 200 customers USB and electric utilities with fewer than 50 customers in 2015.
- Legislature clarifies large customer USB reporting requirements and establishes penalties for utilities and large customers that fail to file report. ETIC's statutory duties are expanded to include further review of large customer reports.

USB Equation Simplified



- o 1995 Retail Sales = \$100
- o USB Initial Funding Level = \$2.40 (2.4%)
- o Subtract any credits = -credits
- o Any left over money flows into state account for distribution.
- o The cooperatives are allowed to collectively pool statewide credits.
- o Large customers' USB 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.

Natural Gas USB

- Commission establishes USB charge.
- 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 USB obligation for 2016 = \$3,877,965 to recover 2015 USB programs budget. Interim order approved May 18, 2016.



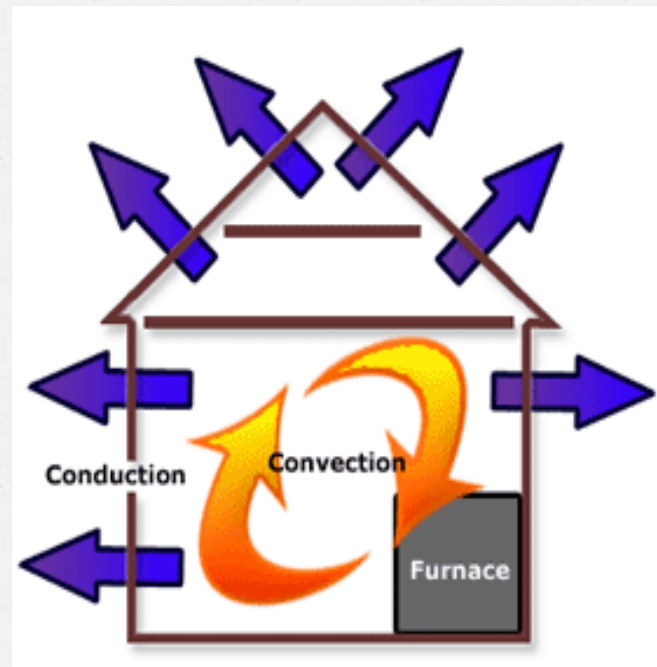
Low Income Portion USB Charge

- Of the hypothetical \$2.40 initial over-all funding level, a minimum of \$1.20 (50%) must be allocated to low income assistance (SB 150 – not cooperatives). The utility can subtract any credits. Left over money flows into state account for distribution.



Weatherization Programs

- Weatherization
- Energy Audits
- Furnace/Water Heater Replacements
- MDPHHS and Energy Share Partners



USB Electricity Obligation in 2015

NorthWestern Energy	\$9,531,040
Montana-Dakota Utility	\$1,066,099
MT Rural Elec. Coops	\$3,827,022

Allocation of USB Funds 2015 (NorthWestern)

Low-Income Programs	50%
Large Customers (self-directed)	31%
Renewables and R&D	9%
Conservation	7%
Market Transformation	3%
Total:	100%

Allocation of (NorthWestern) Large Customer 2015 USB Funds

Total Large Customer USB Obligation =
\$2,950,657 from 54 large customers

Amount self-directed to low-income = \$20,000

Amount self-directed to conservation = \$1,998,831

Amount carried forward = \$930,004

Allocation of USB Funds 2015 (Montana Rural Electric Coops)

Pool of Overall USB Spending: \$3.8 million

Total, actual all USB spending: \$10.3 million

Pool of Low Income Spending: \$650,600

Total, actual low-income spending: \$1.4 million

Energy Conservation Spending:

Total, actual energy conservation: \$7.1 million

Renewable Resource Spending:

Total, actual renewable resource: \$1.8 million

Research and Development Spending:

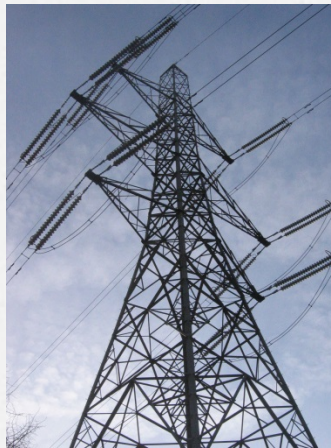
Total, actual R&D: \$18,554

Allocation of USB Funds 2015 (Montana-Dakota Utilities)

Low Income Programs	56%
Large Customer Self Directed	26%
Percentage Unspent Money Directed to the State	18%
Total:	100%

Large Customers

- o Senate Bill No. 312 – 2015 Legislature
 - o Review USB reports provided by utilities and compare those reports with reports provided by large customers and identify large customers, if any, who are not in compliance.



2014 Legislative Audit

- Audit analysis identified large customers not in compliance with statutes requiring them to report USB activities to DOR.
- Audit found limitations making it difficult for DOR to identify noncompliant large customers that did not file required reports.
- Statutes and administrative rules make public challenges of large customer USB expenditures difficult.
- Large customer expenditures do not meet USB program guidelines.
- Audit recommended DOR improve identification of large customers that have not filed their required annual USB expenditure reports.

54 Large Customers

\$3 million

All but two self-directed USB funds

Self-directed \$20,000 to low-income activities

Self-directed \$1.9 to energy reduction projects



4 Large Customers

\$308,000

Only 1 of the 4 self-directed USB funds

Self-directed \$277,037 toward the carryforward of 2014 balance

New claim of \$118,525

Contributed \$31,769 to DOR



Rural Electric Cooperatives

9 large customers
Some self-directed funds
Others filed reports, even though
no funds were used



Montana Electric
Cooperatives' Association

Touchstone Energy® Cooperative 

The Touchstone Energy logo features a stylized human figure composed of three overlapping shapes in blue, red, and yellow, with a green arc at the base.

Questions?

