Montana Large Customer Group

Large Customers
And
The Universal System Benefits Program

Energy and Telecommunications Interim Committee

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Thor Nelson
Holland & Hart LLP
tnelson@hollandhart.com

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What is the LCG?

- An informal coalition of industrial energy consumers in Montana
- All of LCG's members are "choice" customers
  - Current members include:
    - REC Silicon
    - Phillips 66
    - ExxonMobil Corporation
    - Stillwater Mining Company
    - Calumet Montana Refining
    - Ash Grove Cement Company
    - CRH US

Overview

- USB program and large customers
- USB reporting requirements for large customers under Montana law
- Recent legislative activity regarding USB program and LCG's participation in that process
- LCG's suggestions regarding the USB program

USB Background

- USB program was created in 1997 as part of the deregulation of the electric and gas industries
- "established…to ensure continued funding of and new expenditures for energy conservation, renewable resource projects and applications, and low-income energy assistance." § 69-8-402(1).
- "An individual customer may not bear a disproportionate share of the local utility's funding requirements, and a sliding scale must be implemented to provide a more equitable distribution of program costs." § 69-8-402(6).
- USB charges collected through surcharge on customer bill

USB Program and Large Customers

- Calculating a large customer's USB obligation:
  - The lesser of: (1) $500,000; or (2) 0.9 mils/kWh times large customer's total kWh purchases; less credits.
- Credits or "self-directed USB charges"
  - Large customers receive credit for internal expenditures and activities that qualify as a USB programs expenditure, including:
    - » Expenditures that reduce consumption of electricity in the large customer's facility
    - » Purchasing or supporting renewable energy or conservation-related activities
    - » Contributions to a qualified non-profit, like Energy Share

Why are large customers allowed to self-direct their USB expenditures?

- Deregulation
  - USB provided a way to implement policy initiatives without PSC authority/control over the electricity market
  - Balance between deregulating electric service for large customers and imposing incremental cost on market price with form of regulation/taxation
- Efficiency
  - Allows consumer to use the same amount of funds to directly meet the intent of the USB program
  - Ease of administration/reduced bureaucracy
- Preserves individual choice
- Additional funding source for non-profits that provide emergency bill payment assistance

Why are large customers allowed to self-direct their USB expenditures?

- Appropriate oversight
  - Large customers who file for credit are required to develop and maintain appropriate documentation to support the claim.
  - Any large customer claiming credit must submit an annual report of its USB activities and expenditures to (1) DOR, and (2) its utility.
  - DOR reviews claimed credits under § 69-8-412.

Oversight of large customers' USB activties

- USB credit challenge process
  - DOR notifies public that USB reports have been filed
  - Challenge to USB credit must be filed by an interested person within 60 days of DOR's receipt of the annual report
  - If USB credit is challenged, DOR conducts an initial review within 30 days, then:
    - (1) initiates a formal review, if necessary; or
    - (2) dismisses challenge w/ statement of reasons supporting dismissal

Is the challenge process working?

- May 2014 - Legislative Audit
  - Problems:
    - Some large customers were not reporting USB activities to DOR
    - Limitations in USB statute and regulations made it difficult for DOR to identify these noncompliant large customers
  - Thus, limitations in the USB statutes and regulations made challenging USB credits difficult

Is the challenge process working?

- May 2014 – Legislative Audit
  - Recommendations:
    - Request information from electric utilities on all large customers who received reimbursement for USB-related expenditures during previous reporting year
    - Implement procedures to review and compare annual USB reports filed by utilities and large customers to identify large customers who did not file report as required

Is the challenge process working?

- July 2014 – USB audit presented to ETIC
  - LCG appeared before the ETIC to discuss audit report
  - LCG's position:
    - Self-direction was achieving stated goals of USB program
    - Greater coordination between DOR and utilities would be good
    - There should be appropriate procedures for review/comparison of utility and large customer annual reports
    - Proposed "notice and cure" period for delinquent reports

SB 312 Improved USB Oversight

- February 2015—SB 312 proposed
- LCG did not support initial version of SB 312
  - LCG opposed increased authority for the DOR to (1) independently approve/reject large customer USB credits, or (2) establish qualifying standards against which to measure USB expenditures
- LCG's proposed amendments were incorporated into SB 312, and LCG supported the final version of SB 312

SB 312 Improved USB Oversight

- Filled the "reporting gap"
  - Required utility annual reports to include the names of all customers who utilized credits to minimize USB charge or received a reimbursement for USB related expenditures during reporting period.
  - Required large customers to file annual reports if being reimbursed for prior year's expenditures
- Filled the "oversight gap"
  - Required ETIC to review/compare utility & large customer reports to identify any large customers who are not in compliance with reporting requirements

SB 312 Improved USB Oversight

- Emphasized the importance of large customer reporting in the credit challenge process
  - Gave DOR authority to fine large customers who failed to file annual USB report
  - Included “notice and cure” period prior to imposing fines
- The audit, ETIC’s review of USB issues, and SB 312 increased awareness of the reporting requirement for large customers

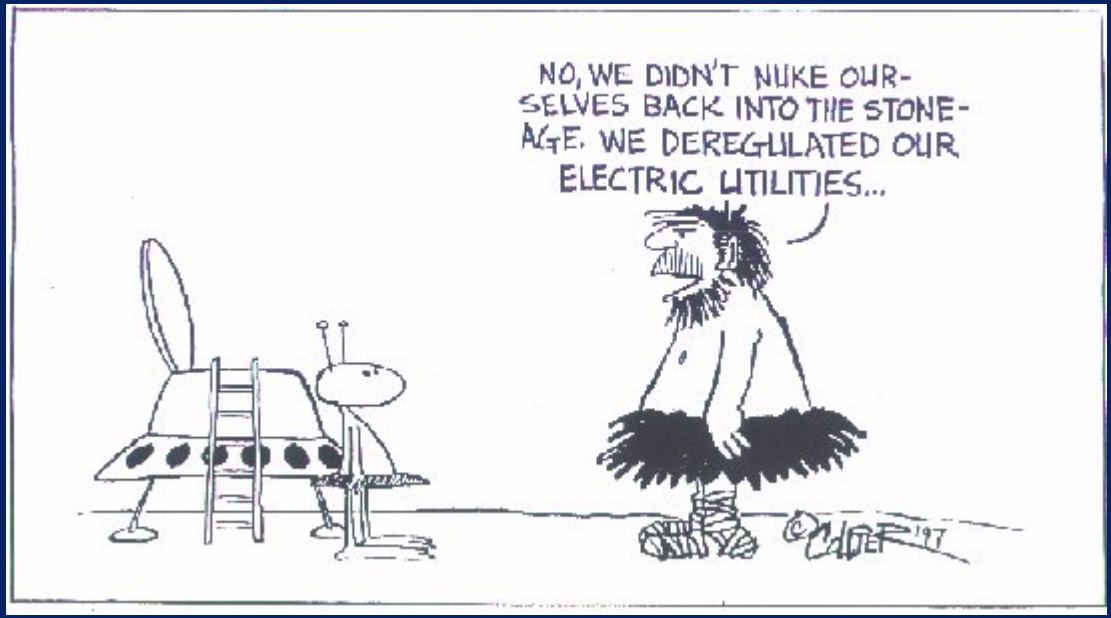
Should USB be changed again?

- Recent changes should be given time before being reconsidered or modified
- If changes are made, the overarching policies of efficiency, customer choice, ease of administration, and avoidance of unnecessary bureaucracy should be preserved
  - No prior approval for USB expenditures
  - Deadline for challenging USB credits should be retained (gives large customers some assurance that they will not be liable for additional USB costs after certain point in time)
  - Right to challenge USB credits should be held by the public, not the government

Should USB be changed again?

- Preserve the ability for large customers to self-direct USB charges
  - Deregulation, efficiency (direct benefit, ease of administration, less bureaucracy), preservation of individual choice, funding source for non-profits meeting USB goals
- But, does USB program still make sense?
  - USB was response to deregulation
  - PSC once again has the authority/control to implement USB-related policies
  - Currently imposing an incremental cost on the market price of electricity in Montana

Questions?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Contact Information

Thor Nelson
Holland & Hart LLP
tnelson@hollandhart.com
303-290-1601

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