



July 25, 2019

Energy and Telecommunications Interim Committee  
c/o Trevor Graff, Lead Staff Research Analyst  
Montana Legislative Services Division

Re: Universal System Benefits Programs (USB)  
2018 Challenge to Large Customers Self-Directed Funds for the University of Montana

Committee Members,

The April 30, 2019 letter to the Montana Department of Revenue ("DOR") by F. Diego Rivas on behalf of the N W Energy Coalition ("NWECC") enumerates concerns about the annual reports filed by several large customers for the reporting year 2018. The University of Montana ("UM") wishes to address the challenges leveled against it in that letter. Attachment 1 is an extract of that letter as it pertains to UM.

The gist of NWECC's complaints emerges from NWECC's interpretation of the type of information that it believes should be contained in the annual reports. NWECC supposes that each annual report should contain a historical list of all projects prior to the current reporting year for which the large customer has previously filed reimbursement claims. It further assumes that all USB payouts to large customers must be fully explained even if those payouts are merely reimbursements for prior year's projects.

As UM understands it, the reporting requirements only compel UM to include new projects completed during the reporting year for which it wishes to receive reimbursement from the self-directed USB funds. UM further maintains that if a credit balance exists from past projects then USB payouts are applied towards that balance and any further justification is unnecessary. Perhaps some guidance from DOR could inform all parties of the information the annual reports should convey.

NWECC also seeks background information about UM's existing credit balance of \$2.6M. The projects that generated this balance were listed on UM's 2013 annual report dated February 26, 2014 (see Attachment 2) and formally claimed on NorthWestern Energy's Form B dated November 20, 2013

**Facilities Services**

32 Campus Drive #9360 | Missoula, Montana 59812-9360 | t: 406.243.2788 | f: 406.243.6612

(Attachment 3). All USB self-directed payouts since then are defraying that credit balance. UM's current USB payout is about \$47,000/year (see Attachment 4) which justifies UM's statement that it will take 55 years of USB payouts to work that existing credit down to a zero balance. Given those realities, UM has declined to file any additional claims for projects since 2013 that would qualify for USB reimbursement even though UM has continued to implement such projects. Additionally, although UM's USB reimbursements for prior year's qualified projects can be used in any way it decides, UM has chosen to amass those payouts into an account which it then uses for other campus energy projects.

UM contends that it is fully compliant in the manner in which it files USB large customer annual reports and in its use of USB self-directed funds. Unless directed otherwise by DOR, UM will continue to file annual reports in a similar fashion. Future challengers to the large customer self-directed program should be advised to research deeper into prior years' annual reports to access the project information they may seek.

Sincerely,

A handwritten signature in black ink that reads "Brian P. Kerns". The signature is written in a cursive style with a long horizontal stroke at the end.

Brian P. Kerns  
Engineer, University of Montana

Cc: F. Diego Rivas, N W Energy Coalition  
Nicole Hensley, Montana Department of Revenue  
Bonnie Rouse, Montana Department of Environmental Quality  
Dale Mahugh, NorthWestern Energy

## Attachment 1

### University of Montana

- Cover letter states, “UM has a USB credit balance of over \$2.6 million and receives an average monthly credit of \$3,908. At this recovery rate, it will require 55 years to payout UM’s current request balance.
- 2017 Carryover Request Balance of \$2.6 million
- No documentation or explanation of what payouts totaling \$43,315.38 in 2018 were used for.
- 69-8-402 (10)(a): A large customer claiming credits for a calendar year shall submit an annual summary report of its universal system benefits programs activities and expenditures to the department of revenue and to the large customer's utility. A report must be filed with the department even if a large customer is being reimbursed for a prior year's project. **The annual report of a large customer must identify each qualifying project or expenditure for which it has claimed a credit and the amount of the credit.** Prior approval by the utility is not required, except as provided in subsection (10)(b).

## **Attachment 2**



February 26, 2014

Russ Trasky  
Montana Department of Revenue  
PO Box 5805  
Helena, Montana 59604-5805

Re: Universal System Benefits Programs  
Large Customer Annual Report 2013

Dear Russ,

The University of Montana is a large customer and self directs USB funds for energy conservation, renewable resource projects and applications. We have an ongoing effort to reduce electrical usage through conservation efforts in cooperation with the Montana Department of Administration, the Department of Environmental Quality and Northwestern Energy.

From 2011 to 2013 the university performed energy conservation projects with a total cost near \$6 million. The portion of those projects having electrical saving was nearly half or \$2.97 million. The electrical savings were estimated to be 2,370,798 kWh and 601kW in demand.

The attached report lists the projects, building, description of the energy conservation measure performed, cost summary and energy saved. This information was presented to Northwestern Energy on the Large Customer Credit Request Form B submitted November 20, 2013.

If you have any questions or need additional information please contact me.

Sincerely,

Tom Javins  
Associate Director for Utilities and Engineering

C. Dale Mahugh, Northwestern Energy

**FORM B**  
**NorthWestern**  
Energy

**UNIVERSAL SYSTEM BENEFITS (USB)**  
**LARGE CUSTOMER CREDIT REQUEST FORM**

Complete and mail to: NorthWestern Energy  
Attn: Rick Edwards  
Customer Services Department  
40 East Broadway  
Butte, MT 59701  
Email: [rick.edwards@northwestern.com](mailto:rick.edwards@northwestern.com)  
FAX: (406) 497-4008

DATE: November 20, 2013  
NAME OF BUSINESS: University Of Montana  
CITY/TOWN LOCATION: Missoula Montana  
CONTACT PERSON: Tom Javins  
MAILING ADDRESS: 32 Campus Drive  
CITY, STATE AND ZIP: Missoula Montana 59812  
  
PHONE NUMBER: 406- 243-2127  
FAX NUMBER: 406-243-6612  
E-MAIL ADDRESS: tom.javins@umontana.edu

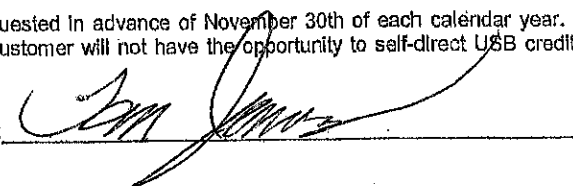
AMOUNT OF CREDIT REQUESTED:  
\$2,867,373

The amount of credit available at any given time will be limited by the amount of USB funds paid by the Large Customer – less any previous credits processed during the calendar year. If request is greater than the Large Customer USB funds paid year to date, customer will receive credit payment(s) on a quarterly basis not to exceed funds accumulated until the credit request has been satisfied.

DESCRIPTION OF PROJECT(S) (if more space is needed please attach):  
See attached spreadsheet for Energy Conservation Projects completed at the  
University of Montana.

ESTIMATED kWh and KW SAVINGS: 2,316,679 kWh    601KW

NorthWestern Energy must receive notice of credits to be requested in advance of November 30th of each calendar year. If notice has not been received by November 30th, the Large Customer will not have the opportunity to self-direct USB credits accumulated during the calendar year.

LARGE CUSTOMER: \_\_\_\_\_ Signature: 

FOR NORTHWESTERN ENERGY USE ONLY:  
PROCESSED BY: \_\_\_\_\_  
DISTRIBUTION: \_\_\_\_\_

**Attachment to Form B**  
**USB Electrical Energy Conservation Project Summary 2011- 2013**  
**11/20/2013**

**University of Montana - Missoula**

Building	Energy Conservation Modification Description	Energy Analysis	Constr.	Total Costs	Energy savings, kWh Electric
<b>Totals</b>		<b>\$ 78,347</b>	<b>\$ 2,867,353</b>	<b>\$ 2,970,310</b>	<b>2,316,679</b>
Bio Research	VFD & VAV conversion	\$ -	\$ 232,585	\$ 232,585	29,941
COT Lighting	Lighting Upgrade	\$ -	\$ 83,042	\$ 83,042	128,352
Honors College	Upgrade HVAC Systems RCx	\$ 10,730	\$ 22,200	\$ 32,930	
Music	Lighting, Controls upgrade, VAV upgrade	\$ 9,756	\$ 300,000	\$ 309,756	140,276
Skaggs	Control Upgrade, VAV Fume hoods, Lighting	\$ 30,861	\$ 1,040,000	\$ 1,070,861	515,171
Lighting Upgrades I Anderson Clinical Psychology Forestry & annex International Programs Natural Science Schreiber Gym	Replace T12 and Inc. with T8 and CFLs Add occupancy sensors	\$ -	\$ 134,430	\$ 134,430	151,155
Lighting Upgrades II Bldgs 24, 25, 31, 35 Facilities Services bldg 32 Heating Plant	Replace T12 and Inc. with T8, CFLs & LEDs Add occupancy sensors	\$ -	\$ 32,000	\$ 32,000	149,008
Lighting Upgrades III Brantly Corbin University Hall	Replace T12 and Inc. with T8 and CFLs Add occupancy sensors	\$ -	\$ 267,799	\$ 267,799	248,581
Lighting Upgrades IV Liberal Arts ParTV Rankin Hall Social Sciences	Replace T12 and Inc. with T8 and CFLs Add occupancy sensors	\$ -	\$ 317,369	\$ 317,369	472,633
Lighting Upgrades V Math McGill Health Sciences Clapp	Replace T12 and Inc. with T8 and CFLs Add occupancy sensors	\$ 27,000	\$ 212,928	\$ 264,538	
Domestic Hot Water Upgrades  Brantly Chemistry Clapp Corbin COT Honors College LA Nat Science Annex Rankin Schreiber	Replace electric hot water heaters with gas or steam hot water heaters	\$ -	\$ 225,000	\$ 225,000	481,562

Data updated by:  
Chris Batson, DEQ, 2/2/2012  
Tom Javins, UM, 11/20/2013



# Self-Directed USBC Progress Report for 2018

Prepared by Dale Mahugh on 1/14/2019

## UNIVERSITY OF MONTANA

### Account Summary

2017 Carryover Reservation:	\$0.00	YTD Elec Revenue:	\$4,514,320.39
Reservations Made YTD:	\$0.00		
2017 Carryover Payment Request:	\$2,644,891.53	Total Payment Requests:	\$2,644,891.53
Payment Requests Made YTD:	\$0.00	Current Request Balance:	\$2,601,576.15
2017 Carryover USBC Credit:	\$3,789.67	Total USBC Credit:	\$46,897.43
USBC Credit YTD:	\$43,107.76	Payments Issued YTD:	\$43,315.38
Average Monthly Credit Earned:	\$3,592.31	USBC Credit Balance:	\$3,582.05
		Payment Pending:	\$3,582.05

Payment Requests Made		Payments Issued	
Submitted By	Date	Amount	Amount
	04/05/2018	\$14,149.29	
	07/11/2018	\$10,809.39	
	10/03/2018	\$10,569.32	
	12/10/2018	\$7,787.38	

Payment Requests Made		Payments Issued	
Submitted By	Date	Amount	Amount
	04/05/2018	\$14,149.29	
	07/11/2018	\$10,809.39	
	10/03/2018	\$10,569.32	
	12/10/2018	\$7,787.38	

### Account Detail

Account	Premise	Meter	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD Total
100610	1614	DA06183515	KWH > 603,286 KW > 1,234	661,985 1,293	589,120 1,247	669,477 1,247	579,382 1,150	539,761 1,095	552,813 1,260	634,723 1,286	596,689 1,380	619,427 1,202	663,027 1,251	620,206 1,221	7,329,896 1,239
			Elec Revenue > \$56,629.11	\$61,506.23	\$55,737.22	\$61,958.88	\$54,127.61	\$50,545.24	\$52,075.17	\$58,109.12	\$56,367.51	\$56,635.35	\$60,422.28	\$57,081.77	\$681,195.49
100625	1629	DA19066015	KWH > 2,829,464 KW > 5,797	2,614,352 5,244	2,535,117 5,296	2,786,798 5,391	2,906,790 5,754	2,871,558 5,746	2,711,040 5,279	2,959,982 5,478	2,706,942 5,867	3,063,660 5,962	3,120,081 5,676	2,798,887 5,400	33,904,671 5,574
			Elec Revenue > \$265,327.10	\$244,578.05	\$238,072.77	\$259,987.96	\$271,419.64	\$268,502.52	\$251,382.33	\$265,984.78	\$251,420.97	\$280,611.31	\$281,832.90	\$256,418.03	\$3,135,538.36
533793	222611	DG15155368	KWH > 7,440 KW > 21	7,040 21	7,320 23	8,480 22	8,320 21	9,520 30	10,840 29	11,920 30	8,760 24	8,120 20	7,560 19	6,760 20	102,080 23
			Elec Revenue > \$804.32	\$766.49	\$811.52	\$890.47	\$868.93	\$1,048.24	\$1,126.68	\$1,219.48	\$924.98	\$836.39	\$779.52	\$727.38	\$10,804.40
534357	222713	DG62108610	KWH > 3,200 KW > 14	3,020 13	2,880 14	2,940 13	2,420 13	2,660 12	2,580 11	3,000 11	2,560 11	3,040 13	3,040 13	2,880 13	34,220 13
			Elec Revenue > \$397.23	\$375.61	\$375.74	\$368.49	\$331.25	\$333.85	\$313.88	\$346.66	\$314.76	\$375.45	\$374.24	\$358.57	\$4,265.73
535331	222891	DD33105146	KWH > 22,720 KW > 59	21,960 72	20,320 61	18,880 47	15,880 50	14,280 40	16,800 44	22,160 47	20,000 50	18,400 50	19,720 49	16,880 48	228,000 51
			Elec Revenue > \$2,373.50	\$2,433.41	\$2,208.14	\$1,959.90	\$1,753.68	\$1,523.32	\$1,729.65	\$2,160.89	\$2,044.61	\$1,918.41	\$2,012.73	\$1,789.98	\$23,908.22
535332	222892	DG93700122	KWH > 23,120 KW > 49	20,600 57	19,600 52	20,160 47	18,040 53	17,800 45	20,520 54	25,360 48	21,560 62	20,680 50	23,960 56	20,400 53	251,800 52
			Elec Revenue > \$2,308.72	\$2,180.80	\$2,068.70	\$2,056.49	\$1,946.77	\$1,846.14	\$2,113.59	\$2,420.08	\$2,279.34	\$2,089.24	\$2,410.39	\$2,113.13	\$25,833.39
578371	244994	DS61323869	KWH > 57,024 KW > 149	56,640 190	61,824 379	62,976 190	67,200 190	45,696 130	38,208 90	44,928 84	41,856 134	66,624 172	58,944 209	64,896 209	666,816 177
			Elec Revenue > \$5,951.83	\$6,333.42	\$6,703.87	\$6,844.62	\$7,154.82	\$4,878.11	\$3,884.83	\$4,253.77	\$4,530.13	\$6,840.03	\$6,600.49	\$7,084.58	\$71,060.50