

**USB Comments by Matt Leow (MontPIRG)
Submitted to the Energy and Telecommunications Interim Committee
February 23, 2004**

MontPIRG appreciates the opportunity to submit comments to the Energy and Telecommunications Interim Committee on the Universal System Benefits Program. MontPIRG has and continues to support the USB program. The mission of MontPIRG's energy program is to promote energy conservation, efficiency and renewable energy resources, to provide consumers with fair and affordable access to power, and to reduce harmful emissions associated with power generation. The USB program is an important tool for increasing energy efficiency/conservation, promoting renewable energy, and reducing the burden of energy bills on low-income people. First and foremost, MontPIRG supports the continuation of the USB and applauds the Committee for deciding to recommend an extension of the USB to 2009. Additionally, MontPIRG has identified areas of the USB program that are in need of improvement, and will take this opportunity to relay our recommendations to the committee.

Increase the funding level

In 1996, the Comprehensive Review of the Northwest Energy System recommended a funding level of 3% for renewable projects, conservation, and low-income weatherization. Note that this 3% figure did not include low-income bill assistance. The current USB rate in Montana is 2.4%, and goes to fund all of the purposes mentioned above along with low-income bill assistance. Though MontPIRG does not advocate for the removal of low-income bill assistance from the program, we do support an increase in the funding level to the 3% rate recommended by the Comprehensive Review. We believe the need for a rate of 3% is all the more compelling considering the addition of low-income bill assistance in the program. Increasing the rate to 3% would help to meet the increased demand for low-income assistance, and would do so without reducing funding for other USB purposes.

Increase the rate for large industrials

Currently, large industrials pay at a rate that is approximately 70% of what other customers pay (.9 mills compared to 1.334 mills). Furthermore, the money any large industrial pays to USB is capped at \$500,000. The only large industrial that consumes enough power to use this cap is Columbia Falls Aluminum Company (CFAC). At full capacity, CFAC would pay their USB charges at a rate of .17 mills.

MontPIRG supports an increase of the rate paid by large industrials. Under the current rate structure, large industrials do not pay their fair share. The Committee should consider raising the rate paid by large industrials to meet the rate paid by all other customers, and should also consider eliminating the \$500,000 cap enjoyed by CFAC. MontPIRG supports a fair system in which all customers pay the same rate. Additionally, setting the rate at 3% for all customers will greatly increase the money available for the USB program.

Oversight of self-directed projects

Large industrials are able to self-direct their USB money, mostly for energy conservation measures internally. MontPIRG understands the value of having the large industrials identify their own conservation projects, and supports the energy efficiency improvements that have been made at many of the facilities statewide. However, the lack of adequate reporting and oversight is cause for alarm. We have found that the reports filed with the Department of Revenue (DOR) often lack full reporting of estimated energy and dollar savings for self-directed projects. Furthermore, the responsibility of oversight falls on the shoulders of the public. The DOR does nothing to review the large industrial reports, instead the USB credits are automatically awarded unless challenged by the public. In the interest of the overall energy system, self-directed projects should meet a cost-effectiveness standard. Full reporting by the large industrials with oversight of their proposed USB credits will help to verify that USB money is being spent on cost-effective conservation measures.

Conclusion

In conclusion, MontPIRG supports the continuation of the USB program and the continued funding of all the public purposes identified by the 1997 Montana State Legislature. Economic hardship and rising energy bills has created more need for low-income assistance. However the need for additional money to assist low-income Montanans should not be used to justify the elimination of renewable and conservation projects. Instead, as illustrated above, other sources of money exist to meet this need. Thank you for the opportunity to share our recommendations with the Committee.