



February 23, 2004

TO: Representative Alan Olson, Chair, and Members of the Interim Legislative Committee on Energy and Telecommunications

FROM: Max Logan, State President, AARP Montana

RE: Public Comment on USB Program

First, a word of appreciation for the opportunity to offer public comment on Montana's USB program. Over the last two months, the feedback from our members across the state reinforces the importance of ensuring that this energy consumer public benefit program is operating in the most efficient, effective and appropriate manner possible to reach as many in need of energy assistance as possible. AARP Montana is a nonprofit, nonpartisan organization dedicated to bettering the lives of persons 50 and older, with over 141,000 members in Montana. These 141,000 members are NorthWestern, MDU, EW, and electrical cooperative customers in every Montana community. A significant number of our members live on fixed retirement incomes less than 150% of poverty (11,700 Montanans live on less than \$1,000 income per month).

The following comments are offered to the Committee with recommendations for your immediate action below:

1. Montana's energy costs are likely to increase, both for natural gas (due to normal market trends) and electricity (due to the end of the current contracts between NorthWestern and PPL). These changes will adversely affect most Montanans, but will have a most **severe impact on low-income residential customers**.
2. The current USB program provides a modest amount of ratepayer funding for both gas and electric low-income customers. However, **the current programs are not coordinated or effectively targeted to have the maximum impact to assure affordable energy**. One of our summit presenters shared data that shows that two-thirds of Montanans live at or below 185% of federal poverty. This makes affordability a need for tens of thousands of Montana. Affordability is not just a low income issue any longer. Circumstances and needs have dramatically changed since the original USB design was negotiated. It is urgent to consider how the USB benefits are targeted given the impacts consumers are experiencing now.
3. AARP Montana **supports the continuation of the USB program**. Our focus and we believe the focus of the Committee should be on **efficiently targeting the low income programs to reach more Montanans who are eligible for assistance**.

4. We have identified a huge need in the state for energy assistance. **USB dollars currently targeted to low income customers should be expanded, but this could be possible without increasing the overall electric USB funding obligations and without raising rates to other customers.** This increased funding for low income customers may come by more effectively targeting current USB dollars.

5. **Gas USB funding for low income programs should increase.** The committee should consider giving the PSC the flexibility to approve annual funding targets and program expenditures based on need.

6. AARP's Energy Consumer Summit documented interest in a **statewide, coordinated low income program**, such as a rate discount or other similar program, that could provide year round assistance to make electric and gas bills more affordable and manageable in the long term. We support the expansion of participation of qualified low income customers in such discount programs which **could result in increased bill payments and lower collection/administrative costs to the utilities.** [Montana reported collections from the USB program are about \$12-13 million (as best we can determine from reviewing the reports on record at DOR) with about \$3.3 million going to low income assistance. A significant portion of that is spent in emergency assistance. While essential to a solid energy assistance program, emergency assistance is short term aide compared to the long-term reduction in energy bills achieved through conservation, weatherization and renewable projects targeting low income consumers.]

7. The guidelines for reporting USB collections and expenditures should be strengthened to provide better, more detailed information. **We do not have an acceptable system of reporting, monitoring and accountability to provide data about the effectiveness of the USB program.**

8. **AARP does not support the creation of significant administrative costs or increases in rates for customers who are already finding it difficult to pay their bills.** We do believe that further study and research will confirm that reforms are possible without undue interference in the operations of stakeholders while reaching more eligible energy consumers.

9. We believe that a **public benefit energy assistance program that is broad-based and targets long term affordability is true economic development** for our state. Therefore it is imperative to recommend reforms that will put money back into consumers' pockets for spending on Main Street, and return some security that energy bills can be managed.

10. Montana recently received reductions in the federal allocation of Low Income Energy Assistance Program funding from Congress. With the additional contribution from our Governor last fall to LIEAP in Montana, there may be a small window of opportunity to intensify outreach and enrollment in LIEAP, and to **establish other paths to eligibility in addition to LIEAP for the IOU's and cooperatives' discount programs (thus**

reaching more customers needing assistance and eligible for providers' programs after LIEAP funds are exhausted).

Major goals of AARP's involvement in the USB issue :

To support a thorough and detailed study of Montana's USB program in its diverse operations, and to support appropriate reforms that result in reaching and assisting more low income Montana consumers in the most effective, efficient and appropriate (fair) manner. The goal is long term affordable energy rates.

To publicize throughout Montana the growing need, the barriers that appear to exist to those in need from getting it, and the need to spend our public benefit funds to reach more Montanans more effectively before any additional charges are considered.

To build as much consensus as possible on these reforms with Montana's broad range of energy stakeholders prior to the 2005 Legislative Session (similar to the process used to build consensus on HB 509 before the 2003 session).

AARP Montana will continue our efforts to reform USB in the months ahead by:

- ?? Continuing the helpful consultations already begun with stakeholders.
- ?? Broadening distribution of AARP Montana's Energy Assistance brochure (info on programs, Energy Star and conservation tips).
- ?? Working with DPHHS executive staff to identify ways to increase penetration rate into the pool of eligible low income consumers.
- ?? Hosting a series of Public Forums on our USB program around the state in May and early June; hosting local candidate forums to focus on energy assistance, conservation and weatherization issues.
- ?? Working with the Interim Legislative Committee to identify needed reforms and formulate recommendations for the 2005 legislature. If appropriate, AARP will formulate our own legislative proposals to strengthen USB low income assistance programs.

Immediate request for Committee action:

We request that the Committee take these actions immediately:

1. Request that all Montana energy **provide rs step up the training of their local staff** in assisting Montana customers who could be eligible for the variety of assistance programs currently available.
2. Request that all Montana energy **provide rs step up their own promotion of the assistance available** (LIEAP is open for enrollment until April, and utility discounts are ongoing), **clarify and update their own websites** with current information, and do whatever else to **increase penetration** into the pool of customers eligible for assistance.

3. Request that energy providers in consultation with DPHHS **voluntarily adapt other eligibility paths for their own discounts in addition to LIEAP eligibility** (Medicaid and food stamps to name two existing income/asset regulated programs) (LIEAP office can already interface with the food stamps database).
4. **Establish a study based on USB 2003 data to be reported to the next legislature** reporting the actual numbers of dollars raised through the program, the dollars spent across the diverse USB programs and credits, the dollars spent by large customers on internal activities, the dollars spent on administrative costs in implementing the plan, the dollars and programs collected and spent through the cooperatives; the number and profiles of those who are receiving the benefits of the USB programs, especially low income beneficiaries.

Thank you once again for the opportunity to offer comment and recommendations. I am available as is our Associate State Director Pat Callbeck Harper to provide additional comment or information as you deliberate on this important issue. We look forward to continuing our work with colleagues in the months ahead, and thank you in advance for considering our recommendations in your decision making. We will provide testimony on March 25 and look forward to significant results for Montana energy consumers.

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