

March 19, 2004

Representative Alan Olson, Chair
Energy and Telecommunications Interim
Committee
18 Halfbreed Creek Rd.
Roundup, MT 59072-6524

Dear Representative Olson:

The undersigned organizations appreciate the opportunity to provide the following comments to the Energy and Telecommunications Interim Committee regarding the State of Montana's electric and natural gas Universal System Benefits (USB) programs. Unfortunately, these comments were not ready for submission to the Committee on February 23rd. After discussions with Committee staff and because we believe it would be valuable for the Committee to consider the points made herein in advance of the March hearing, we are mailing these comments to each Committee member.

To summarize our position, we believe: 1) that all of the existing public purposes of the USB program are valuable and should be maintained, 2) that additional monies can and should be made available for low-income needs, 3) that the Committee should not, however, revise the allocation with respect to these programs but, rather, should defer any action until NorthWestern Energy's advisory groups and possibly the Public Service Commission consider the matter and, 4) that the natural gas USB charge be increased so as to end (or diminish) the subsidy currently being provided by electricity customers for natural gas bill assistance.

At the outset it is important to note that the organizations submitting these comments have, since the inception of Montana's USB program, worked cooperatively and successfully implementing USB activities in Montana. This occurred, we believe, because of our shared recognition that all of the purposes upon which USB funds are expended are important. These funds are for public purposes – uses that benefit all of a utility's customers. While each organization has priority programs, our groups sought to ensure that the program, as a whole, was successful.

We wish to inform the Committee that among our organizations a consensus still exists. We continue to believe that all of the public purposes of the USB Program are necessary and should receive USB funds. The benefits from these programs are manifest and we will not go into great detail here. Conservation is less expensive than purchasing new supply; it lowers everyone's energy costs and allows societal dollars to be used more efficiently. Renewable energy encourages energy independence, harnesses Montana's homegrown energy resources, reduces the load on the transmission grid, and creates jobs. Finally, low-income needs are substantial and providing a safety net for our low-income citizens is vital and necessary.

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On this last subject, our organizations are aware that there is an increased need for low-income assistance throughout Montana. In this regard, we believe that low-income needs can receive additional monies, without eliminating or gutting other programs. As the Committee is aware, NWE is beginning a process to acquire cost-effective conservation as part of its default supply portfolio. With conservation included in supply, that portion of USB dollars currently going to cost-effective demand side management programs for default supply customers can be shifted over to low-income purposes. (It will be necessary, however, to maintain USB funding for low-income weatherization and for conservation for small, choice customers that, on the one hand, are subject to the USB charge and can't self-direct but, on the other hand, will not receive the benefits of the conservation in the portfolio.)

NWE and its USB Advisory Committee and Technical Advisory Committee are presently addressing this subject. In addition, we have made it clear that in our role as members of these Committees – which some of us are – that we intend to examine the overall allocation of USB monies among the various public purposes. After this analysis and discussion is complete it may very well be advisable for NWE to return to the PSC for a new order on USB allocation.

Given the collaborative activity with respect to this issue and the difficult technical issues involved we urge the Committee to refrain from taking a position on the subject of reallocating USB funds other than to note that all of the existing public purposes should continue to receive USB funding. Informed by the actions of NWE, its Advisory Committees, and possibly the PSC, there will be more than enough opportunity for the 2005 legislature to involve itself in this issue and make any statutory changes it deems appropriate.

Finally, we believe that the present imbalance between the natural gas and electric USB programs needs to be dealt with. At present, USB charges imposed on electricity customers provide significant bill assistance funds for natural gas customers. Establishing a more appropriate USB charge on natural gas consumption would address this subsidy and allow for additional funds to be devoted to low-income uses.

Sincerely,

Kathy Hadley, Executive Director
National Center for Appropriate
Technology

Patrick Judge, Energy Program
Director
Montana Environmental Information
Center

Archie Nunn
Montana Senior Citizens
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Jim Morton, Director
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cc: ETIC Members