

OVERVIEW OF THE UNIVERSAL SYSTEM BENEFITS PROGRAM 2000

Paul Cartwright
Montana Department of Environmental Quality
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The Universal System Benefits Program (USBP) was established as part of the utility restructuring law passed in 1997 (69.8.101 et seq. MCA). The USBP was to ensure that efforts to promote efficiency, renewable energy and programs for low-income customers would continue during the transition period, which currently runs to December 31, 2005. USBP began January 1, 1999. The initial funding level for USBP was set at 2.4 percent of each utility's annual retail sales revenue in Montana for the calendar year ending December 31, 1995. Each utility then converted this amount to rates that would remain in effect until 2005.

Special provisions were made for USBP rates for large customers, defined as any customer with an individual load greater than a monthly average of 1,000-kilowatt demand in the previous calendar year. Their USBP charge equaled the lesser of \$500,000 or the product of 0.9 mills per kilowatt hour multiplied by the customer's total kilowatt hour purchases, less credits for payments made for internal efficiency improvements, for USBP-type activities included in the cost of their purchased power, or for other qualifying activities.

All utilities and cooperatives are required to file an annual report with the Department of Revenue detailing their USBP expenditures. Large customers claiming credit for USBP activities, and therefore receiving reimbursement from their distribution utilities, also must file a report. In 2000, 2 investor-owned utilities, 27 cooperatives and 42 large customers filed reports. A handful of utilities, representing less than 3 percent of retail electricity sales revenue in 2000, failed to submit reports or were not required to file reports; Mission Valley Power accounted for most of that amount.

Total USBP obligations in 2000, as calculated by the utilities themselves were \$13.6 million. Given total electricity sales that year of around \$700 million, USBP obligations equaled 1.9% of 2000 revenue.

Montana Power Company	-	\$8,631,017
Montana-Dakota Utilities	-	706,687
Montana Rural Electric Cooperatives	-	3,769,855
CFAC	-	<u>500,000</u>
TOTAL	-	\$13,607,559

Utilities and large customers may meet their USBP obligations through self-directed efficiency improvements or through conservation and renewable energy investments whose cost is rolled into the utilities' or large customers' cost of purchased power. Accordingly, some portion of USBP money has gone to investments that would

have occurred even in the absence of USBP. Though the data don't support a precise conclusion, it is possible that less than half the USBP obligation in 2000 was spent on energy efficiency investments and services and renewable energy plants that otherwise would not have occurred.

Montana Power Company

Montana Power Company had a comprehensive USB program, building on its previous conservation efforts. Total expenditures made by MPC in 2000 were somewhat greater than its USBP obligations of \$5,688,406. The total MPC actually spent reflects a combination of projects contracted in 1999 but completed in 2000 and some contracts in 2000 that won't be completed until 2001.

The difference between this number and MPC's total USBP obligations is the amount large customers could, and for the most part did, spend on self-directed projects. MPC has 52 large customers with 553 accounts that meet the USB large customer definitions. These customers are allowed to self-direct their USB funds to qualifying activities. The total obligation of large customers was \$2,942,611.

Local conservation

Residential and commercial audits	-	\$1,007,138
Large business audits and retrofits	-	140,857
MPC Promotion	-	179,464
MPC Labor and Administration	-	<u>134,485</u>
SUBTOTAL	-	\$1,461,945

Market transformation

Commercial lighting retrofits	-	\$301,097
Northwest Energy Alliance	-	698,750
MPC Promotion	-	44,495
MPC Labor and Administration	-	<u>96,187</u>
SUBTOTAL	-	\$1,140,529

Renewable Resources/Research & Development

Generation/education (primarily solar)	-	\$987,532
R&D/Infrastructure (wind)	-	185,839
MPC Promotion	-	20,307
MPC Labor and Administration	-	<u>79,741</u>
SUBTOTAL	-	\$1,273,419

Low Income

Bill Assistance and Energy Share	-	\$1,181,072
Free weatherization/Multifamily retrofit	-	429,397
Renewables	-	100,000

MPC Promotion	-	89,580
MPC Labor and Administration	-	<u>82,109</u>
SUBTOTAL	-	\$1,882,157
 TOTAL actually spent by MPC in 2000	-	 \$5,758,050

Montana-Dakota Utilities

Since its sales have been relatively stable, energy efficiency programs have not been a major emphasis for Montana-Dakota Utilities. MDU aimed most of its USBP funds at low-income assistance and weatherization. It turned over half its USBP collections to the Department of Revenue for use in state-run programs targeted at its service area.

Montana-Dakota Low-Income Discount	-	\$13,639
Energy Share of Montana		
Bill Assistance	-	40,000
Furnace Safety and Repair	-	10,000
Endowment Fund	-	20,000
Advertising Re: Low-Income Programs	-	5,061
Action for Eastern Montana		
Energy Audits/Weatherization	-	137,700
University of Montana-Billings		
Fuel Cell R&D Project	-	<u>100,000</u>
Subtotal	-	\$326,400
 Unexpended balance turned over to state fund		
LIEAP and Energy Share	-	\$200,287
Weatherization programs	-	100,000
Energy analyses for schools, hospitals, state and		
local government	-	50,000
Energy efficiency information	-	20,000
Alternative energy loan program	-	<u>10,000</u>
Subtotal	-	\$380,287
 TOTAL	-	 \$706,687

Rural Electric Cooperatives

The Montana Electric Cooperatives' Association filed a report covering twenty-seven rural electric cooperatives. (Energy Northwest, now a part of Flathead Electric Cooperative, also is included in this total.) Cooperatives may collectively pool their statewide credits to satisfy their annual funding requirements for universal system benefits programs. Their total claims of \$5,677,443 exceeded their USBP obligations.

Energy Conservation:

Conservation investments made through power purchases	-	\$3,204,525
Efficient transformers and other system improvements	-	1,039,305
Water heater program	-	230,648
Consumer education	-	126,223
Other	-	<u>206,926</u>
TOTAL	-	\$4,807,627

Low-Income

Outreach for LIEAP enrollment	-	\$111,591
Energy Share, forgiving of bills, other contributions	-	414,264
Weatherization, heaters, other materials	-	79,523
Low-income support made through power purchases	-	39,170
Other	-	<u>69,538</u>
TOTAL	-	\$714,086

Renewables

Renewables investments made through power purchases	-	\$100,922
Investments in projects and other	-	<u>15,011</u>
TOTAL	-	\$115,933

Research and Development

TOTAL	-	\$39,796
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Large Customers Filing A 2000 USBP Report

The large customers spent the bulk of their Universal System Benefits Program (USBP) obligations on improvements to their in-house energy efficiency. Investments to upgrade pumps and motors or to improve lighting efficiency were most common. Large customers reported making more investments than they were obligated to do by USBP. Many, though not all, of the investments appeared to be of the type that would have been justified even without USBP requirements. Also, Conoco Refinery, Smurfit-Stone, Montana Tunnels Mining, CFAC and ASARCO donated a total of \$153,735 to Energy Share. CFAC also donated \$10,000 to Northwest Montana Human Resources.

Most of the large customers filing reports are on the MPC system. CFAC, a retail customer of Bonneville Power Administration and Flathead Electric Cooperative, has its USBP obligations capped at \$500,000; most of its obligation was met through conservation activities included in the cost of its purchased power.

Forty-four reports on USB credits were filed with the Department of Revenue:

ASARCO
Ash Grove Cement
ASIMI
Barretts Minerals Inc.
Billings Public Utilities
Cenex Refinery
Cereal Food Processors
CFAC
City of Great Falls
Conoco Pipeline
Conoco Refinery
Deaconess Billings Clinic
Exxon Mobil Refinery
General Mills
Golden Sunlight Mines
Graymont Western US Inc
Holnam
Jupiter Sulphur
Louisiana Pacific
Luzenac America
Malmstrom Air Force Base
Metra Park

Montana Refining Company
Montana Resources
Montana State Prison
Montana State University – Billings
Montana Sulphur and Chemical
Montana Tunnels Mining
Nationwide Hospitality
PPL Montana
R-Y Timber
Smurfit-Stone
St. Patrick's Hospital
St. Vincent Hospital
Stillwater Mining Company
Stimson Lumber
Thompson River Lumber
Tricon Timber
United Properties Inc.
University of Montana
USB Industrial customers
Washington Group International
Western Energy Company
Western Sugar Company