

Universal Systems Benefits Programs in Montana: 2024 Reports

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What are USB Programs?

USB programs require Montana utilities to spend money on the following activities:

- Low-income energy assistance & weatherization
- Energy conservation+ R&D
- Market Transformation
- Renewables + R&D



History & Statutory Requirements

- SB390 established the Universal System Benefits Charge for all electric distribution utilities at 2.4% of 1995 electric utility revenues to begin January 1, 1999.
- Public Purpose categories--low-income weatherization and bill assistance, energy conservation, market transformation, renewable resources, and research and development.
- Large customer, those with loads greater than 1000 kW, USB rate established at the lesser of \$500,000 or .9mills/kWh. Large customers are allowed to self-direct to qualifying public purposes.
- Minimum funding level for Low Income activities was set at 17% of total funds collected. **Changed to 50% in 2015
- Cooperatives allowed to “pool” expenditures to achieve 2.4% of total cooperative revenues.
- Unspent funds are designated to State Low Income USB or State USB special revenue funds.



History & Statutory Requirements

1997: SB390 "Customer Choice Act" Establishes the USB Program

1999: USB Charge Begins

2005: Legislature Extends USB Charge Sunset to 12/31/2009

2009: USB Charge Termination Date Eliminated. ETIC Oversight Begins

2015: Legislature Raises Minimum Funding Level for Low-Income Activities from 17% to 50% and Adds Additional Oversight for Large Customer Reporting



2014 USB Audit Findings

- Audit analysis identified large customers not in compliance with statutes requiring them to report USB activities to DOR.
- Audit found limitations making it difficult for DOR to identify noncompliant large customers that did not file required reports.
- Statutes and administrative rules make public challenges of large customer USB expenditures difficult.
- Large customer expenditures do not meet USB program guidelines.
- Audit recommended DOR improve identification of large customers that have not filed their required annual USB expenditure reports.
- In response to the findings, the 2015 legislature passed SB312.
 - Review USB reports provided by utilities and compare those reports with reports provided by large customers and identify larger customers, if any, who are not in compliance.



USB Equation

- 1995 Retail Sales = \$100
- USB Initial Funding Level = \$2.40 (2.4%)
- Subtract any credits = -credits
- Any left-over money flows into state account for distribution.
- The cooperatives are allowed to collectively pool statewide credits.
- Large customers' USB charge equals the lesser of \$500,000 or 0.9 mills per kilowatt hour multiplied by the customer's total kilowatt hour purchases, less credits.



Low Income USB Charge

- Of the hypothetical \$2.40 initial over-all funding level, a minimum of \$1.20 (50%) must be allocated to low income assistance (SB 150 – not cooperatives). The utility can subtract any credits. Left over money flows into state account for distribution.
- Examples: Low-income weatherization, energy audits, furnace/water heater replacements, and funding to energy share partners and DPHHS energy programs.



2024 Utility USB Charge Collections

Total Collections:

- NorthWestern Energy- **\$10,467,790**
- Montana-Dakota Utilities - **\$924,030.92**
- Montana Electric Cooperatives' Association–
3,827,022.50 (obligation, collections are much higher)



Allocation of USB Funds 2024(NWE)

- Low Income Programs- \$5,233,895
- Large Customers Funds- \$3,309,398
- Renewable Resources and R &D- \$889,117
- Conservation- \$631,235
- Market Transformation- \$404,144
- **Total: \$10,467,790**



Allocation of LC 2024 USB Funds (NWE)

Total Large Customer USB Obligation = **\$3,309,398**
from 54 large customers

Amount self-directed to low-income = **\$65,224**

Amount self-directed to Energy Reduction Activities=
\$2,114,299

Amount carried forward = **\$1,305,827**



NorthWestern
Energy

Allocation of MECA 2024 USB Funds

Minimum Pool Spending Requirement **\$ 3,827,022.50**

* 2024 Large Customer USB Revenues Collected & Expended
\$507,848.82

2024 Actual Pool Expenditures **\$ 11,077,293.66**

Surplus Above Requirement **\$ 7,758,119.98**



Low-Income Spending

Minimum Pool Spending Requirement
(17 % of Total USBP Minimum Pool Spending Requirement) **\$ 650,593.82**

2024 Actual Pool Expenditures **\$ 2,088,671.82**

Surplus Above Requirement **\$ 1,438,077.96**

**Actual Low-income Expenditures as a Percent of Minimum
Pool Spending Requirement 54.58%**



Allocation of MDU 2024 USB Funds

USB Funds Collected: \$924,030.92

Low-Income Discount: \$399,154.57

Low-Income Weatherization (AEM & HRDC): \$90,000.00

Low-Income Energy Audits (AEM): \$10,000.00

Energy Share Endowment & Admin: \$35,000.00

Energy Share Bill Assistance : \$90,000.00

Energy Share & HRDC Furnace Safety: \$50,000.00

Low-Income Program Promotion (Energy Share): \$6,476.16

Conservation Programs (Lighting): \$43,628.03

Total Montana-Dakota Programs :\$724,538.76

Less Large Customer Self-Directed Funds : \$215,891.94

Net Collections :\$16,399.78

Amount to Remit to Department of Revenue \$0.00



Natural Gas USB

- Commission establishes USB charge. USB Funding level: 1.12% of a natural gas utility's annual revenues derived from natural gas customers.
- Annual funding requirement for low-income weatherization and bill assistance is established at 0.42% of a natural gas utility's annual revenue.

