

Service Date: November 2, 2005

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

\* \* \* \* \*

IN THE MATTER OF NORTHWESTERN	)	UTILITY DIVISION
ENERGY, Application for Adjustment to	)	
Natural Gas Universal System	)	DOCKET NO. D2004.7.99
Benefits Charge	)	ORDER NO. 6679a

IN THE MATTER OF NORTHWESTERN	)	UTILITY DIVISION
ENERGY, Application for Adjustment to	)	
Natural Gas Universal System	)	DOCKET NO. D2004.12.192
Benefits Charge	)	ORDER NO. 6679a

IN THE MATTER OF NORTHWESTERN	)	UTILITY DIVISION
ENERGY, Public Service Commission	)	
Investigation and Direction on Electric	)	DOCKET NO. D2005.6.106
Universal System Benefits	)	ORDER NO. 6679a

**INTERIM ORDER**

**APPEARANCES**

FOR THE APPLICANT:

NorthWestern Energy  
Ross Richardson, 116 West Granite, Butte MT 59701

FOR THE INTERVENORS:

Montana Consumer Counsel  
Robert Nelson, PO Box 201703, Helena MT 59620-1703

Montana Department of Public Health and Human Services  
Francis X. Clinch, 2918 Fourth Avenue North, Great Falls MT 59401

Renewable Northwest Project and Natural Resources Defense Council  
Charles E. Magraw, 501 Eighth Avenue, Helena MT 59601

AARP Montana  
Stephen C. Bullock, Bullock Law Firm, 30 W. 14<sup>th</sup> Street, Suite 204, Helena MT 59601

DOCKET NO. D2004.7.99, ORDER NO. 6679a  
DOCKET NO. D2004.12.292, ORDER NO. 6679a  
DOCKET NO. D2005.6.106, ORDER NO. 6679a

2

District XI Human Resource Council

Deborah Smith, 401 North Last Chance Gulch, Helena MT 59601

Energy Share of Montana and Rocky Mountain Development Council

Harley Harris, P Box 1144, Helena MT 59624-1144

Large Customer Group

Donald W. Quander, PO Box 639, Billings MT 59103-0639

Montana Association of HRDC Directors

Andrew Huff, 602 North Ewing, Helena MT 59601

Before:

Greg Jergeson, Chairman  
Brad Molnar, Vice Chairman  
Doug Mood, Commissioner  
Robert H. Raney, Commissioner  
Thomas J. Schneider, Commissioner

Commission Staff:

Kim Moran, Utility Division  
Will Rosquist, Utility Division  
David Burchett, Utility Division  
Kate Whitney, Utility Division  
Martin Jacobson, Staff Attorney  
Al Brogan, Staff Attorney

## **INTRODUCTION**

1. In this order the Montana Public Service Commission (PSC or Commission) issues its interim decision on the near-term low-income assistance issues raised in this consolidated docket concerning the electric and natural gas universal system benefits (USB) programs of NorthWestern Energy (NWE).

2. On July 2, 2004, NWE filed an application for approval of an increase in NWE's natural gas USB charge (PSC Docket No. D2004.7.99). The increase would affect an average residential customer monthly bill by approximately \$0.33. The increase was approved on an interim basis at a work session on July 15, 2004.

3. On December 1, 2004, NWE filed before the PSC an application for approval of a decrease in NWE's natural gas USB charge (PSC Docket No. D2004.12.192). The decrease would affect an average residential customer monthly bill by approximately \$0.11.

4. On January 12, 2005, the PSC issued a *Notice of Application and Intervention Deadline* regarding the above NWE filings and intervenor Energy Share of Montana's (Energy Share) proposal that NWE donate \$300,000 of NWE gas USB funds per year to Energy Share. In a *Notice of Commission Action on Interim Request and Disposition of Natural Gas Universal System Benefits Funds* issued February 17, 2005, the PSC determined that increased natural gas prices created an emergency regarding distribution of NWE's gas USB funds. Therefore, the PSC denied NWE's request for an interim gas USB charge decrease to reflect what NWE had calculated as a potential to accumulate approximately \$300,000 as an overcollection in NWE's gas USB funds and a resulting decrease in an average residential customer monthly bill by approximately \$0.11. Instead the PSC determined the most beneficial approach was a one-time emergency distribution to Energy Share of a part of the accumulated or accumulating NWE overcollection. The PSC directed that NWE distribute, subject to the availability in NWE's predicted gas USB fund overcollection, \$150,000 to Energy Share on a one-time, emergency basis. The PSC further directed that NWE retain the balance of the NWE gas USB fund overcollection, which should be approximately \$150,000, for disposition in further proceedings on the above dockets.

5. The Commission initiated Docket D2005.6.106 to conduct an investigation and make determinations concerning NWE's electric USB programs. See *Notice of Investigation and Intervention Deadline* issued July 28, 2005.

6. The Commission consolidated the three dockets, D2004.7.99, D2004.12.192, and D2005.6.106, on July 28, 2005, and indicated the issues in the consolidated dockets would primarily include NWE's allocation (*i.e.*, use, application, distribution) of gas and electric USB funds.

7. AARP Montana (AARP), Human Resources Council District XI (HRC), Montana Consumer Counsel (MCC), Rocky Mountain Development Council (RMDC), Montana Department of Public Health and Human Services (DPHHS), Large Customer Group, Energy Share of Montana, Montana Association of Human Resource Development Council Directors, and Renewable Northwest Project/Natural Resources Defense Council (RNP/NRDC) requested and were granted intervention in this proceeding.

8. The hearing was held October 4-5, 2005 in Helena. Parties' witnesses provided live rebuttal testimony at the hearing. Parties' attorneys made closing arguments at the end of the hearing.

### **PRE-FILED TESTIMONY**

#### NWE - Glen D. Phelps

##### Electric USB Programs

9. Mr. Phelps said NWE tracks USB revenues and expenses, and prepares financial and statistical data for internal purposes, use by NWE's USB Advisory Committee, and annual reports to the Department of Revenue (DOR) and the PSC.

10. NWE's objectives for administering and allocating electric USB funds are to serve a broad cross-section of customers in a balanced and equitable fashion, and to include a broad range of public purposes based on input from a wide range of interested parties. Mr. Phelps said that such a balanced approach was contemplated by the crafters of USB legislation, that such an approach is inherent in the USB related statutes and regulations, and that it is appropriate to continue to offer USB programs in accordance with this approach.

11. According to Mr. Phelps, NWE implements its electric USB programs and activities consistent with the requirements of Montana Code (MCA), DOR Administrative Rules (ARM), and tariffs and orders issued by the Commission.

12. Mr. Phelps cited MCA 69-4-402(1), which states that "Universal system benefits programs are established for the state of Montana to ensure continued funding of and new

expenditures for, energy conservation, renewable resource projects and applications, and low-income energy assistance.” He cited MCA 69-8-103(38), which defines USB programs as “public purpose programs for: cost-effective local energy conservation, low-income customer weatherization, renewable resource projects and applications (including those that capture unique social and energy system benefits or that provide transmission and distribution system benefits), research and development programs related to energy conservation and renewables, market transformation designed to encourage competitive markets for public purpose programs, and low-income energy assistance.” Mr. Phelps referred to ARM 42.29.101 and ARM 42.29.106-111, in which the DOR identifies the programs defined above as an appropriate, but not all-inclusive, list of USB categories.

13. According to Mr. Phelps, NWE’s electric USB allocations and program implementation strategies are further guided by: the PSC through Order 5986f (Docket No. D97.7.90), Order 6514 (Docket No. D2003.10.142), and Order 6504a (Docket No. D2003.8.114), advice from NWE’s Energy USB Advisory Committee, past experience in program design and implementation, and response to customer needs and market conditions.

14. Mr. Phelps said NWE’s electric USB programs are available to serve the needs of low-income, residential, and commercial customers. Large customers, having individual loads of 1 megawatt (MW) or greater, may self-direct their USB obligation towards either qualified projects within their own facilities or towards low-income purposes. Consequently, large customers are not eligible to participate in electric USB programs implemented by NWE.

15. NWE’s electric USB program categories consist of:

- local conservation (E+ Residential Audits/Small Commercial Pilot Programs, E+ Business Partners Programs),
- market transformation (E+ Commercial Lighting, Northwest Energy Efficiency Alliance),
- renewable resources (generation/education),

- research and development (R&D/infrastructure),
- low-income (bill assistance (15% discount), free weatherization, Energy Share, renewables, New Construction Pilot Program, Multi-family Retrofit), and
- large customer (self-directed qualified projects, self-directed low-income purposes).

16. Mr. Phelps asserted that NWE’s allocation of electric USB funds has followed the guidelines set forth in Docket No. D97.7.90, Order No. 5986g (refer to Table 1).

**Table 1** PSC Electric USB Allocation Guidelines, Order 5986g (Testimony GDP-8)

USB Categories	2.4% of 1995 Electric Utility Revenue	% of Total Electric USB Revenue	% of Total Electric USB Revenue (Excl. LCs).
Local Conservation	\$1,803,838	21%	30%
Market Transform.	\$1,132,209	13%	19%
Renewable Resources	\$1,112,750	13%	18%
Research & Develop.	\$225,000	3%	4%
Low-Income	\$1,785,815	21%	29%
<b>Subtotal</b>	<b>\$6,059,612</b>		<b>100%</b>
Large Customer (LC)	\$2,500,000	29%	
<b>Total Electric USB Rev.</b>	<b>\$8,559,612</b>	<b>100%</b>	

17. Mr. Phelps stated that while the Commission directed NWE to follow the allocation set forth in Order 5986g, the Commission also recognized the need for flexibility by allowing NWE to redirect funds in extraordinary or unique circumstances, provided that any such redirected funds were fully explained in annual reporting requirements.

18. Mr. Phelps testified that in 2002, 2003, and 2004, with input from the USB Advisory Committee, NWE redirected funds from other electric USB categories to the electric low-income category due to the increased demand for the low-income discount caused by increasing energy supply costs. In order to respond to its customers needs, NWE redirected unclaimed large customer funds and uncompleted projects funds to low-income activities.

19. The flexibility to redirect funds among categories and specific programs is essential to the effective implementation and management of NWE’s electric USB programs, according to

Mr. Phelps. This flexibility allows NWE to respond to customer needs and market conditions.

Mr. Phelps proposed that the Commission continue to allow NWE to redirect funds in extraordinary or unique circumstances.

#### Natural Gas USB Programs

20. Mr. Phelps said NWE tracks USB revenues and expenses, and prepares financial and statistical data for internal purposes and annual reports to the PSC.

21. According to Mr. Phelps, NWE implements its natural gas USB programs and activities consistent with the requirements of Montana Code (MCA), DOR Administrative Rules (ARM), and tariffs and orders issued by the Commission.

22. Mr. Phelps cited MCA 69-4-1402, which defines USB programs as “public purpose programs for: cost-effective local energy conservation, low-income weatherization, and low-income energy assistance.” He cited MCA 69.3.1408, which specifies that “Within the universal benefits charge, a natural gas utility’s annual funding requirement for low-income weatherization and low-income energy bill assistance is established at 0.42% of a natural gas utility’s annual revenue.”

23. Mr. Phelps testified that NWE’s natural gas USB charge was set by stipulation in Docket No. D96.2.22, Order No. 5898d, to collect \$1,222,000, which sustained NWE’s pre-USB funding for low-income and energy conservation activities. In 2000, the PSC increased the natural gas USB tariff to accommodate an increase in the natural gas low-income discount from 10% to 15% (Docket No. D99.8.176, Order No. 6197c). In 2004, the PSC increased the natural gas USB rate to catch-up for a shortfall in natural gas USB revenues during the first six months of 2004, to mitigate the risk of the segregated USB account incurring a negative balance, and to ensure sufficient revenues to meet natural gas USB program expenditures (Docket No. D2004.7.99).

24. The following table compares NWE’s natural gas USB funding requirement for low-income weatherization and low-income energy bill assistance set forth in MCA 69-3-1408 to the USB funds stipulated in PSC Order 5898d (Docket No. D96.2.22).

**Table 2** PSC Natural Gas USB Allocation Guidelines, Order 5898d (Testimony GDP-13)

USB Categories	0.42% of 1996 NG Utility Revenue MCA 69.3.1408	Per Stipulation Order 5898d	Allocation %	% of 0.42% USB Funding Requirement
Conservation		\$327,000	27%	n/a
Low-Income		\$895,000	73%	189%
NG USB Funding	\$474,508	\$1,222,000	100%	258%

25. Mr. Phelps stated that the statutory rate of 0.42% for determining the annual funding requirement for low-income weatherization and low-income energy bill assistance was insufficient. In 2004, he said, the 0.42% funding requirement was significantly less than the actual low-income weatherization and low-income energy bill assistance.

26. Mr. Phelps said that a small percentage of electric and natural gas USB funds could be redirected or reallocated at the end of the 2005 calendar year. However, he stated that most of the projected USB revenues for 2005 are committed to existing programs and contracts. Mr. Phelps claimed NWE needs to maintain some flexibility in its budgeting, planning, and implementation of USB programs to ensure that USB revenues are neither over-committed nor over-spent.

HRC – Dr. Thomas Michael Power

27. Dr. Power did not have any specific recommendations to make about the allocation of USB funds to different USB programs, including the USB low-income programs.

28. Dr. Power said it is difficult to calculate and determine how much other USB programs would have to be sacrificed in order to fund a significant increase in the existing low-income discounts. To make a reasoned determination, he stated modeling would be necessary to provide an indication of the impacts that much higher natural gas prices (and to a lesser extent higher electric prices) in conjunction with expected higher USB low-income program participation will have on the cost of funding an increase in the existing low-income discounts.

29. Dr. Power provided the following principles to guide the Commission as it considers

modifications to its existing USB allocation guidelines:

- a) The low-income allocation needs to be significantly increased simply to match the actual allocations for the most recent past years.
- b) The increase in the low-income allocation should go beyond the actual allocations for the most recent past years so that it covers part of the expected fly-up in utility bills this winter.
- c) Low-income USB program does not mean only utility bill assistance. Low-income weatherization and other low-income programs are a crucial part of working towards affordable home energy for low-income households.
- d) Low-income weatherization programs should not be shifted to the default supply portfolio. These programs pursue objectives other than the delivery of cost-effective efficiency measures. Low-income weatherization should continue to be funded from the USB.
- e) The USB allocation should not be an “all or nothing” allocation where one objective displaces all others. The USB should continue to fund a broad range of public purpose programs that markets would not otherwise support.
- f) This Commission has to recognize the limits of the role it, and the utilities that it regulates, can play in solving the problem of home energy affordability. The Commission and the utility can and should make a significant contribution, but neither is a low-income agency charged with solving this difficult problem.
- g) The low-income discount program is a very efficient and equitable delivery mechanism that should continue to be relied upon to deliver utility bill assistance.

30. Dr. Power made another tentative recommendation. He said it is worth considering applying the low-income discount only to the winter months (November through April). This would concentrate the assistance on the time period when utility bills are most burdensome and most disruptive to household budgets. A larger winter discount could be provided. He is not

certain that confining the discount to the winter months would help with paying utility bills or could possibly confuse things and even do some harm.

31. Dr. Power stated that responding to high utility costs only by providing money to pay down utility bills leaves low-income households in a continued state of dependence. That is why District XI HRC has always advocated long-term solutions as well as the short-term relief provided by utility bill assistance, according to Dr. Power. Investments in low-income weatherization and well-designed low-income renewable energy equipment can contribute to a permanent solution to some of these problems. Any reductions to low-income weatherization programs would have the deleterious effect of dismantling the organizational infrastructures that HRC and other low-income agencies have developed over time for the design and delivery of low-income weatherization programs. Once this infrastructure is dismantled for lack of sufficient funding, it is difficult and timely to reconstitute low-income conservation programs.

32. Dr. Power argued that cost-effective USB energy conservation and USB renewable resource projects and applications (e.g. central station wind) should be included in the default supply portfolio and need not be supported by USB funding. He asserted that some USB renewable resource projects and applications, such as distributed solar and wind resources, will still require USB support as those technologies continue to develop and demonstrate the desired beneficial and reliability characteristics.

33. Dr. Power maintained that USB research and development programs are not now cost-effective, and that USB market transformation programs may be highly cost-effective but difficult to quantify their effectiveness. He said HRC recognizes that a strong case could be made to shift USB market transformation programs to the default supply portfolio.

34. Dr. Power claimed that by shifting any identified cost-effective USB programs to the default supply portfolio, and paying for those programs through rates determined from the electric and natural gas energy supply cost recovery mechanisms (trackers), USB revenues previously allocated to fund these identified cost-effective USB programs can become available and

reallocated to other USB programs, specifically the USB low-income programs.

35. Dr. Power provided other reasons for maintaining a balanced mix of many different USB programs. Public support for the USB is partially tied to the breadth of the programs it supports. Turning the USB program into just another low-income program might well weaken public support for the USB charge. For example, Dr. Power stated that helping low-income households pay high utility bills associated with very energy inefficient dwellings year after year may be a very inefficient solution to the problem, since this approach does nothing to reduce that problem. Using USB funds to seek relatively permanent cost-effective solutions to energy waste certainly makes more sense than permanently subsidizing that waste.

36. A broad mix of public benefit programs offers at least the possibility of most households receiving some benefit from the USB funds that customers contribute, according to Dr. Power. If expenditures on low-income discounts are going to be expanded, then funding for other low-income weatherization and other effective low-income programs should be expanded too.

AARP - Barbara R. Alexander

37. Ms. Alexander provided the following specific recommendations:

- a) With respect to the electric and natural gas USB programs, the Commission should order NWE to move approximately \$3.1 million in current energy management or demand side management (DSM) programs from the USB to the Default Supply Portfolio.
- b) The USB low-income programs (low-income discounts, low-income weatherization) should be given the highest priority for allocations of USB funds.
- c) The Commission should order NWE to undertake the following reforms in the existing low-income discount program:
  - i. The electric low-income discount should be increased from 15% to 25% and the natural gas low-income discount should be increased from 15% to 35%,

- both discounts being applicable year-round.
- ii. In addition to participants in Montana's Low Income Energy Assistance Program (LIEAP), the qualifying customers in other Montana means-tested financial assistance programs should be automatically eligible for NWE's USB low-income discount.
  - iii. NWE should be required to automatically enroll the qualifying customers in other Montana means-tested financial assistance programs based on either an electronic confirmation from the Montana DPHHS or an oral declaration by such qualifying customers with a timely follow-up confirmation by the providing agency.
  - iv. The Commission should disallow NWE's use of USB funds for recovery of customer account write-offs. Instead, the Commission should require NWE to institute a pilot program that in part forgives a portion of past write-offs and recovers the balance through affordable installments.
- d) The Commission should undertake the following reforms in its oversight of USB programs:
- i. Require NWE and other electric and natural gas utilities to file with the Commission annual reports on electric and natural gas USB program activities, budgets, and actual expenditures.
  - ii. Require electric and natural gas utilities to file with the Commission a proposed biennial USB budget, allocation, and funding plans, subject to public review and comment period, and followed by Commission action. Require electric and natural gas utilities to file with the Commission, for approval, any significant interim deviations from previously approved plans.
  - iii. NWE's proposed restructuring of its USB Advisory Committee is unreasonable. It is the Commission's obligation to receive, consider, and

approve NWE's proposed USB program expenditures.

- iv. The Commission should initiate an investigation of other electric and natural gas utilities (e.g. Montana-Dakota Utilities, Energy West) to determine the effectiveness of USB programs and the appropriateness of USB fund allocations.
- v. Require electric and natural gas utilities to routinely evaluate, on a regular basis, its USB programs in sufficient detail to determine their effectiveness and to identify potential areas for reform. This will require, with respect to USB low-income programs, an evaluation of the impact on qualifying customers to make regular monthly payments, enter into and honor payment agreements, avoid disconnection of service, and reduce the utility's customer care and calling center expenses.
- vi. Require electric and natural gas utilities to track and report routine credit and collection information for all residential customers, including a subset of the qualifying customers participating in the USB low-income discount programs.

38. Ms. Alexander supported the transfer of USB funded DSM programs to the default supply portfolio, unless such USB programs do not meet the cost-effectiveness test required by default supply regulations or NWE has recommended that the USB-funded DSM program either cannot or should not be altered to meet the cost-effectiveness test required by default supply regulations.

39. Ms. Alexander noted that according to the statutory and regulatory approach to NWE's resource planning and procurement obligations as the default supplier, NWE must make provision for and purchase DSM products and services when the long term cost of the related "megawatts" is cheaper than traditional generation resources. As a result of this change, she said, it is no longer necessary to rely on USB funding to assure that DSM programs are implemented. Consequently, the identification and transfer/shifting of any identified cost-effective USB

programs to the default supply portfolio, and paying for those programs through rates determined from the electric and natural gas energy supply cost recovery mechanisms (trackers), USB revenues previously allocated to fund the identified cost-effective USB programs can become available and reallocated to other USB programs, specifically the USB low-income programs.

40. Ms. Alexander acknowledged that the transfer of USB-funded DSM programs to the default supply portfolio involves cost impacts, but deferred to NWE to determine the impact of these costs (and any USB program reforms to improve cost-effectiveness that NWE may wish to undertake) prior to seeking default supply cost recovery through the tracker mechanisms.

41. Ms. Alexander noted that a number of states (i.e., New Hampshire, Indiana, California, Arizona, Washington, Pennsylvania) have approved low-income discount programs or other program designs to provide substantial billing assistance to low-income customers. For example, she said that starting in January 2005 Indiana low-income customers of Vectron Energy Delivery are eligible for a reduction in bills of 15, 26, or 32% depending on household income. According to Ms Alexander, this program design targets a larger discount to the lowest income households.

#### MCC – Dr. Larry Nordell

42. Dr. Nordell recommended that the PSC allocate sufficient USB funds to increase the USB low-income discounts for both natural gas and electric qualifying low-income customers from the existing 15% to 25%. According to Dr. Nordell, and based on estimates obtained from NWE, the additional cost of increasing the natural gas low-income discount to 25% for this heating season would be approximately \$632,000. A permanent increase would cost approximately \$813,000 per year. Dr. Nordell estimated the additional cost to increase the electric low-income discount to 25 % would be approximately \$520,000 for this heating season, while a permanent increase would cost approximately \$831,000 per year. (See Exhibit \_\_\_LPN-3.)

43. Dr. Nordell suggested that the USB funds necessary to pay for the increased USB low-

income discounts could be obtained by permanently shifting all cost-effective USB-funded DSM programs to NWE's default supply portfolio. USB revenues previously allocated to fund the identified cost-effective USB programs can become available and reallocated to other USB programs, specifically the USB low-income programs. Dr. Nordell further suggested that existing USB allocations be modified to reflect a higher priority for USB low-income programs, specifically the low-income billing assistance program.

RMDC – Gene Leuwer

44. RMDC contracts with the Montana DPHHS to administer Montana's LIEAP, specifically the USB low-income billing assistance and low-income weatherization programs. RMDC also administers the Energy Share program in its three-county Montana service area.

45. Mr. Leuwer said RMDC supports Energy Share's positions in these USB dockets as detailed in Gregg Groepper's testimony. In addition to expressing support for Energy Share's testimony, Mr. Leuwer advocated a permanent increase in the USB low-income discounts to 30% and allocation of more USB funds to low-income weatherization.

RNP/NRDC – Ann Gravatt

46. Ms. Gravatt focused primarily on electric USB issues. She compared Montana's USB statute with recommendations that resulted from the Comprehensive Review of the Northwest Energy System commissioned jointly by the governors of Montana, Idaho, Washington and Oregon in 1996. While the comprehensive review recommended that states implement a 3% system benefits charge and a separate low-income bill assistance program, Montana implemented a single 2.4% system benefits charge inclusive of low-income bill assistance. As a result, Ms. Gravatt said, utility programs are constrained and important public purposes compete against each other. She asserted that, overall, Montana's USB program has worked relatively well, but that limited resources and competition for funds has created implementation problems.

47. Ms. Gravatt testified that, in contrast to early years of program implementation when

there was broad consensus about the value of all the public purposes, recently some low-income advocates appear to feel that all or nearly all USB funds should be used for low-income purposes. If that were to happen, the USB fund would no longer provide system benefits because, while providing low-income assistance serves a societal need, it does not create any benefits to the electric system. She emphasized that low-income assistance is important, but also asserted that renewable resource development, conservation and market transformation provide benefits to all NWE's customers, including low-income customers. Given that Montana's USB law does not prioritize public purposes and all programs continue to be needed, Ms. Gravatt said it is necessary to strike a balance among all public purposes.

48. Ms. Gravatt discussed market barriers that make it appropriate to continue funding renewable resources, conservation and market transformation with USB funds and described some achievements within NWE's system. She said renewable resources promote energy independence, help stabilize costs, diversify the source of supply, capture Montana's abundant solar and wind resources, create local jobs, reduce loads on the transmission system and benefit the environment. She said renewable resources are the best hedge against increasing fossil fuel costs and potential carbon dioxide regulation. According to Ms. Gravatt, markets do not do a good job of quantifying the value of renewable resources, and many utilities are not familiar with, and therefore reluctant to invest in, renewable resource projects. She contended that USB programs level the playing field.

49. Ms. Gravatt maintained that Montana is considered a regional leader in distributed generation because of NWE's USB programs. More than 210 net-metered renewable projects have been funded by the program. Schools, senior centers, fire stations, libraries, low-income housing units, residences and community/government buildings have participated. She stated that more benefits can be achieved, especially given rapidly increasing fuel prices, concerns about energy security and anticipated regulation of greenhouse gas emissions.

50. Ms. Gravatt asserted that USB funding for renewable resource development,

conservation, and market transformation are necessary because without it NWE may be unable or unwilling to acquire these resources. She noted that USB funds support energy efficiency for choice customers and it would not be fair for default supply customers to pay for such programs when they do not receive the benefits. She also noted that despite producing significant energy savings and being a foundation for new conservation programs, the residential audit program would not pass NWE's cost-effectiveness test. She suggested that NWE may consider funding the Northwest Energy Efficiency Alliance risky because estimated savings from Alliance activities might not be sufficiently precise to assure cost recovery.

51. Ms. Gravatt made these specific recommendations regarding future USB allocations:

- a) The Commission should continue funding each of the public purpose programs at a meaningful level.
- b) The Commission should revise the allocation established in Order 5986g to reflect NWE's transfer of some DSM activities from USB to the default supply portfolio and increased USB low-income assistance program costs.
- c) The Commission should reaffirm the role of NWE's USB advisory committee.
- d) If, in the future, NWE shifts conservation, market transformation, or renewable activities from USB to the default supply portfolio, the Commission should reallocate relevant USB budgets to low-income USB programs provided that increasing USB low-income assistance programs is necessary and justified according to criteria and standards developed by the Commission or in a collaborative process involving the utility and its USB advisory committee.

52. Lastly, Ms. Gravatt noted that electric USB charges subsidize natural gas USB activities. She said that in order to more closely align burdens and benefits the Commission should consider whether the natural gas USB charge should be increased.

53. According to Mr. Groepper, Energy Share exists to provide one-time assistance to Montana families with energy emergencies. Energy Share is able to help approximately 2,000 families with a combination of USB funds, private, and corporate donations. Energy Share has received USB funding from NWE since before the beginning of deregulation. According to Mr. Groepper, the Commission initially ordered then-Montana Power Company to fund Energy Share at a minimum of \$200,000 annually for electric USB programs. It was further ordered that all unexpended USB large customer funds be reallocated to the USB low-income programs.

54. Mr. Groepper stated that much of the testimony presented with respect to the USB legislation passed in 1997 intended for USB to provide no “new” money, but to merely keep in place the current funding levels of existing programs. He maintains that the intent of the USB legislation was to provide low-income customers with USB low-income billing assistance programs that left them no worse off today than before the USB legislation was passed.

55. Mr. Groepper stated that, as energy prices increased, NWE has annually increased the funding for the USB low-income discount programs provided to LIEAP qualifying customers. Natural gas rates have risen 119% since 1997 and electric rates have risen 34% since 1997. NWE’s expenditures on Energy Share’s electric USB bill assistance program were the same in 2004-2005 as they were in 1997, \$225,000. In order to hold its clients harmless from rate increases, Mr. Groepper said Energy Share is asking to have its USB allocation adjusted to be consistent with NWE’s approach to its USB low-income discount programs provided to LIEAP qualifying customers. Mr. Groepper pointed out that when LIEAP qualifying customers’ benefits run out, they turn to Energy Share for emergency relief.

56. Mr. Groepper concluded that Energy Share wants the Commission to increase its electric and natural gas USB allocations to approximately \$344,000 and \$300,000, respectively. He made no recommendations with respect to USB large customer programs except that the Commission continue the practice of requiring unexpended USB large customer funds to be reallocated to the USB low-income programs.

57. Mr. Groepper proposed that the increased funding of USB low-income programs be accomplished by:

- a) All possible conservation and renewable energy expenditures should be moved to the rate base.
- b) The payment of dues to the Northwest Energy Efficiency Alliance should not be allowed as a USB expenditure and those funds should be available for low-income bill assistance and weatherization.
- c) Since low-income weatherization is a cost-effective conservation measure, the Commission may want to define low-income weatherization as a conservation expenditure instead of a low-income expenditure, thereby freeing up additional low-income resources for bill support and emergency assistance.

DPHHS – Van Jamison

58. Mr. Jamison described how energy, public policy, economic, and social conditions within Montana have changed since the last time USB allocations to different public purpose programs were considered. He said that with resource limitations, experience compels the need to review goals and priorities regularly and reallocate available resources to meet current, critical needs.

59. Mr. Jamison agreed with NWE that flexibility to redirect funds among categories and specific programs is essential to the effective implementation of electric USB programs. He also argued that the NWE natural gas USB tariff has been raised above the 0.42% minimum requirement in the past and could be in the future. He argued that the 0.42% minimum requirement has historically been insufficient to fund the NWE natural gas USB programs.

60. Mr. Jamison testified that the task to meet low-income energy needs has been exacerbated by rising home and transportation energy costs, less federal assistance, weightier home energy burdens in spite of 15% discounts, growing LIEAP participation, and no new funding alternatives or public policy options. He said that, in this case, other public purpose

funding within both the NWE electric and natural gas USB programs must give way to low-income public purpose needs.

61. Mr. Jamison stated that based on last winter's heating fuel costs, \$7,780,256 of benefit payments would offset approximately 40% of the heating bills for the 20,781 households the program served last year. If this winter's heating bills increase by the projected 70%, that same \$7,780,256 in benefit payments will cover only 24% of the heating bills.

62. Mr. Jamison recommended that the Commission redirect and shift funding among NWE's USB categories and specific programs within those categories in order to make more money available for USB low-income programs, specifically the USB low-income discount programs. He recommended an additional \$3,528,870 be redirected from other electric USB categories to the USB low-income discount program. He further recommended that the electric and natural gas USB low-income discount programs be combined to form a pool of approximately \$6,000,000 available for low-income billing assistance. He recommended that the electric USB allocation to Energy Share be increased to \$450,000, and that the electric and natural gas USB funding for low-income weatherization programs be maintained at current levels. He did not provide any specifics on how to redirect and shift funding among the electric and natural gas USB categories and specific programs within those categories necessary to fund his recommendations.

## **REBUTTAL TESTIMONY**

### **NWE – Glen Phelps**

63. In rebuttal testimony at the hearing, Mr. Phelps argued that moving non-low-income USB programs to the default supply demand side management (DSM) category so as to free up USB funds to be re-directed to low-income assistance, as was suggested by several parties, could result in disallowed program costs because those programs do not meet the utility cost/benefit test, which would result in the programs' demise. Mr. Phelps agreed with RNP/NRDC that

diversion of all USB funds to just one of the public purposes identified in the electric USB law would be contrary to the legislative intent that the USB serve universal purposes, not a single purpose. TR, p. 21.

64. Mr. Phelps rebutted AARP's recommendation that the Commission disallow NWE's use of USB funds for recovery of customer account write-offs by citing ARM 42.29.107(1), a state Department of Revenue rule which he pointed out clearly allows the use of electric USB funds for low-income arrearage forgiveness. TR, pp. 22-23. Mr. Phelps said NWE applies electric USB funds only to the electric portion of a low-income customer's uncollectible bill.

65. According to Mr. Phelps, AARP's estimate of the cost of increasing the electric discount to 25% and the gas discount to 35% is too low. The cost of AARP's increased discount proposal serving only LIEAP customers would be \$5,131,000 in 2006; NWE does not know what the cost would be if eligibility for the discounts was expanded to other recipients of other means-tested public assistance programs as suggested by AARP. TR, p. 23.

66. Mr. Phelps pointed to Dr. Power's testimony on behalf of HRC as the most objective, factual, and public-interest-oriented presentation of the facts and issues in this proceeding.

#### HRC – Thomas Power

67. Citing the information provided by DPHHS in response to PSC Data Request 011 regarding the impact of LIEAP support to low-income households, Dr. Power said it showed the LIEAP program is successful in reducing the energy burden to about 5% of income for almost all low-income groups, whether below, at, or above the poverty line. That success suggests there is no need to revise the discount so that more dollars go to the poorest customers and fewer to those at or above the poverty level, according to Dr. Power. He recommended the Commission decline to adopt a more complicated income-based discount in this proceeding. TR., pp. 76-78.

68. Dr. Power asserted there is a broad consensus among the parties in support of a major increase in funds going to low-income assistance, with most witnesses recommending at least a

25% low-income discount. Dr. Power disagreed with the notion that USB should become a low-income program only and called the suggestion that bill assistance take precedence over all other USB programs, including low-income weatherization, a “short-term view.” TR., p. 80. Dr. Power encouraged the Commission to consider adopting a heating-season-only discount to free up more USB funds to be used when bills are highest. Citing the unknown cost impacts, Dr. Power recommended the Commission not consider expanding eligibility for the low-income discounts at this time.

69. Finally, Dr. Power said he does not believe that high energy costs are temporary or that they will decrease in the near term and, for that reason, he urged the Commission to expect home energy costs to remain high for some time to come.

RNP/NRDC – Ann Gravatt

70. Ms. Gravatt disagreed with the testimony of Mr. Jamison, witness for DPHHS, who contended that renewable resources do not require USB funding because there are alternative funding sources available for renewables development, such as those found in the federal farm bill and incentives in the 2005 federal energy policy bill. According to Ms. Gravatt, however, the farm bill grants for renewables have been in effect since 2002 and have resulted in 430 projects nationwide, with just 3 or 4 of those in Montana. She noted that the funding for the grants terminates in two years unless Congress approves it again at that time. She said projects under the farm bill are partially funded at 20 to 25 percent, while USB often funds 100 percent of projects.

71. Regarding the recently enacted Energy Policy Act, Ms. Gravatt said it includes new tax incentives for certain renewables but is not a permanent source of funding because the provisions expire in two years unless they are continued by Congress.

72. Ms. Gravatt argued that Mr. Jamison also incorrectly cited the new state law requiring utilities to meet renewable portfolio standards as an alternative source of incentives for

development of renewables because the new law tends to promote large-scale renewables development, not small-scale projects. She added that the cost cap provision in the law makes the bill ineffective and unable to serve as a replacement for USB funding.

73. In response to cross-examination by Commissioner Molnar, Ms. Gravatt said RNP/NRDC would support additional USB funding being redirected to low-income weatherization from renewables, but not all of it, because that would be contrary to statute which clearly requires a balance among the USB public purposes. TR., p. 127.

MCC – Larry Nordell

74. Dr. Nordell cautioned the Commission against moving DSM programs into the electric default supply portfolio unless those programs or parts of them are cost-effective and meet the portfolio's test of providing rate benefits to consumers by lowering the cost of the portfolio.

75. Regarding suggestions that the PSC increase the natural gas USB charge, Dr. Nordell said MCC's position is that it is not necessary to increase the charge because it is possible to increase low-income assistance by using uncommitted USB funds and shifting funding within the existing USB programs without having to zero out other USB programs. TR., pp. 137-138.

DPHHS – Van Jamison

76. In response to Ms. Gravatt's rebuttal testimony, Mr. Jamison pointed out, while there is some uncertainty regarding continued funding of the federal farm and energy bills because they will need to be reauthorized every two years, the same could be said of the USB since all laws are subject to change or elimination. He added that he did not intend to suggest that the farm and energy bill provisions were direct replacements for USB renewables funding, but they are ways of buying down the costs of renewables. TR., pp. 163-164. He said there is no alternative to USB funding for low-income assistance.

77. During cross-examination, Mr. Jamison asserted that in the present circumstances, the

low-income USB category should be the highest priority for USB funding, but he declined to specify to what level the low-income discount should be increased.

AARP – Barbara Alexander

78. Ms. Alexander urged the Commission to take prompt action to increase low-income USB funding, but recommended this docket remain open for consideration of other USB issues, such as program evaluation and reporting requirements. She supported what she said was the consensus of most of the parties that there be a substantial increase in the electric and natural gas low-income discounts, that the increased discounts be permanent and year-round until the Commission orders otherwise, and that the cost of the increased discounts be funded by shifting local conservation and market transformation programs from USB to default supply. TR., pp. 194-195. According to Ms. Alexander, information provided by NWE indicated these programs are arguably cost effective if taken as a group.

79. Ms. Alexander reiterated the recommendation in her pre-filed testimony that eligibility for the low-income discount be expanded to include recipients of low-income programs other than just LIEAP. She opposed Energy Share's proposal for increased funding from USB for its emergency assistance program. Ms. Alexander said AARP supports weatherization programs, whether the funding comes from USB or default supply. She supported an arrearage forgiveness program, but opposed NWE's practice of using electric USB funds to reimburse NWE for uncollectible LIEAP customer accounts.

Energy Share - Gregg Groepper

80. Mr. Groepper noted that Energy Share provides assistance not just to LIEAP-qualified customers, but to customers who do not qualify for LIEAP as well. He pointed out that an independent auditor examines Energy Share's books every year. He further explained the Energy Share program and its effectiveness.

RMDC – Gene Leuwer

81. Mr. Leuwer said he supported much of Dr. Power's positions on behalf of HRC, including an increased discount, and supported Energy Share's request for increased USB funding for its program. He suggested the discount be increased year-round to 30%. TR., pp. 273-274. Mr. Leuwer said weatherization is an effective long-term solution for low-income customers.

**FINDINGS OF FACT AND COMMISSION DECISIONS**

Re-allocation of USB funds

82. All of the parties in this proceeding recognized that higher energy rates, especially for natural gas, will cause utility bills to be unaffordable for many of NWE's low-income customers in the upcoming 2005-06 heating season. As Dr. Power and Ms. Alexander testified, there was a consensus among most of the parties that more USB funds be directed to the low-income assistance category and that, in that category, USB funds be provided to increase the electric and gas low-income discounts.

83. In order to provide a significant increase in low-income bill assistance to reduce the energy burden on those NWE customers who can least afford to pay their utility bills this winter, the Commission orders NWE to increase its electric low-income discount from 15% to 25% and to increase its natural gas low-income discount from 15% to 30%. The increased discounts are to be applied to LIEAP customer bills from November 1, 2005, through April 30, 2006, at which time the electric discount will revert to its usual 15% level. There will be no natural gas discount during the warmer months of May through October. NWE is directed to reinstate both the electric and natural gas discounts at the respective 25% and 30% levels for the 2006-07 heating season starting November 1, 2006 in the event that the Commission has not issued a final order in this proceeding by that date.

84. The incremental cost of the interim 25% electric and 30% natural gas rate discounts is to be funded through surplus electric USB revenues. This is necessary to avoid increasing natural gas USB charges. Several electric USB-funded public purpose programs will see their funding reduced to create the surplus re-allocated to the low-income assistance category. The Commission takes this action reluctantly, but ultimately the Commission agrees with DPHHS, whose attorney Francis Clinch said in his closing argument:

These are all issues of survivability, and the other public purposes don't address those issues of survivability. Those can all be met, maybe not perfectly, maybe not as well as they're met under the current regime, but they can be met to some effect through the use of the market and through other sources of income, such as the Energy Bill and the Farm Bill. That can't be said for low income. For low income, there is no new funding alternatives and there are no other public policy options. TR., p. 319

85. In addition to the above ordered low-income rate discounts, within the electric USB low-income category the Commission directs NWE to fund Energy Share with \$575,000 and the free weatherization program with approximately \$963,000 in calendar year 2006. Supplemental Energy Share funding will provide additional help to low-income families facing particular energy emergencies this winter. Additional Energy Share funding may also help some families just above the eligibility threshold for LIEAP assistance in certain emergency situations. Supplemental free weatherization funding will help accelerate efforts to improve the efficiency of low-income housing and achieve lasting benefits for low-income energy affordability.

86. In order to fund the above increases in low income assistance from USB revenues, the Commission directs NWE, on an interim basis, to reduce by \$200,000 electric USB funding for budgeted renewable generation and education programs, reduce by \$50,000 electric USB funding for budgeted research and development programs and reduce by \$630,000 electric USB funding for budgeted market transformation programs. Within these program categories, NWE may make modifications to program designs, labor, promotion and administrative expenses as necessary to

achieve the Commission's direction for funding rate discounts, weatherization and Energy Share. To the extent NWE can demonstrate that the activities associated with the USB categories being reduced in this order are consistent with the multiple long-term portfolio management and resource procurement objectives identified in ARM 38.5.8201-8226, the activities should continue in the context of the default supply portfolio and the associated costs are recoverable in default supply rates.

87. The Commission's interim decisions in this order produce the USB fund allocations for 2006 shown in Table 3. NWE should apply the approximate \$400,000 in uncommitted/canceled contract funds from 2005 (see NWE's response to data request AARP-01) to cover the incremental costs of the 25% electric and 30% natural gas rate discounts for the months of November and December 2005.

**Table 3.** 2006 electric and natural gas USB allocations.

<b>Program category</b>	<b>Electric USB expense target</b>	<b>%</b>	<b>Gas USB expense target</b>	<b>%</b>
Conservation	\$1,239,352	14%	\$327,000	11%
Market transformation	\$112,036	1%	NA	
Renewables	\$651,094	8%	NA	
R&D	\$89,261	1%	NA	
Low-Income	\$3,505,277	40%	\$2,547,372	89%
Bill discounts	\$1,853,584		\$1,945,800	
Energy Share	\$575,000		0	
Free weatherization	\$962,843		\$585,000	
Large Customer	\$3,126,527	36%	NA	
<b>Total Expenses</b>	<b>\$8,723,547</b>	<b>100%</b>	<b>\$2,874,372</b>	<b>100%</b>
Projected USB revenue	\$9,367,246		\$2,278,585	
Surplus/(deficiency)	\$643,699		\$(595,787)	

88. NWE must cease its practice of recovering the costs of low-income bill write-offs from USB funds.

89. NWE must file a report with the Commission by March 15, 2006 on the sustainability of the interim discounts established in this order. The report must provide actual discount costs for the November 2005 – February 2006 period and provide updated cost projections for the remainder of 2006. Finally, the report must provide a distribution of bill arrearages for LIEAP customers as of March 1, 2006.

Other issues

90. In June 2004, NWE requested an increase in the gas USB rate to make up for a projected shortfall in revenues necessary to sustain the 15% low income discount in the face of rising natural gas supply costs and prevent the segregated USB account from incurring a negative balance. At the time, NWE projected a shortfall of \$327,856. The Commission assigned the matter Docket D2004.7.99 and on July 15, 2004 the Commission approved the requested USB rate increase on an interim basis. Ultimately, the requested increase in the gas USB rate was not sufficient to fully sustain the 15% low income discount in 2004. On November 30, 2004, NWE

again requested to adjust the gas USB rate. This request was assigned Docket D2004.12.192. While projecting that the interim rate approved in D2004.7.99 would generate surplus gas USB revenues for 2005, NWE identified a shortfall for 2004 of about \$130,000 despite the interim rate increase. As shown in Exhibit NWE-1, Attachment GDP-2, the actual gas USB revenue shortfall in 2004 was \$163,932, and as shown in NWE's updated response to data request AARP-01, this amount was carried over as an expense in 2005.

91. The Commission's 2006 USB allocation decisions in this order do not envision carrying over any 2004 gas USB revenue shortfall into 2006. Therefore, NWE should make the 2004 USB cash account whole using 2005 funds. Available uncommitted 2005 electric USB funds may be used for this purpose.

92. The USB re-allocation decisions in this order are primarily intended to ease the financial burden on low-income households of adequately heating their homes this winter. As all utilities in Montana offer USB programs, the re-allocations in this order are appropriately targeted at low-income customers who obtain their primary heating fuel from NWE. Therefore, with respect to Energy Share funding, NWE must execute a contract with Energy Share that ensures Energy Share will direct the funds to NWE customers whose primary heating source is supplied by NWE.

Remaining issues for continued proceeding

93. This interim order directs a re-allocation of USB funds to provide additional low-income assistance for the upcoming winter heating season, but there are several issues that remain to be finally decided by the Commission. A major remaining issue to decide is the appropriate balance of funding for all qualifying programs on an on-going basis given NWE's current service responsibilities and current statutory structure. The Commission will use this proceeding to further investigate all unresolved issues and, possibly, additional issues.

### **CONCLUSIONS OF LAW**

1. The PSC is the Montana administrative agency charged with regulating public utilities. § 69-1-102, MCA. NWE is a public utility in regard to NWE's provision of natural gas and electric services to customers in Montana. § 69-3-101, MCA (meaning of "public utility").

2. NWE, as well as other Montana energy utilities, is required to have USB programs. See, e.g., § 69-3-1408, MCA (natural gas utility USB program) and § 69-8-402, MCA (electric utility USB program). The PSC has authority to approve public utility USB programs. § 69-3-1408, MCA (natural gas USB) and § 69-8-402, MCA (electric USB).

### **INTERIM ORDER**

1. NorthWestern Energy shall increase its electric low-income discount from 15% to 25% and increase its natural gas low-income discount from 15% to 30%. The increased discounts are to be applied to LIEAP customer bills from November 1, 2005, through April 30, 2006, at which time the electric discount will revert to the usual 15% level and the natural gas discount will terminate. If the Commission has not yet issued a final order in this proceeding by November 1, 2006, NWE will increase the electric discount from 15% to 25% and reinstate the 30% natural gas discount on that date.

2. NorthWestern Energy shall direct the approximately \$400,000 available in 2005 uncommitted electric USB funds and cancelled electric USB program contracts to the increased discounts. NorthWestern Energy shall reduce its 2006 budgets for electric USBC-funded Market Transformation by \$630,000, Renewables by \$200,000 and Research and Development by \$50,000.

3. NorthWestern Energy shall cease its practice of recovering low-income customer bill write-off costs from USB funds.

4. NorthWestern Energy shall increase the electric USB allocations to Energy Share from \$225,000 to \$575,000 and to free weatherization from \$583,000 to \$962,843.

5. NorthWestern Energy is authorized to use surplus electric USB revenues resulting from the reallocations in this order to cover gas USB revenue deficiencies resulting from the increased gas discounts established by this order.

6. NorthWestern Energy shall file the report described at paragraph 89 of this Order by March 15, 2006.

7. NorthWestern Energy shall execute a contract with Energy Share that ensures Energy Share will direct the USB funds to NorthWestern Energy customers whose primary heating source is supplied by NorthWestern Energy.

8. NorthWestern Energy shall adhere to and abide by all Findings of Fact in this order. All rate schedules shall comply with all Commission determinations set forth in this order.

9. NorthWestern Energy must file tariffs in compliance with this order.

10. This order is effective for service rendered on and after November 1, 2005.

DONE IN OPEN SESSION at Helena, Montana on the 31st day of October, 2005, by a vote of 4 to 1.

DOCKET NO. D2004.7.99, ORDER NO. 6679a  
DOCKET NO. D2004.12.292, ORDER NO. 6679a  
DOCKET NO. D2005.6.106, ORDER NO. 6679a

32

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

---

GREG JERGESON, Chairman

---

BRAD MOLNAR, Vice Chairman

---

DOUG MOOD, Commissioner

---

ROBERT H. RANEY, Commissioner

---

THOMAS J. SCHNEIDER, Commissioner  
(Voting to dissent)

ATTEST:

Connie Jones  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.

Service Date: November 2, 2005

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

\* \* \* \* \*

IN THE MATTER of NORTHWESTERN ) UTILITY DIVISION  
ENERGY’S Applications and PSC ) DOCKETS NO. D2004.7.99;  
Investigation on Gas and Electric USB Matters ) D2004.12.192; 2005.6.106

**Partial Dissent**

I offer the following dissent in this important Universal System Benefits allocation decision. There are a number of constructive elements to the Order. However, I cannot support elimination of the existing base 15% natural gas discount in the non-heating season months. Over the course of the Commission’s deliberations, I proposed several alternatives, designed to preserve and enhance the basic annual discount benefits to LIEAP customers. None of those options were acceptable to others.

The most objectionable result is a \$200,000 or 53% increase to Energy Share. By reducing the Energy Share allocation to \$100,000 (a 27% increase), transferring an additional \$50,000 from renewable programs USB funding to default supply, and using the uncommitted USB funding balance of \$50,000--the existing 15% natural gas discount for non-heating season months could have been retained.

I appreciate that the Commission did allow full consideration of the alternatives. I am, of course, disappointed in the result.

\_\_\_\_\_  
Thomas J. Schneider