

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

IN THE MATTER OF ENERGY WEST
MONTANA, INC.'S APPLICATION FOR
AN ORDER APPROVING ITS
RECONCILIATION OF THE
COLLECTIONS AND DISBURSEMENTS
OF WEST YELLOWSTONE'S NO
INTEREST LOAN PROGRAM

REGULATORY DIVISION

Docket No. D2017.12.89

**REBUTTAL TESTIMONY
OF
JED D. HENTHORNE
ON BEHALF OF
ENERGY WEST MONTANA, INC.**

April 19, 2018

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

3 A. My name is Jed D. Henthorne. I am President and General Manager for Energy West
4 Montana, Inc. (“EWM”) and Vice President Finance and Administration for Hearthstone
5 Utilities, Inc. My business address is #1 First Avenue South, Great Falls, Montana 59403.

6 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

7 A. Yes. On December 1, 2017, I filed direct testimony in support of EWM’s application. In
8 my direct testimony, I provided background information regarding the No Interest Loan
9 Program (“NIP”) for EWM’s West Yellowstone division, I explained the collections and
10 disbursements for EWM-West Yellowstone’s NIP from February 1, 1997 through March
11 31, 2017 (which resulted in a net over-collection), and I provided EWM’s initial
12 recommendation for addressing the over-collection and future collections going forward,
13 including the establishment of new Universal System Benefit (“USB”) programs.

14 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

15 A. I will respond to the testimony of Mr. Paul Schulz on behalf of the Montana Consumer
16 Counsel (“MCC”).

17 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

18 A. Generally, EWM agrees with the MCC’s recommendations regarding the reconciliation of
19 the historical collections and disbursements from EWM-West Yellowstone’s NIP and the
20 development of USB programs for West Yellowstone. I will explain how EWM either
21 agrees with, or is willing to accept, almost all of the MCC’s recommendations in this
22 proceeding. I will also provide EWM’s recommendation for addressing the over-collection
23 from the West Yellowstone NIP program going forward, which has been modified in

1 response to the MCC's testimony, and the development of USB programs for West
2 Yellowstone.

3 **Q. HOW IS YOUR REBUTTAL TESTIMONY ORGANIZED?**

4 A. First, I will address the MCC's recommendation that the Commission waive its rule
5 requiring 1.12% of annual revenues be used for USB programs and instead use the statutory
6 minimum of 0.42%. Then I will address the proposed treatment of EWM-West
7 Yellowstone's over-collection of NIP funds. After that, I will provide additional
8 information regarding the USB programs that EWM proposes to establish and promote for
9 West Yellowstone. Finally, I will address some of the policy issues raised by this
10 proceeding.

11 **Q. DOES EWM CONTINUE TO RECOMMEND THAT THE WEST
12 YELLOWSTONE NIP RATE BE CONVERTED TO A USB RATE, WHICH
13 COULD THEN BE USED FOR OTHER PROGRAMS?**

14 A. Yes, and I believe that treatment is consistent with the MCC's recommendations in this
15 proceeding.

16 **II. WAIVER OF THE COMMISSION'S MINIMUM USB CHARGE**

17 **Q. WHY IS ARM 38.5.7020(2) RELEVANT TO THIS CASE?**

18 A. As discussed by Mr. Schulz,¹ ARM 38.5.7020(2) establishes the minimum amount of a
19 utility's annual revenues that should be used for funding USB programs at 1.12%. Of this
20 amount, 0.42% is the minimum amount that must be applied to low-income weatherization
21 and bill assistance programs under Montana statute.² As a result, the Commission has the

¹ Testimony of Paul R. Schulz, pp. 6-7.

² MCA § 69-3-1408(2).

1 discretion to reduce the percentage of revenues collected for USB programs down to the
2 statutory minimum of 0.42%.

3 **Q. WHAT DOES THE MCC RECOMMEND WITH REGARD TO ARM 38.5.7020(2)?**

4 A. The MCC recommends that the Commission waive the requirement in ARM 38.5.7020(2)
5 and reduce the amount of USB revenues for West Yellowstone to the statutory minimum
6 of 0.42%.³ Under the MCC's approach, this amount would be used on low-income
7 weatherization and bill assistance, as required by the USB statute.⁴ Waiver of this rule is
8 the foundation for the MCC's recommendations regarding the treatment of the over-
9 collection at issue in this case as well as establishing the amount of the USB rate for EWM-
10 West Yellowstone going forward.

11 **Q. DOES EWM AGREE WITH THE MCC'S RECOMMENDATION?**

12 A. Yes, EWM agrees with the MCC and asks the Commission to waive the requirement in
13 ARM 38.5.7020(2) and establish the appropriate USB funding levels for EWM-West
14 Yellowstone at the statutory minimum of 0.42% of annual revenues. EWM would then
15 apply the over-collection and future USB revenues on low-income weatherization and bill
16 assistance.

17 **Q. ARE YOU PROPOSING THAT THE COMMISSION SET EWM-WEST**
18 **YELLOWSTONE'S USB RATE AT THE STATUTORY MINIMUM**
19 **PERMANENTLY?**

20 A. No, not at all. However, EWM believes it will take time to disburse the over-collected
21 balance and to establish new USB programs in West Yellowstone. Additionally, it is
22 unclear how much demand there will be for the new USB programs. Recognizing these

³ Testimony of Paul R. Schulz, pp. 8, 10.

⁴ MCA § 69-3-1408(2).

1 uncertainties, EWM agrees with Mr. Schulz’s position that the USB rate for EWM-West
2 Yellowstone can be changed “[i]f over time, the level of participation in the program has
3 increased to the point of completely drawing down the overcollection....”⁵

4 **III. THE MCC’S TREATMENT OF WEST YELLOWSTONE’S**
5 **NET OVER-COLLECTION**

6 **Q. WHAT IS THE MCC’S CALCULATION OF WEST YELLOWSTONE’S NET**
7 **OVER-COLLECTION OF NIP FUNDS?**

8 A. By applying the 0.42% rate to gross revenues from 1997 forward, the MCC establishes an
9 over-collected amount of \$109,764.87.⁶ Subtracting \$109,764.87 from EWM’s initial
10 over-collection of \$112,865.20 results in a difference of \$3,100.33, which the MCC
11 recommends be refunded to customers over a 12-month period as an offset to the USB
12 charge established in this case.⁷

13 **Q. DOES EWM AGREE WITH THE MCC’S CALCULATION OF THE OVER-**
14 **COLLECTED BALANCE AND PROPOSED REFUND TO CUSTOMERS?**

15 A. Generally, yes. However, EWM proposes that the \$3,100.33 amount be refunded to
16 customers in one month as a credit on their bills. This would result in a refund (or credit)
17 of approximately \$5.05 per customer,⁸ and would provide all customers with the same
18 refund rather than returning it on a volumetric basis over a year.

19 **Q. WHAT IS THE MCC’S PROPOSED TREATMENT FOR THE OVER-**
20 **RECOVERY?**

21 A. The MCC recommends that the net over-recovery of \$109,764.87 and any future
22 overcollections be held in a separate interest-bearing account until extinguished.⁹ Under

⁵ Testimony of Paul R. Schulz, p. 10.

⁶ Testimony of Paul R. Schulz, p. 9.

⁷ Testimony of Paul R. Schulz, p. 9.

⁸ Using the customer count as of March 2017.

⁹ Testimony of Paul R. Schulz, p. 9.

1 the MCC's approach, "[h]ese funds would be used for USB bill assistance and
2 weatherization programs that Energy West would establish and actively promote either on
3 its own, via Energy Share, or some coordinated effort of the two."¹⁰

4 **Q. DOES EWM AGREE WITH THIS RECOMMENDATION?**

5 A. Yes. EWM agrees that the over-recovery of NIP funds and any future overcollections
6 should be held in a separate interest-bearing account until extinguished. As I will discuss
7 next, EWM proposes to establish a new USB program for West Yellowstone immediately
8 and to pursue the development of several new USB programs going forward. Depending
9 on the level of demand for USB programs in West Yellowstone, establishing and
10 promoting these new programs should create an outlet for the over-collected funds and
11 future USB revenues.

12 **IV. EWM-WEST YELLOWSTONE'S USB PROGRAM**

13 **Q. ARE THERE ANY EXISTING USB PROGRAMS FOR EWM-WEST**
14 **YELLOWSTONE?**

15 A. Historically, the NIP was the only USB program in West Yellowstone. However, NIP
16 activity ceased in November of 2006.¹¹

17 **Q. HOW DOES EWM PROPOSE TO IMPLEMENT USB PROGRAMS FOR WEST**
18 **YELLOWSTONE GOING FORWARD?**

19 A. EWM proposes to implement its future USB programs for West Yellowstone in two
20 phases. First, EWM will immediately implement a low-income discount program for
21 customers signed up for LIEAP assistance in West Yellowstone. This is consistent with
22 the MCC's recommendation.¹² Second, EWM proposes to collaborate with Energy Share

¹⁰ Testimony of Paul R. Schulz, p. 9.

¹¹ See EWM's response to PSC-011.

¹² Testimony of Paul R. Schulz, p. 10.

1 and possibly other third-parties (*e.g.*, Human Resource Development Council) to
2 implement a furnace efficiency program, weatherization program, and bill assistance
3 program for our low-income customers in West Yellowstone. We are not proposing to
4 restart the NIP program at this time.

5 **Q. WHAT DISCOUNT LEVELS IS EWM PROPOSING TO PROVIDE FOR**
6 **ELIGIBLE LOW-INCOME CUSTOMERS IN WEST YELLOWSTONE?**

7 A. EWM proposes to use the same discount levels and eligibility criteria as currently used in
8 Great Falls. Based on the federal percent of poverty guidelines, a discount of 16% to 28%
9 is available for low-income customers signed up for LIEAP assistance.

10 **Q. HOW WILL EWM PROMOTE THESE USB PROGRAMS IN WEST**
11 **YELLOWSTONE?**

12 A. EWM plans to promote the new USB programs through a combination of local marketing,
13 bill inserts, and including information regarding the USB programs on EWM's website.

14 **Q. HOW SHOULD THE PROCESS OF COMMISSION APPROVAL BE**
15 **IMPLEMENTED WHEN USB PROGRAMS ARE ESTABLISHED IN WEST**
16 **YELLOWSTONE?**

17 A. Because EWM is establishing USB programs for West Yellowstone that mirror the existing
18 USB programs in Great Falls, we believe it is appropriate to only file notices in this docket
19 when those specific programs are established. For any new USB program, EWM would
20 file an application for the Commission's approval. Also, as explained below, EWM would
21 report on the status of all USB programs currently in place with its June 1 filing.

1 **V. USB POLICY ISSUES**

2 **Q. INITIALLY, EWM PROPOSED TO USE THE NIP FUNDS THAT COULD NOT**
3 **BE SPENT IN WEST YELLOWSTONE ON EWM-GREAT FALLS' AND EWM-**
4 **CASCADE'S USB PROGRAMS.¹³ IS THAT STILL YOUR**
5 **RECOMMENDATION?**

6 A. No, not at this time. As discussed above, we are willing to establish and promote several
7 USB program offerings for West Yellowstone. However, if, after establishing and
8 promoting new USB programs, we are still unable to put these funds into West
9 Yellowstone, we believe the Commission should consider whether the funds collected from
10 West Yellowstone can be used across the rest of EWM's system.

11 **Q. THE COMMISSION RECENTLY ORDERED EWM TO CONDUCT A**
12 **COMPREHENSIVE REVIEW OF ITS EXISTING USB PROGRAMS.¹⁴ HOW**
13 **WILL THAT PROCEEDING IMPACT THE USB PROGRAM FOR WEST**
14 **YELLOWSTONE?**

15 A. EWM will modify its USB program in West Yellowstone to conform with any changes to
16 the USB programs as a result of the Commission's review of the existing USB programs
17 for Great Falls and Cascade.

18 **Q. HOW DOES EWM PROPOSE TO PROVIDE INFORMATION REGARDING THE**
19 **STATUS OF THE USB ACTIVITIES FOR WEST YELLOWSTONE?**

20 A. EWM proposes to include the information for West Yellowstone as part of the USB filings
21 EWM is required file each June 1, beginning with the filing on June 1, 2019.

22 **VI. CONCLUSION**

23 **Q. PLEASE SUMMARIZE WHAT EWM IS ASKING THE COMMISSION TO**
24 **APPROVE IN THIS CASE.**

25 A. EWM is asking the Commission to:

¹³ Testimony of Paul R. Schulz, pp. 4-5.

¹⁴ Docket No. D2017.6.47, Order No. 7558a.

- 1 • Waive ARM 38.5.7020(2) and establish a rate of 0.42% to determine over-collection
2 of NIP funds and USB rate for West Yellowstone going forward;
- 3 • Approve the use of the \$109,764.87 in over-collected NIP funds on the new USB
4 programs for West Yellowstone;
- 5 • Authorize EWM to place the over-collected NIP funds and any future overcollections
6 into a separate interest-bearing account until extinguished;
- 7 • Order a refund of \$3,100.33 to customers through a one-time bill credit;
- 8 • Convert the West Yellowstone NIP charge to a USB charge for use on the new USB
9 programs going forward;
- 10 • Authorize EWM to establish the USB programs for West Yellowstone consistent with
11 the existing programs for Great Falls; and
- 12 • Grant such other authorizations and relief as the Commission deems necessary to
13 resolve this proceeding.

14 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

15 A. Yes.

CERTIFICATE OF SERVICE

I certify that on this, the 19th day of April, 2018, **REBUTTAL TESTIMONY OF JED D. HENTHORNE ON BEHALF OF ENERGY WEST MONTANA** was e-filed with the Commission and served via U.S. mail and e-mail, unless otherwise noted, to the following:

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