

1 HOUSE BILL NO. 638

2 INTRODUCED BY K. GILLAN

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4 A BILL FOR AN ACT ENTITLED: "AN ACT DIRECTING THE DEVELOPMENT OF A STATE ELECTRICAL
5 ENERGY POLICY COMPONENT AND PLAN; REQUIRING THAT THE POLICY COMPONENT AND PLAN BE
6 PRESENTED TO THE 58TH LEGISLATURE AND THE GOVERNOR; APPROPRIATING \$75,000 FROM THE
7 GENERAL FUND FOR ELECTRICAL ENERGY POLICY DEVELOPMENT; AMENDING SECTION 69-8-501,
8 MCA; AND PROVIDING EFFECTIVE DATES AND A TERMINATION DATE."

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10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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12 NEW SECTION. **Section 1. Electrical energy policy development.** (1) Consistent with the existing
13 comprehensive state energy policy established under 90-4-1001, the council, in cooperation with the
14 transition advisory committee established in 69-8-501, the consumer counsel, the department, and the
15 public service commission, shall develop a state electrical energy policy component and a state electrical
16 energy plan pursuant to 90-4-1003.

17 (2) A draft state electrical energy policy component and plan must be recommended to the council
18 for the council's approval by an electrical energy working group established pursuant to 90-4-1003(3), no
19 later than September 10, 2002.

20 (3) In developing a draft state electrical policy component and plan, the electrical energy working
21 group shall:

22 (a) analyze the adequacy of electrical energy and natural gas transmission systems in the state
23 and recommend necessary or appropriate improvements or expansions of these types of infrastructure,
24 including the estimated costs of those improvements or expansions;

25 (b) analyze the reliability of Montana's electrical energy and natural gas energy generation,
26 transmission, and distribution systems and recommend necessary improvements;

27 (c) analyze and inventory state energy resources, including the average unit cost of production
28 for each resource and necessary transmission and distribution costs;

29 (d) analyze the adequacy and diversity of electrical generation facilities including alternative
30 renewable resource generation in the state and make recommendations for approaches to address any

1 inadequacies or lack of diversity of supply;

2 (e) analyze and recommend energy efficiency measures and estimate the cost to reduce energy
3 use in all state and local government buildings, including public school and university buildings, by at least
4 10% annually;

5 (f) analyze the feasibility of recommending rates for all customer classes to encourage energy use
6 in off-peak times of the day;

7 (g) analyze the feasibility of an expanded net metering program and estimate the cost of
8 encouraging the use of net metering systems among residential, irrigation, and small commercial
9 consumers; and

10 (h) work with investor-owned and consumer-owned utilities to identify all cost-effective
11 conservation measures in each utility's service territory that cost less than 5.5 cents per kilowatt hour to
12 acquire and that have payback periods of 10 years or less and prepare a plan for capturing those savings.

13 (4) The council shall present a state electrical energy policy component and plan with its findings,
14 recommendations, and legislation, if any, to the legislature and to the governor before October 1, 2002.

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16 **Section 2.** Section 69-8-501, MCA, is amended to read:

17 **"69-8-501. Transition advisory committee.** (1) A transition advisory committee on electric utility
18 industry restructuring is created. The transition advisory committee is composed of twelve voting members
19 who are appointed as follows:

20 (a) The speaker of the house shall appoint six members from the house of representatives, not
21 more than three of whom may be from one political party.

22 (b) The president of the senate shall appoint six members from the senate, not more than three
23 of whom may be from one political party.

24 (2) The following entities shall appoint nonvoting advisory representatives to the transition
25 advisory committee:

26 (a) The director of the department of environmental quality shall appoint one department
27 representative.

28 (b) The legislative consumer committee shall appoint one representative.

29 (c) One representative of the cooperative utility industry is appointed as designated by the
30 Montana electrical cooperative association.

- 1 (d) The public utilities in the state of Montana shall appoint one member.
- 2 (e) The commission shall appoint one member.
- 3 (f) The governor shall appoint the following nonvoting committee members:
- 4 (i) one representative from the industrial community with an interest in the restructuring of the
- 5 electric utility industry;
- 6 (ii) one representative from the nonindustrial retail electric consumer sector;
- 7 (iii) one representative from organized labor;
- 8 (iv) one representative from the community comprising environmental and conservation interests;
- 9 (v) one representative from a low-income program provider;
- 10 (vi) one representative of Montana's Indian tribes; and
- 11 (vii) one representative of the electric power market industry.
- 12 (3) In case of a vacancy, a replacement must be selected in the manner of the original
- 13 appointment.
- 14 (4) Legislative members are entitled to salary and expenses as provided in 5-2-302.
- 15 (5) The public service commission, legislative services division, and appropriate state agencies
- 16 shall provide staff assistance as requested by the committee.
- 17 (6) Transition advisory committee members must be appointed ~~within 60 days of May 2, 1997,~~
- 18 ~~to an initial term expiring on December 31, 1999. Subsequent terms must be for up to 2 years expiring~~
- 19 ~~on January 1 of odd-numbered years.~~
- 20 (7) The voting members shall select a transition advisory committee presiding officer.
- 21 (8) The transition advisory committee on electric utility industry restructuring ~~must dissolve~~
- 22 dissolves on the earlier of either the date that full transition to retail competition is completed or December
- 23 31, 2004.
- 24 (9) The transition advisory committee shall provide an annual report on the status of electric utility
- 25 restructuring on or before November 1 to the governor, the speaker of the house, the president of the
- 26 senate, and the commission ~~and shall provide quarterly interim summary reports to the members of the~~
- 27 ~~legislature through January 1, 1999.~~
- 28 (10) The transition advisory committee shall meet at least quarterly or as often as is necessary to
- 29 conduct its business.
- 30 (11) The transition advisory committee shall analyze and report on the transition to effective

1 competition in the competitive electricity supply market. ~~The annual report made in the year 2000 must~~
2 ~~evaluate specifically the pilot programs for customers with loads under 1,000 kilowatts and must include~~
3 ~~legislative recommendations, if it appears appropriate, about the best means to further encourage the~~
4 ~~development of customer choice and meaningful market access for the benefit of smaller customers. The~~
5 ~~annual report for the year 2000 must also address the need, if any, for additional consumer protection~~
6 ~~including protection from abusive or anticompetitive practices.~~

7 (12) The criteria that the transition advisory committee ~~must~~ shall use to evaluate effective
8 competition in the electricity supply market include but are not limited to the following:

9 (a) the level of demand for power supply choice and the availability of market prices for smaller
10 customers;

11 (b) the existence of sufficient markets and bargaining power to the benefit of smaller customers
12 and the best means to encourage and support the development of sufficient markets;

13 (c) the level of interest among electricity suppliers and the opportunity for electricity suppliers to
14 serve smaller customers; and

15 (d) the existence of the requisite technical and administrative support that enables smaller
16 customers to have choice of electricity supply.

17 (13) The transition advisory committee shall recommend legislation if necessary to promote electric
18 utility restructuring and retail choice of electricity suppliers.

19 ~~(14) The transition advisory committee shall make recommendations to the governor, regarding~~
20 ~~the implementation of statewide universal system benefits and universal energy assistance funds, in time~~
21 ~~to allow for those funds to be created on or before January 1, 1999. This may include recommendations~~
22 ~~regarding the assignment of an existing government agency or private, nonprofit entity as the fund~~
23 ~~administrator and administration guidelines for the funds, including the means by which funds may be~~
24 ~~made available for use.~~

25 (14) The presiding officer of the transition advisory committee shall, before June 1, 2001, assign
26 two legislative members who do not represent the same political party, one from the house of
27 representatives and one from the senate, to participate in the electrical energy working group pursuant to
28 90-4-1003 and [section 1].

29 (15) The transition advisory committee shall monitor and evaluate the universal system benefits
30 programs and comparable levels of funding for the region and make recommendations to the 58th

1 legislature to adjust the funding level provided for in 69-8-402 to coincide with the related activities of the
2 region at that time.

3 (16) On or before July 1, 2002, the transition advisory committee, in coordination with the
4 commission, shall conduct a reevaluation of the ongoing need for universal system benefits programs and
5 annual funding requirements and shall make recommendations to the 58th legislature regarding the future
6 need for those programs. The determination must focus specifically on the existence of markets to provide
7 for any or all of the universal system benefits programs or whether other means for funding those
8 programs have developed. These recommendations may also address how future reevaluations will be
9 provided for, if necessary.

10 (17) On or before November 1, 2001, the transition advisory committee shall collect information
11 to determine whether Montana utilities or their affiliates have an opportunity to sell electricity to customers
12 outside of the state of Montana comparable to the opportunity provided pursuant to this chapter to utilities
13 or their affiliates located outside the state of Montana. That information must be included in the report to
14 the 58th legislature.

15 ~~(18) On or before November 1, 1998, the transition advisory committee shall make~~
16 ~~recommendations to the governor and the legislature regarding the provision of low-income energy~~
17 ~~assistance programs in Montana by all energy providers."~~

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19 NEW SECTION. **Section 3. Appropriation.** There is appropriated from the general fund to the
20 legislative services division \$75,000 to meet the costs associated with fulfilling the requirements of
21 [section 1].

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23 NEW SECTION. **Section 4. Codification instruction.** [Section 1] is intended to be codified as an
24 integral part of Title 90, chapter 4, part 10, and the provisions of Title 90, chapter 4, part 10, apply to
25 [section 1].

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27 NEW SECTION. **Section 5. Effective dates.** (1) Except as provided in subsection (2), [this act] is
28 effective on passage and approval.

29 (2) [Section 3] is effective July 1, 2001.

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