

**38.5.8201 INTRODUCTION AND APPLICABILITY** (1) These guidelines provide policy guidance to default supply utilities (DSU) on long-term default electricity supply resource planning and procurement. The guidelines do not impose on DSUs specific resource procurement processes nor mandate particular resource acquisitions. Instead, the guidelines describe a process framework for considering resource needs and suggest optimal ways of meeting those needs. **Electricity default supply resource decisions affect the public interest.** A DSU can better fulfill its obligations, mitigate risks and achieve resource procurement goals if it includes the public in the portfolio planning process. An independent advisory committee of respected technical and public policy experts may offer the DSU an excellent source of up-front, substantive input that would help mitigate risk and improve resource procurement outcomes in a manner consistent with these guidelines. **Consistent with these guidelines, and after an opportunity for public input, the DSU must ultimately make electricity resource acquisition decisions based on economics, reliability, management expertise and sound judgment.**

(2) A DSU should thoroughly document its default supply portfolio planning processes, resource procurement processes and management decision-making so that it can fully demonstrate to the commission and stakeholders the prudence of default supply-related costs and/or justify requests for advanced approval of power purchase agreements. A DSU should routinely communicate with the commission and stakeholders regarding on-going default supply portfolio planning and resource procurement activities.

(3) These guidelines will provide the basis for commission review and consideration of the prudence of a DSU's default supply resource planning and procurement actions, and are the standards against which the commission will evaluate the reasonableness of power supply agreements filed as part of a DSU's application for advanced approval. As such, the guidelines should assist DSUs in making prudent decisions and in fully recovering default supply-related costs. Successful application of the guidelines will require a commitment from the commission, DSUs and stakeholders to honor the spirit and intent of the guidelines.

(4) These guidelines are applicable to any public utility designated by the commission or Montana law as the default supplier of electricity to retail customers in its distribution service territory. These guidelines do not apply to public utilities that are not required to restructure pursuant to Title 69, chapter 8, MCA.

(5) These guidelines supercede the commission's electric least cost planning rules (ARM 38.5.2001 through 38.5.2012) solely with respect to a DSU's default supply resource planning and procurement functions. (History: 69-8-403, MCA; IMP, 69-8-403, MCA; NEW, 2003 MAR p. 654, Eff. 4/11/03; AMD, 2003 MAR p. 2894, Eff. 12/25/03 .)

**38.5.8203 GOALS** (1) The goals of these default supply resource planning and procurement guidelines are to:

(a) facilitate a DSU's provision of adequate and reliable default electricity supply services, stably and reasonably priced, at the lowest long-term total cost;

(b) promote economic efficiency and environmental responsibility;

(c) facilitate a DSU's on-going financial health;

**(d) facilitate a process through which a DSU identifies and cost-effectively manages and mitigates risks related to its obligation to provide default supply service in a retail choice environment;**

**(e) foster an environment in which meaningful retail customer choice and workable competition can develop, where feasible; and**

**(f) build on the fundamental rate making relationship between the commission and the DSU to advance these goals. (History: 69-8-403, MCA; IMP, 69-8-403, MCA; NEW, 2003 MAR p. 654, Eff. 4/11/03.)**

**38.5.8204 OBJECTIVES (1) In order to satisfy its default supply responsibilities, a DSU should pursue the following objectives in assembling and managing an electricity supply portfolio. The DSU should:**

**(a) provide default supply customers adequate and reliable default supply services, stably and reasonably priced, at the lowest long-term total cost;**

**(b) design rates for default supply service that are equitable and promote rational, economically efficient consumption and customer choice decisions;**

**(c) assemble and maintain a balanced, environmentally responsible portfolio of power supply and demand-side management resources coordinated with economically efficient cost allocation and rate design that most efficiently supplies firm, full electricity supply service to default supply customers over the planning horizon;**

**(d) maintain an optimal mix of demand-side management and power supply sources with respect to underlying fuels, generation technologies and associated environmental impacts, and a diverse mix of long, medium and short duration power supply contracts with staggered start and expiration dates; and**

**(e) maximize the dissemination of information to default customers regarding the mix of resources and the corresponding level of emissions and other environmental impacts associated with default supply service through itemized labeling and reporting of the default supply portfolio's energy products.**

**(2) These objectives are listed in order of importance, but no single objective should be pursued such that others are ignored. Simultaneously achieving these multiple objectives will require a balanced approach. A DSU should apply the recommendations in ARM 38.5.8209 through 38.5.8213, 38.5.8218 through 38.5.8221, 38.5.8225, and 38.5.8226, in addition to relevant commission orders, to achieve these goals and objectives. (History: 69-8-403, MCA; IMP, 69-8-403, MCA; NEW, 2003 MAR p. 654, Eff. 4/11/03.)**