Exhibit "2" To 134

69-3-1105. Operator service provider liability — penalty — costs and fees entitlement — jurisdiction. (1) An operator service provider that charges a customer more than the allowable rate is liable:

(a) to the customer for three times the cost of the call charged to the customer or $500, whichever is greater; and

(b) to the state for the penalty prescribed in 69-3-206, for other commission enforcement actions pursuant to 69-3-110, and for a violation of applicable rules authorized by 69-3-1103.

(2) In a suit or enforcement action brought against an operator service provider, the prevailing party is entitled to recover costs and attorney fees in a sum that the court finds reasonable.

(3) A customer has the right to seek remedy in a Montana court.

History: En. Sec. 5, Ch. 155, L. 1999.

69-3-1106. Billing disclosure requirements. A telecommunications carrier that enters into a contract with an operator service provider for the purpose of providing billing services for operator service providers shall include a disclosure in each customer's bill that:

(1) plainly and clearly identifies the operator service provider charges as distinct from those of the telecommunications carrier; and

(2) includes accurate information about the operator service provider so that the customer may contact the operator service provider by telephone for the purpose of contesting the charge or bringing an action against the operator service provider, or both. Upon request of the customer, the local service provider shall provide mailing address information about the operator service provider.

History: En. Sec. 6, Ch. 155, L. 1999.

Part 12
Integrated Least-Cost Resource Planning and Acquisition Act

Part Cross-References

Montana Major Facility Siting Act, Title 75, ch. 20.

69-3-1201. Short title. This part may be cited as the "Montana Integrated Least-Cost Resource Planning and Acquisition Act".

History: En. Sec. 1, Ch. 157, L. 1993.

69-3-1202. Policy — planning. (1) It is the policy of the state of Montana to supervise, regulate, and control public utilities. To the extent that it is consistent with the policy and in order to benefit society, the state encourages efficient utility operations, efficient use of utility services, and efficient rates. It is further the policy of the state to encourage utilities to acquire resources in a manner that will help ensure a clean, healthful, safe, and economically productive environment.

(2) The legislature finds that the commission may include in rates the costs that are associated with acquiring the resources referred to in subsection (1) and that are consistent with this policy if the resources are actually used and useful for the convenience of the public. To advance this policy, the commission may require periodic long-range plans from utilities that provide electric and natural gas service in a form and manner determined by the commission. The commission may receive comments on the plans.

(3) This part does not constrain or limit the commission's existing statutory duties or responsibilities.

History: En. Sec. 2, Ch. 157, L. 1993.

69-3-1203. Definitions. As used in this part, unless the context requires otherwise, the following definitions apply:

(1) "Abandonment costs" means the costs incurred for resources acquired and abandoned pursuant to a plan.

(2) "Consumer counsel" means the consumer counsel provided for in 5-15-201.

(3) "Externalities" mean the impacts on society that are not directly borne by the producer in production and delivery activities, which due to imperfections in or the absence of markets are not accounted for in the producer's production and pricing decisions.

(4) "Plan" means an integrated least-cost resource plan submitted by a utility in accordance with this part and the rules adopted under this part.

(5) "Planning costs" means the costs of evaluating the future demand for services and of evaluating alternative methods of satisfying future demand.

(6) "Portfolio development costs" means the costs of preparing a resource in a portfolio for prompt and timely acquisition of the resource.

(7) "Public utility" means a public utility, as defined in 69-3-101, that provides electric or natural gas service. The term does not include municipal utilities.

History: En. Sec. 3, Ch. 157, L. 1993.

69-3-1204. Integrated least-cost plan. (1) The commission may adopt rules requiring a public utility to prepare and file a plan for meeting the requirements of its customers in the most cost-effective manner consistent with the public utility's obligation to serve. The rules may prescribe the content and the time for filing a plan.

(2) A plan must contain but is not limited to an evaluation of the full range of cost-effective means for the public utility to meet the service requirements of its Montana customers, including conservation or similar improvements in the efficiency by which services are used.

(3) The commission may adopt rules providing guidelines to be used in preparing a plan and identifying the criteria to be used in determining cost-effectiveness. The criteria may include externalities associated with the acquisition of a resource by a public utility. The rules must establish the minimum filing requirements for acceptance of a plan by the commission for further review. If a plan does not meet the minimum filing requirements, it must be returned to the public utility with a list of deficiencies. A corrected plan must be submitted within the time established by the commission.

(4) A plan filed with the commission by a utility, as defined in 75-20-104, must be provided to the department of environmental quality and the consumer counsel.

History: En. Sec. 4, Ch. 157, L. 1993; amd. Sec. 173, Ch. 418, L. 1995.

69-3-1205. Public comment. (1) The commission shall conduct a public meeting for the purpose of receiving comment on a plan. The commission or the department of public service regulation may comment on the plan. A comment by the commission or the department may not be construed as preapproval by the commission of rate treatment for any proposed resource.

(2) The department of environmental quality:

(a) shall review a plan and comment on the need for new resources, the alternatives evaluated to meet the need, the environmental implications of the resource choices, and other related issues that it considers important. The department shall coordinate and deliver all comments from other executive branch agencies.

(b) may use a plan in the development of studies for a specific energy facility for which an application for a certificate of compliance is submitted under Title 75, chapter 20.

(3) The consumer counsel shall review and may comment on a plan.

History: En. Sec. 5, Ch. 157, L. 1993; amd. Sec. 174, Ch. 418, L. 1995; amd. Sec. 2, Ch. 217, L. 2003.

69-3-1206. Rate treatment. (1) The commission may include in a public utility's rates:

(a) the cost of resources acquired in accordance with a plan;

(b) the cost-effective expenditures for improving the efficiency with which the public utility provides and its customers use utility services; and

(c) the costs of complying with the planning requirements of this part, including but not limited to:

(i) planning costs;

(ii) portfolio development costs; and

(iii) all or a portion of abandonment costs.

(2) The commission shall adopt rules establishing criteria governing the extent of recovery of abandonment costs.

History: En. Sec. 6, Ch. 157, L. 1993.

mt.gov
Montana's Official State Website

Secretary of State Linda McCulloch
Montana SECRETARY OF STATE

HOME SEARCH ABOUT US CONTACT US HELP

Rule: 38.5.2001

Prev Up Next

Rule Title: GOAL AND POLICY

Department: PUBLIC SERVICE REGULATION, DEPARTMENT OF
Chapter: UTILITY DIVISION
Subchapter: Least Cost Planning - Electric Utilities

Add to Favorites

Latest version of the adopted rule presented in Administrative Rules of Montana (ARM):

Printer Friendly Version

38.5.2001 GOAL AND POLICY

(1) The goal of these integrated least cost resource planning guidelines is to encourage electric utilities to meet their customers' needs for adequate, reliable and efficient energy services at the lowest total cost while remaining financially sound. To achieve this goal utilities should plan to meet future loads through timely acquisition of an integrated set of demand- and supply-side resources. Importantly, this includes actively pursuing and acquiring all cost effective energy conservation. The cost effectiveness of all resources should be determined with respect to long-term societal costs.

(2) These guidelines represent the policy of the Montana public service commission concerning proper integrated least cost resource planning and acquisition. Electric utilities under the jurisdiction of the Montana public service commission are required to file least cost plans as outlined below.

(3) These guidelines do not change the fundamental ratemaking relationship between the utilities and the commission. Rather, they are a restatement of the commission's regulatory objective: to efficiently allocate society's resources to the provision of electricity services and ensure just and reasonable rates for consumers.

(4) The guidelines provide the utilities with policy and planning guidance. With the exception of ARM 38.5.8301, they do not specify the outcome of the planning process nor mandate particular investment decisions. Each utility's plan should be the result of that utility's unique planning process and judgment.

(5) Integrated least cost planning may demonstrate that, on the basis of overall societal costs, previously rate-based resources should be abandoned and replaced by new resources. In addition, least cost plans may show that it is in society's best interest for construction of a new resource to be abandoned in favor of some other resource option. If such situations occur, the commission will open separate proceedings in which it will determine how recovery of the undepreciated, rate-based capital costs will be accomplished.

(6) The guidelines do not shift risk; rather, they suggest ways to reduce and manage the risk of resource choices to shareholders, ratepayers and society.

(7) Existing resources should be operated, and new resources acquired, only when needed and in a manner consistent with these guidelines.

(8) Until such time as the commission determines that market failures and market barriers which may interfere with ratepayer investment in conservation have been reduced or eliminated, utility investment in conservation measures installed on the customer's side of the meter should be considered cost effective up to 115 percent of the utility's long-term avoided cost.

(9) The utility should thoroughly document the exercise of its judgment in weighing the importance of conflicting decision objectives. The utility should prepare such documentation so that it can be reasonably understood by the commission and interested parties.

(10) Resource decisions have a significant impact on the public. Each utility can best meet the diverse goals of its shareholders, its ratepayers and society if it involves the public in resource planning. To facilitate such involvement the resource planning process should be thoroughly documented and reasonably understandable.

(11) Implementation of these guidelines will require a commitment from both the public and private sectors to honor the spirit and intent of the guidelines.

History: 69-3-103, 69-3-1204, 69-8-1006, MCA; IMP, 69-3-102, 69-3-106(1), 69-3-201, 69-3-1202, 69-8-1004, 69-8-1005, MCA; NEW, 1992 MAR p. 2764, Eff. 12/25/92; AMD, 2006 MAR p.

EXECUTIVE SUMMARY

Montana-Dakota Utilities Co.'s (Montana-Dakota) 2013 Integrated Resource Plan (IRP) conducted for the integrated electric system comprised of its service territories in the states of Montana, North Dakota and South Dakota continues a 26-year practice of documenting efforts used to determine the best value resource plan for its customers. The purpose of integrated resource planning is to consider all resource options reasonably available to meet the end-use customer's demand for reliable and cost-effective energy, and provide a road map for Montana-Dakota's future resources. Considered resources include a combination of traditional generating stations, distributed generation, renewable resources, demand-side management programs, and new and emerging technologies.

Montana-Dakota's IRP process encompasses four main areas: load forecasting, demand-side analysis, supply-side analysis, and integration and risk analysis. A summary of the IRP study results for each of these areas is provided.

The **load forecasting** activities, as discussed in Chapter 2, employ an econometric forecasting method along with other forecasting methods and analyses resulting in a combined analysis approach to predict the integrated system customers' future demand for electricity. The long-term forecast is an estimate of energy requirements and peak demand for twenty years into the future. The results for the base forecast show that, during the 2013-2032 timeframe, the projected average annual growth rate for summer peak demand is 1.6 percent prior to any reductions due to demand response programs, while annual energy requirements are expected to increase at a rate of 2.0 percent.

The **demand-side analysis** is an evaluation process to identify the feasible demand-side management (DSM) programs for Montana-Dakota's system. As discussed in Chapter 3, Montana-Dakota commissioned a third party to complete a *Montana Electric Energy Efficiency Potential Study (Study)*. The results of the Study are summarized in Chapter 3 and the complete Study is included in Attachment B of this IRP. In Chapter 3 Montana-Dakota also discusses current energy efficiency and demand response program activity, hereinafter referred to collectively as DSM programs, for its customers in Montana, North Dakota, and South Dakota. Montana-Dakota's expected DSM program plans over the 2013-2015 period for each state are discussed at the end of Chapter 3.

The **supply-side analysis** is an evaluation process to determine the feasible generation options available to serve Montana-Dakota's system. The future resources to which Montana-Dakota has committed include the new simple cycle combustion turbine at Heskett (Heskett 3) and the air quality control system (AQCS) at the existing Big Stone plant. The potential resource options studied included simple-cycle combustion turbines, combined cycle combustion turbines, internal combustion engines, coal-fired generation, wind generation, solar, geothermal, biomass, landfill gas, 50 to 100 MW wind purchase power agreement from bids received as part of a 2013 Request for Proposals (2013 RFP), and the addition of a baghouse required to continue operating the existing Lewis & Clark plant. Along with the potential resource options, MISO energy purchases are available to meet energy needs.

The **integration and risk** process considers the feasible supply-side and demand-side options to determine a least-cost resource expansion plan to economically and reliably meet customer requirements into the future. A number of scenarios were investigated to determine the sensitivity of the least-cost plan to several factors that may impact the expansion plan. The analytical tool used for the integration process was the Electric Generation Expansion Analysis System (EGEAS), a resource expansion program developed by the Electric Power Research Institute. The results of the integration and risk process are then considered as part of the overall decision in determining the best resource plan for Montana-Dakota and its customers.

The **results** of the integration analysis indicate that Montana-Dakota's current optimal resource plan includes the commercial operation of Heskett 3 by 2015, three additional 36.6 MW internal combustion engine projects (two by 2015 and one in 2017), the continued construction of the Big Stone AQCS to be in service by 2015, the addition of a baghouse at the Lewis & Clark Station in 2015, contracting for 50 to 100 MW of wind generation, and adding 200 MW of a combined cycle unit in 2020. As previously noted, the results of the least-cost model are used to inform the process of selecting the best plan to meet the future needs of Montana-Dakota's customers.

On the demand management side, along with a 10 MW demand response program developed under a third party contract by 2015, Montana-Dakota will continue to promote the interruptible rates to reach a total of 13 MW by 2015.

Figure E-1 provides an overview of the identified need for capacity for the period 2013-2032. In this figure, "PRMR UCAP" represents Montana-Dakota's planning reserve margin requirements (PRMR) prescribed by the Midcontinent Independent System Operator, Inc. (MISO) based upon Montana-Dakota's current 50/50 demand forecast and a 90 percent coincident factor, while

"Existing ZRC" represents the amount of zonal resource credits (ZRC) that Montana-Dakota has secured to meet its PRMR. The drop in ZRCs in 2015 represents the expiration of the WI Energies capacity purchase agreement in May 2015. For resource adequacy purposes, Montana-Dakota must have an amount of ZRC equal to or greater than PRMR; otherwise deficiency charges are assessable under the MISO tariff.

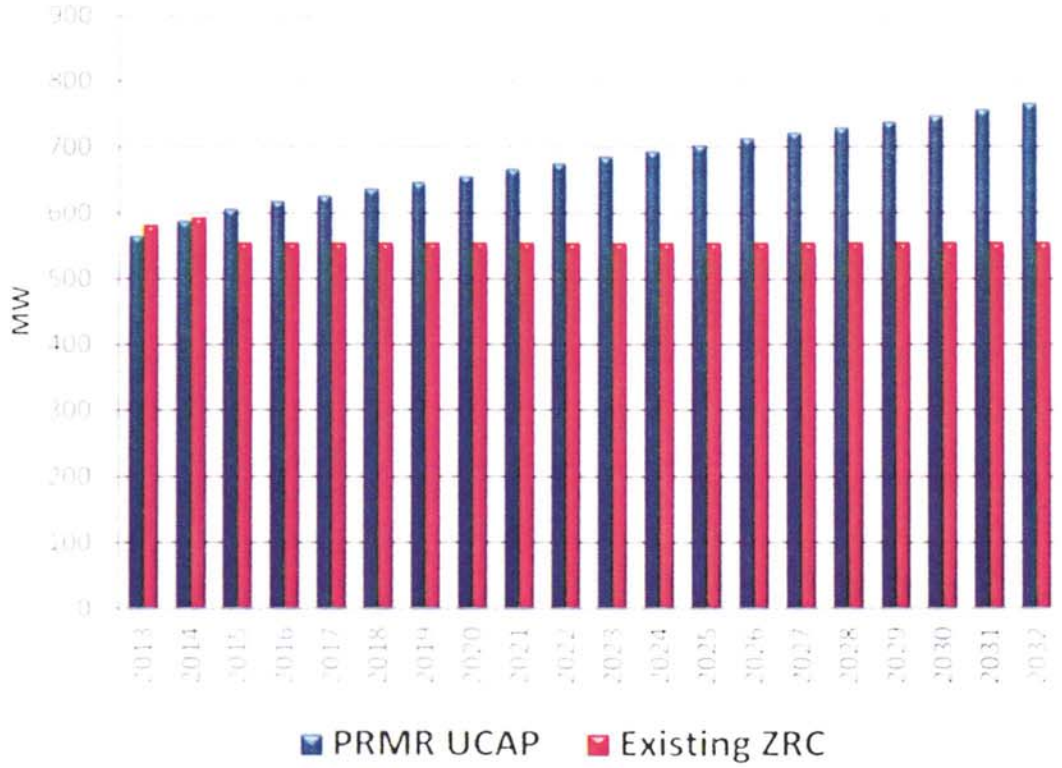

Figure E-1: Zonal Resource Credit and Planning Reserve Margin Requirement

Based on the analysis of the resource expansion models and the consideration of customer impacts, market availability of capacity and energy, and other factors such as environmental regulations and the balance of its generation mix, Montana-Dakota's recommended resource plan is to pursue the following resources to meet the requirements identified for the 2013-2017 period:

- Contract for 50 MW to 100 MW of wind generation by 2015;

- Continue the implementation of the commercial demand response program and the interruptible rate to obtain a total of 23 MW by 2015;
- Continue installation of the AQCS equipment required to continue operating the Big Stone Plant beyond 2015;
- Continue the installation of Heskett 3, an 88 MW simple-cycle combustion turbine (SCCT) to be operational by July 2014; and
- Install the Lewis & Clark Station baghouse by 2015.

The recommended resource plan is considered to be the best plan to economically and reliably meet customers' requirements over the five-year planning horizon. Montana-Dakota also plans to issue a new request for proposal for capacity and energy resources in 2015 to start the process for the next planning cycle.

The 2013 IRP process and product (report and attachments) were enhanced by the participation of Montana-Dakota's IRP Public Advisory Group (PAG). The PAG has been a valuable tool within the IRP process since 1994. The 2013 advisory group was established at the beginning of the 2013 planning cycle and provided Montana-Dakota with input throughout the 2013 IRP process.

*

For ease of handling, this IRP report is printed and bound in five separate volumes:

Volume I – Main Report (the current document)

Volume II – Attachment A: Load Forecast Documentation

Volume III – Attachment B: Demand-Side Analysis Documentation

Volume IV – Attachment C: Supply-Side and Integration Analysis Documentation
Attachment D: Public Advisory Group Documentation
Attachment E: 2013 Request for Proposal for Capacity and Energy Supply
Attachment F: Supply Side Resources Analysis
Attachment G: Environmental Impacts
Attachment H: Bakken Impacts
Attachment I: Montana Public Service Commission Comments on Montana-Dakota's 2011 IRP