

HOUSE BILL NO. 25

INTRODUCED BY A. OLSON, LASLOVICH

BY REQUEST OF THE ENERGY AND TELECOMMUNICATIONS INTERIM COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING THE ELECTRIC UTILITY INDUSTRY RESTRUCTURING AND CUSTOMER CHOICE LAWS; ~~CLARIFYING LEGISLATIVE FINDINGS AND POLICY PROVISIONS~~; ELIMINATING AND CLARIFYING CERTAIN DEFINITIONS; DEFINING CERTAIN TERMS; CLARIFYING CUSTOMER OPTIONS REGARDING PURCHASING ELECTRICITY SUPPLY; CLARIFYING PUBLIC UTILITY AND COOPERATIVE UTILITY EXEMPTIONS; CLARIFYING ELECTRICITY SUPPLY AND PROCUREMENT REQUIREMENTS; CLARIFYING THE ~~PREAPPROVAL~~ APPROVAL PROCESS FOR NEW ELECTRICITY SUPPLY RESOURCES; CLARIFYING USE OF GENERATION ASSETS; AMENDING SECTIONS 15-72-103, 15-72-104, 35-19-102, 69-1-114, 69-8-101, ~~69-8-102~~, 69-8-103, 69-8-201, 69-8-210, 69-8-311, ~~69-8-403~~, ~~69-8-411~~, 69-8-419, 69-8-420, 69-8-421, ~~69-8-602~~, ~~69-8-603~~, AND 69-8-1004, MCA; REPEALING SECTIONS 69-8-102, 69-8-104, 69-8-202, 69-8-203, 69-8-204, 69-8-208, 69-8-209, 69-8-211, 69-8-301, 69-8-302, 69-8-303, 69-8-304, 69-8-308, 69-8-309, 69-8-310, ~~69-8-401~~, ~~69-8-403~~, 69-8-404, 69-8-408, 69-8-409, AND 69-8-410, ~~AND 69-8-411~~, MCA."

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

Section 1. Section 15-72-103, MCA, is amended to read:

"15-72-103. Definitions. As used in this part, unless the context requires otherwise, the following definitions apply:

(1) "Customer" or "purchaser" means a person who acquires for consideration electricity for use or consumption and not for resale.

(2) "Distribution services provider" means a person controlling or operating distribution facilities for distribution of electricity to the public. A distribution services provider includes a purchaser who takes electricity directly from a transmission line OR SUBSTATION and a purchaser who generates electricity for the purchaser's own use but does not include electricity generated by the purchaser for noncommercial use or for agricultural use.

(3) "Person" means an individual, estate, trust, receiver, cooperative association, corporation, limited liability company, firm, partnership, joint venture, syndicate, or other entity, including any gas or electric utility owned or operated by a county, municipality, or other political subdivision of the state.

(4) "Transmission services provider" means a person or entity controlling or operating ~~transmission facilities as that term is defined in 69-8-103~~ used for the transmission of electricity."

Section 2. Section 15-72-104, MCA, is amended to read:

"15-72-104. Wholesale energy transaction tax -- rate of tax -- exemptions -- cost recovery. (1) (a) Except as provided in subsection (3), a wholesale energy transaction tax is imposed upon electricity transmitted within the state as provided in this section. The tax is imposed at a rate of 0.015 cent per kilowatt hour of electricity transmitted by a transmission services provider in the state.

(b) For electricity produced in the state for delivery outside of the state, the taxpayer is the person owning or operating the electrical generation facility producing the electricity. The transmission services provider shall collect the tax from the person based upon the kilowatt hours introduced onto transmission lines from the electrical generation facility. The amount of kilowatt hours subject to tax must be reduced by 5% to compensate for transmission line losses.

(c) For electricity produced in the state for delivery within the state, the taxpayer is the distribution services provider. The transmission services provider shall collect the tax based upon the amount of kilowatt hours of electricity delivered to the distribution services provider. The taxpayer may apply for a refund for overpayment of taxes pursuant to 15-72-116.

(d) For electricity produced outside the state for delivery inside the state, the taxpayer is the distribution services provider. The transmission services provider shall collect the tax based upon the amount of kilowatt hours of electricity delivered to the distribution services provider.

(e) For electricity delivered to a distribution services provider that is a rural electric cooperative for delivery to purchasers that have opted for customer choice under the provisions of Title 69, chapter 8, part 3, the taxpayer is the distribution services provider. The transmission services provider shall collect the tax based on the amount of kilowatt hours of electricity delivered to the distribution services provider that is attributable to customers that have opted for customer choice.

(f) For electricity delivered to a distribution services provider that prior to May 2, 1999, was owned by a public utility as defined in 69-3-101, the tax is imposed on the successor distribution services provider. The transmission services provider shall collect the tax based upon the amount of kilowatt hours of electricity delivered to the distribution services provider.

(2) (a) If more than one transmission services provider transmits electricity, the last transmission services provider transmitting or delivering the electricity shall collect the tax.

(b) If the transmission services provider is an agency of the United States government, the distribution services provider receiving the electricity shall self-assess the tax subject to the provisions of this part.

(c) If an electrical generation facility located within the state produces electricity for sale inside and outside the state, sales within the state are considered to have come from electricity produced within the state for purposes of the tax imposed by this section.

(3) (a) Electricity transmitted through the state that is not produced or delivered in the state is exempt from the tax imposed by this section.

(b) Electricity produced in the state by an agency of the United States government or electricity produced from an electric energy generation facility, as defined in 90-5-101(3), constructed after May 1, 2001, that is within the exterior boundaries of a Montana Indian reservation for delivery outside of the state is exempt from the tax imposed by this section.

(c) Electricity produced by wind turbines erected on state land for which annual lease payments are made to the permanent school trust fund is exempt from the tax imposed by this section.

(d) Electricity delivered to a distribution services provider that is a municipal utility described in ~~69-8-103(5)(b)~~ 69-8-103(3)(b) or a rural electric cooperative organized under the provisions of Title 35, chapter 18, is exempt from the tax imposed by this section.

(e) Electricity delivered to a purchaser that receives its power directly from a transmission or distribution facility owned by an entity of the United States government on or before May 2, 1997, or electricity that is transmitted exclusively on transmission or distribution facilities owned by an entity of the United States government on or before May 2, 1997, is exempt from the tax imposed by this section.

(4) A distribution services provider is allowed to recover the tax imposed by this section and the administrative costs to comply with this part in its rates."

Section 3. Section 35-19-102, MCA, is amended to read:

"35-19-102. Definitions. As used in this chapter, unless the context requires otherwise, the following definitions apply:

(1) "Distribution utility" means ~~the electricity distribution portion of a public utility as defined in 69-8-103~~ a utility owning distribution facilities for distribution of electricity to the public.

(2) "Residential customer" means a residential customer of a distribution utility.

(3) "Small commercial customer" means, for a distribution utility, individual accounts of a commercial customer with an average monthly demand in the previous calendar year of less than 100 kilowatts or a new

commercial customer with an estimated average monthly demand of less than 100 kilowatts.

(4) "Small customer" means a residential customer or small commercial customer of a distribution utility."

SECTION 4. SECTION 69-1-114, MCA, IS AMENDED TO READ:

"69-1-114. Fees. (1) Each fee charged by the commission must be reasonable.

(2) Except for a fee assessed pursuant to 69-3-204(2), ~~69-8-421(7)~~ 69-8-421(9), or 69-12-423(2), a fee set by the commission may not exceed \$500.

(3) All fees collected by the department under ~~69-8-421(7)~~ 69-8-421(9) must be deposited in an account in the special revenue fund. Funds in this account must be used as provided in ~~69-8-421(7)~~ 69-8-421(9)."

Section 5. Section 69-8-101, MCA, is amended to read:

"69-8-101. Short title. This chapter may be cited as the "Electric Utility Industry Restructuring and Customer Choice ~~Transition~~ GENERATION REINTEGRATION Act"."

~~Section 5.~~ Section 69-8-102, MCA, is amended to read:

~~"69-8-102. Legislative findings and policy.~~ The legislature finds and declares the following ~~declares that the:~~

~~(1) The generation and sale of electricity is becoming a competitive industry:~~

~~(2) Montana customers should have the freedom to choose their electricity supply and related services in accordance with this chapter. Affording this opportunity serves the public interest.~~

~~(3)(1) The interests of small Montana consumers must be protected through the provision of adequate and reliable default electricity supply service at the lowest long-term total cost; and~~

~~(4)(2) The financial integrity of electrical utilities must be fostered:~~

~~(5) The public interest requires the continued protection of consumers through:~~

~~(a) licensure of electricity suppliers;~~

~~(b) provision of information to consumers regarding electricity supply service;~~

~~(c) provision of a process for investigating and resolving complaints;~~

~~(d) continued funding for public purpose programs for:~~

~~(i) cost-effective local energy conservation;~~

~~(ii) low-income customer weatherization;~~

~~(iii) renewable resource projects and applications;~~

- ~~—— (iv) research and development programs related to energy conservation and renewables;~~
- ~~—— (v) market transformation; and~~
- ~~—— (vi) low-income energy assistance;~~
- ~~—— (e) assurance of service reliability and quality; and~~
- ~~—— (f) prevention of anticompetitive and abusive activities.~~
- ~~—— (6) A utility in the state of Montana may not be advantaged or disadvantaged in the competitive electricity supply market, including the consideration of the existence of universal system benefits programs and the comparable level of funding for those programs throughout the regions neighboring Montana."~~

Section 6. Section 69-8-103, MCA, is amended to read:

"69-8-103. Definitions. As used in this chapter, unless the context requires otherwise, the following definitions apply:

~~(1) "Aggregator" or "market aggregator" means an entity, licensed by the commission, that aggregates retail customers, purchases electrical energy, and takes title to electrical energy as an intermediary for sale to retail customers.~~

~~(2)~~(1) "Assignee" means any entity, including a corporation, partnership, board, trust, or financing vehicle, to which a utility assigns, sells, or transfers, other than as security, all or a portion of the utility's interest in or right to transition property. The term also includes an entity, corporation, public authority, partnership, trust, or financing vehicle to which an assignee assigns, sells, or transfers, other than as security, the assignee's interest in or right to transition property.

~~(3)~~(2) "Board" means the board of investments created by 2-15-1808.

~~(4) "Broker" or "marketer" means an entity, licensed by the commission, that acts as an agent or intermediary in the sale and purchase of electrical energy but that does not take title to electrical energy.~~

~~(5)~~(3) "Cooperative utility" means:

- (a) a utility qualifying as an electric cooperative pursuant to Title 35, chapter 18; or
- (b) an existing municipal electric utility as of May 2, 1997.

~~(6) "Customer" or "consumer" means a retail electric customer or consumer. The university of Montana, pursuant to 20-25-201(1), and Montana state university, pursuant to 20-25-201(2), are each considered a single retail electric customer or consumer with a single individual load.~~

~~(7)~~(4) "Customer-generator" means a user of a net metering system.

~~(8) "Default supplier" means a distribution services provider of a utility that has restructured in~~

accordance with this chapter.

~~———— (9) "Default supply service" means the provision of electricity supply by a default supplier.~~

~~———— (10) "Distribution facilities" means those facilities by and through which electricity is received from a transmission services provider and distributed to the customer and that are controlled or operated by a distribution services provider.~~

~~———— (11) "Distribution services provider" means a utility owning distribution facilities for distribution of electricity to the public.~~

~~(12) "Electricity supplier" means any person, including aggregators, market aggregators, brokers, and marketers, offering to sell electricity to retail customers in the state of Montana.~~

(5) "DISTRIBUTION FACILITIES" MEANS THOSE FACILITIES BY AND THROUGH WHICH ELECTRICITY IS RECEIVED FROM TRANSMISSION FACILITIES AND DISTRIBUTED TO A RETAIL CUSTOMER AND THAT ARE CONTROLLED OR OPERATED BY A UTILITY.

~~(13)(5)(6) "Electricity supply costs" means the actual costs of INCURRED IN providing default electricity supply service THROUGH POWER PURCHASE AGREEMENTS, DEMAND-SIDE MANAGEMENT, AND ENERGY EFFICIENCY PROGRAMS, including but not limited to:~~

- ~~(a) capacity costs;~~
- ~~(b) energy costs;~~
- ~~(c) fuel costs;~~
- ~~(d) ancillary service costs;~~
- ~~(e) demand-side management and energy efficiency costs;~~
- ~~(f)(E) transmission costs, including congestion and losses;~~
- ~~(g) billing costs;~~
- ~~(h)(F) planning and administrative costs; AND~~

~~(i) the revenue requirement for a plant or equipment owned or leased by a public utility and used for the production of electricity, including capital costs, operating costs, and other costs for a plant or equipment; and~~

~~(i)(G) any other costs directly related to the purchase of electricity; and the management of default electricity supply costs, and provision of default electricity supply and related services service. POWER PURCHASE AGREEMENTS.~~

(7) "ELECTRICITY SUPPLY RESOURCE" MEANS:

(A) CONTRACTS FOR ELECTRIC CAPACITY AND GENERATION;

(B) PLANTS OWNED OR LEASED BY A UTILITY OR EQUIPMENT USED TO GENERATE ELECTRICITY;

(C) CUSTOMER LOAD MANAGEMENT AND ENERGY CONSERVATION PROGRAMS; OR

(D) OTHER MEANS OF PROVIDING ADEQUATE, RELIABLE SERVICE TO CUSTOMERS, AS DETERMINED BY THE COMMISSION.

(6)(8) "Electricity supply service" means the provision of electricity supply and related services THROUGH POWER PURCHASE AGREEMENTS, THE ACQUISITION AND OPERATION OF ELECTRICAL GENERATION FACILITIES, DEMAND-SIDE MANAGEMENT, AND ENERGY EFFICIENCY PROGRAMS.

~~(14)(7)(9)~~ "Financing order" means an order of the commission adopted in accordance with 69-8-503 that authorizes the imposition and collection of fixed transition amounts and the issuance of transition bonds.

~~(15)(8)(10)~~ (a) "Fixed transition amounts" means those nonbypassable rates or charges, including but not limited to:

(i) distribution;

(ii) connection;

(iii) disconnection; and

(iv) termination rates and charges that are authorized by the commission in a financing order to permit recovery of transition costs and the costs of recovering, reimbursing, financing, or refinancing the transition costs and of acquiring transition property through a plan approved by the commission in the financing order, including the costs of issuing, servicing, and retiring transition bonds.

(b) If requested by the utility in the utility's application for a financing order, fixed transition amounts must include nonbypassable rates or charges to recover federal and state taxes in which the transition cost recovery period is modified by the transactions approved in the financing order.

~~(16) "Functionally separate" means a utility's separation of the utility's electricity supply, transmission, distribution, and unregulated retail energy services assets and operations.~~

(11) "GENERATION ASSETS COST OF SERVICE" MEANS A RETURN ON INVESTED CAPITAL AND ALL COSTS ASSOCIATED WITH THE ACQUISITION, CONSTRUCTION, ADMINISTRATION, OPERATION, AND MAINTENANCE OF A PLANT OR EQUIPMENT OWNED OR LEASED BY A PUBLIC UTILITY AND USED FOR THE PRODUCTION OF ELECTRICITY.

~~(17)(9)(12)~~ "Interested person" means a retail electricity customer, the consumer counsel established in 5-15-201, the commission, or a utility.

~~(18)(10)(13)~~ "Large customer" means, for universal system benefits programs purposes, a customer with an individual load greater than a monthly average of 1,000 kilowatt demand in the previous calendar year for that individual load.

~~(19)(11)(14)~~ "Local governing body" means a local board of trustees of a rural electric cooperative.

~~(20)(12)(15)~~ "Low-income customer" means those energy consumer households and families with incomes at or below industry-recognized levels that qualify those consumers for low-income energy-related assistance.

~~(21)(13)(16)~~ "Net metering" means measuring the difference between the electricity distributed to and the electricity generated by a customer-generator that is fed back to the distribution system during the applicable billing period.

~~(22)(14)(17)~~ "Net metering system" means a facility for the production of electrical energy that:

- (a) uses as its fuel solar, wind, or hydropower;
- (b) has a generating capacity of not more than 50 kilowatts;
- (c) is located on the customer-generator's premises;
- (d) operates in parallel with the ~~distribution services provider's~~ UTILITY'S distribution facilities; and
- (e) is intended primarily to offset part or all of the customer-generator's requirements for electricity.

~~(15) "New electricity supply resource" means an electricity supply power purchase agreement or an equity interest in a new or existing electric energy generation facility.~~

~~(23)(16)(18)~~ "Nonbypassable rates or charges" means rates or charges that are approved by the commission and imposed on a customer to pay the customer's share of transition costs or universal system benefits programs costs even if the customer has physically bypassed either the utility's transmission or distribution facilities.

~~(24) "Pilot program" means an experimental program using a select set of small customers to assess the potential for developing and offering customer choice of electricity supply to small customers in the future.~~

~~(25)(17)(19)~~ "Public utility" ~~means any electric utility~~ has the meaning of a public utility regulated by the commission pursuant to Title 69, chapter 3, ~~on May 2, 1997, including the public utility's successors or assignees,~~ ON MAY 2, 1997, INCLUDING THE PUBLIC UTILITY'S SUCCESSORS OR ASSIGNEES.

~~(26)(18)(20)~~ "Qualifying load" means, for payments and credits associated with universal system benefits programs, all nonresidential demand-metered accounts of a large customer within the utility's service territory in which the customer qualifies as a large customer.

~~(27) "Small customer" means a residential customer or a commercial customer who has an individual account with an average monthly demand in the previous calendar year of less than 50 kilowatts or a new residential or commercial customer with an estimated average monthly demand of less than 50 kilowatts of a public utility that has restructured pursuant to Title 35, chapter 19, or this chapter.~~

~~(19)(21)~~ "Retail customer" means a customer that purchases electricity for residential, commercial, or

industrial end-use purposes and does not resell electricity to others.

~~(28)(20)(22)~~ "Transition bondholder" means a holder of transition bonds, including trustees, collateral agents, and other entities acting for the benefit of that bondholder.

~~(29)(21)(23)~~ "Transition bonds" means any bond, debenture, note, interim certificate, collateral, trust certificate, or other evidence of indebtedness or ownership issued by the board or other transition bonds issuer that is secured by or payable from fixed transition amounts or transition property. Proceeds from transition bonds must be used to recover, reimburse, finance, or refinance transition costs and to acquire transition property.

~~(30)(22)(24)~~ "Transition charge" means a nonbypassable rate or charge to be imposed on a customer to pay the customer's share of transition costs.

~~(31)(23)(25)~~ "Transition cost recovery period" means the period beginning on July 1, 1998, and ending when a utility customer does not have any liability for payment of transition costs.

~~(32)(24)(26)~~ "Transition costs" means:

(a) a public utility's net verifiable generation-related and electricity supply costs, including costs of capital, that become unrecoverable as a result of the implementation of ~~this chapter or of federal law requiring retail open access or customer choice~~ or of this chapter;

(b) those costs that include but are not limited to:

(i) regulatory assets and deferred charges that exist because of current regulatory practices and can be accounted for up to the effective date of the commission's final order regarding a public utility's transition plan and conservation investments made prior to universal system benefits charge implementation;

(ii) nonutility and utility power purchase contracts executed before May 2, 1997, including qualifying facility contracts;

(iii) existing generation investments and supply commitments or other obligations incurred before May 2, 1997, and costs arising from these investments and commitments;

(iv) the costs associated with renegotiation or buyout of the existing nonutility and utility power purchase contracts, including qualifying facilities and all costs, expenses, and reasonable fees related to issuing transition bonds; and

(v) the costs of refinancing and retiring of debt or equity capital of the public utility and associated federal and state tax liabilities or other utility costs for which the use of transition bonds would benefit customers.

~~(33)~~ "Transition period" means the period ending July 1, 2027.

~~(34)(25)(27)~~ "Transition property" means the property right created by a financing order, including without limitation the right, title, and interest of a utility, assignee, or other issuer of transition bonds to all revenue,

collections, claims, payments, money, or proceeds of or arising from or constituting fixed transition amounts that are the subject of a financing order, including those nonbypassable rates and other charges and fixed transition amounts that are authorized by the commission in the financing order to recover transition costs and the costs of recovering, reimbursing, financing, or refinancing the transition costs and acquiring transition property, including the costs of issuing, servicing, and retiring transition bonds. Any right that a utility has in the transition property before the utility's sale or transfer or any other right created under this section or created in the financing order and assignable under this chapter or assignable pursuant to a financing order is only a contract right.

~~(35) "Transmission facilities" means those facilities that are used to provide transmission services as determined by the federal energy regulatory commission and the commission.~~

~~———(36) "Transmission services provider" means an entity controlling or operating transmission facilities.~~

(28) "TRANSMISSION FACILITIES" MEANS THOSE FACILITIES THAT ARE USED TO PROVIDE TRANSMISSION SERVICES AS DETERMINED BY THE FEDERAL ENERGY REGULATORY COMMISSION AND THE COMMISSION AND THAT ARE CONTROLLED OR OPERATED BY A UTILITY.

~~(37)(26)(29)~~ "Universal system benefits charge" means a nonbypassable rate or charge to be imposed on a customer to pay the customer's share of universal system benefits programs costs.

~~(38)(27)(30)~~ "Universal system benefits programs" means public purpose programs for:

- (a) cost-effective local energy conservation;
- (b) low-income customer weatherization;
- (c) renewable resource projects and applications, including those that capture unique social and energy system benefits or that provide transmission and distribution system benefits;
- (d) research and development programs related to energy conservation and renewables;
- (e) market transformation designed to encourage competitive markets for public purpose programs; and
- (f) low-income energy assistance.

~~(39)(28)(31)~~ "Utility" means any public utility or cooperative utility."

Section 7. Section 69-8-201, MCA, is amended to read:

"69-8-201. Public utility -- ~~transition to customer choice~~ -- customer ELECTRICITY SUPPLY SERVICE options and requirements -- waiver exemption. (1) ~~Before July 1, 2027, all public utility customers of a public utility that has restructured in accordance with this chapter must have the opportunity to choose an electricity supplier other than the default supplier.~~

~~———(2) (a) A small customer of a public utility that has restructured in accordance with this chapter:~~

~~—— (i) must receive default supply services from the default supplier as provided in this chapter; and~~
~~—— (ii) may purchase electricity supply services through a commission-approved small customer electricity supply program as provided in this section.~~

~~—— (b) A small customer receiving electricity from a licensed supplier prior to July 1, 2003, may continue to receive electricity supply from a supplier other than the default supplier.~~

~~—— (c) Customers that represent separately metered services with an estimated average monthly demand of less than 50 kilowatts related to the same individual customer referred to in subsection (3) or (4) may be combined with the respective eligible customer load or loads.~~

~~—— (3) (a) Subject to subsection (3)(b), a customer of a public utility that has restructured in accordance with this chapter and that has an individual load with an average monthly demand of less than 5,000 kilowatts but greater than or equal to 50 kilowatts may choose an electricity supplier.~~

~~—— (b) The total average monthly billing demand for all customers that choose an electricity supplier pursuant to subsection (3)(a) in each calendar year may not exceed 20,000 kilowatts.~~

~~—— (c) A customer referred to in subsection (3)(a) receiving electricity from a licensed supplier prior to July 1, 2003, may continue to receive electricity supply from a supplier other than the default supplier.~~

~~(4)(1) (a) Except as provided in subsections (4)(b) (1)(b) through (4)(e) and (1)(c), a retail customer of a utility that has restructured in accordance with this chapter and that has an individual load with an average monthly demand of greater than or equal to 5,000 kilowatts shall purchase its entire electricity supply from the competitive marketplace and that is not purchasing electricity supply SERVICE from a public utility on [the effective date of this act] may not purchase electricity supply service from a public utility.~~

~~(b) A customer referred to in subsection (4)(a) that is receiving its electricity supply from the competitive marketplace may make a one-time election to enter into a permanent power supply contract with the default supplier for service on or after July 1, 2004. These contracts must include the applicable provisions established by the commission pursuant to subsection (5). This election must be submitted to the commission in writing no later than December 31, 2003.~~

~~(e)(b) A new retail customer with an estimated average monthly demand of greater than or equal to 5,000 kilowatts may enter into a power supply contract with the default supplier in order to receive default supply service referred to in subsection (1)(a) may request electricity supply service from the public utility, and the public utility may agree to MUST provide electricity supply service if the retail customer demonstrates that the provision of electricity supply service to the retail customer will not adversely impact the rates of the public utility's other customers over the long term as determined by the commission. The new customer's election of an electricity~~

~~supplier must be submitted in writing to the commission at least 90 days before delivery of electricity. These contracts must include the applicable provisions established by the commission pursuant to subsection (5).~~

~~(d) A customer referred to in subsection (4)(a) that was receiving electricity from the default supplier on July 1, 2003, may continue to receive electricity from the default supplier.~~

~~(c) If a public utility provides electricity supply service to a retail customer as provided in subsection (1)(b), that service is regulated by the commission and the customer may not, at a later date, purchase electricity supply service from another provider of electricity supply service.~~

~~(e) A customer referred to in subsection (4)(a) that is a public agency, as defined in 18-1-101, may enter into a power supply contract with the default supplier for default supply service for all or part of the public agency's load. These contracts must include the applicable provisions established by the commission pursuant to subsection (5).~~

~~(5) The commission shall adopt rules and establish rates and fees to enable customers to have reasonable opportunities to choose an electricity supplier or to receive default supply service in accordance with subsections (2) through (4), while providing protection for small customers from higher or more unstable default supply service rates than would otherwise result if these choices were not offered.~~

~~(6) An electricity supplier licensed by the commission to offer electricity supply service to small customers may petition the commission for the opportunity to provide electricity to small customers. The total average monthly demand for all customers referred to in subsection (2)(a) in each calendar year that receive service from an electricity supplier that is not the default supplier may not exceed 10,000 kilowatts. The commission shall ensure that electricity supply service provided pursuant to this subsection is consistent with the requirements in subsection (5) and the provision of default supply service pursuant to this chapter.~~

~~(7) Based on an analysis of the sources of costs of providing default supply service, the commission may:~~

~~(a) establish different categories of default supply service customers to assist with the implementation of this section;~~

~~(b) allocate default supply costs; and~~

~~(c) develop default supply rates.~~

~~(8) (a) Except as provided in subsection (8)(b), a customer receiving default supply service may not resell the electricity.~~

~~(b) A default supplier may implement demand reduction programs that reward customers for reducing demand under terms established by the commission.~~

(2) (A) A RETAIL CUSTOMER THAT HAS AN INDIVIDUAL LOAD WITH AN AVERAGE MONTHLY DEMAND OF LESS THAN 5,000 KILOWATTS AND THAT IS NOT PURCHASING ELECTRICITY FROM A PUBLIC UTILITY ON [THE EFFECTIVE DATE OF THIS ACT] MAY CONTINUE TO PURCHASE ELECTRICITY FROM AN ELECTRICITY SUPPLIER. THE RETAIL CUSTOMER MAY SUBSEQUENTLY PURCHASE ELECTRICITY FROM A PUBLIC UTILITY SUBJECT TO COMMISSION RULE OR ORDER, BUT THE CUSTOMER MAY NOT, AT A LATER DATE, CHOOSE TO PURCHASE ELECTRICITY FROM ANOTHER SOURCE.

(B) A RETAIL CUSTOMER THAT HAS AN INDIVIDUAL LOAD WITH AN AVERAGE MONTHLY DEMAND OF LESS THAN 5,000 KILOWATTS AND THAT IS CURRENTLY PURCHASING ELECTRICITY FROM A PUBLIC UTILITY MAY NOT CHOOSE TO PURCHASE ELECTRICITY FROM ANOTHER SOURCE AFTER [THE EFFECTIVE DATE OF THIS ACT].

(3) NOTHING IN THIS SECTION AFFECTS A RETAIL CUSTOMER'S RIGHTS AND OBLIGATIONS WITH RESPECT TO NET METERING, COGENERATION, SELF-GENERATION, OR ANCILLARY SALES OF ELECTRICITY RELATED TO DEVIATIONS FROM SCHEDULED ENERGY DELIVERIES FROM NONUTILITY SUPPLIERS, AS MAY BE PROVIDED FOR IN LAW, COMMISSION RULE OR ORDER, OR A TARIFF APPROVED BY THE PUBLIC SERVICE COMMISSION OR THE FEDERAL ENERGY REGULATORY COMMISSION.

~~(9)(2)(4)~~ (a) Except as provided in 69-5-101, 69-5-102, 69-5-104 through 69-5-112, and 69-8-402, and subsection ~~(2)(b)~~ (4)(B) of this section, a public utility currently doing business in Montana as part of a single integrated multistate operation, no portion of which lies within the basin of the Columbia River, ~~may defer compliance with this chapter until a time that the public utility can reasonably implement customer choice in the state of the public utility's primary service territory is exempt from the requirements of this chapter.~~

(b) To the extent that a public utility described in subsection ~~(9)(a)~~ ~~(2)(a)~~ (4)(A) becomes the successor in interest of another public utility that has restructured in accordance with this chapter before [the effective date of this act], it shall assume responsibility only for the applicable transition plan of it is subject to the requirements of this chapter with respect to the service area of the acquired public utility.

~~(10) Upon a request from a public utility with fewer than 50 customers, the commission shall waive compliance with the requirements of 69-8-104, 69-8-202 through 69-8-204, 69-8-208 through 69-8-211, 69-8-402, and this section."~~

Section 8. Section 69-8-210, MCA, is amended to read:

"69-8-210. Public utilities -- electricity supply -- environmentally preferred resources. ~~(1) A public utility's distribution services provider shall provide default supply service.~~

~~(2)~~(1) The commission shall establish an electricity cost recovery mechanism that allows a ~~default supplier~~ public utility to fully recover prudently incurred electricity supply costs, subject to the provisions of

~~69-8-419 and, 69-8-420, AND COMMISSION RULES. THE COMMISSION MAY INCLUDE OTHER UTILITY COSTS AND EXPENSES IN THE COST RECOVERY MECHANISM IF IT DETERMINES THAT INCLUDING ADDITIONAL COSTS AND EXPENSES IS REASONABLE AND IN THE PUBLIC INTEREST.~~ The cost recovery mechanism must provide for prospective rate adjustments for cost differences resulting from cost changes, load changes, and the time value of money on the differences.

~~(3) The commission may direct a default supplier to offer its customers multiple default supply service options if the commission determines that those options are in the public interest and are consistent with the provisions of 69-8-104 and 69-8-201.~~

~~(4)~~(2) Notwithstanding any service options that the commission may require pursuant to ~~subsection (3),~~ a default supplier, a public utility shall offer its customers the option of purchasing a product composed of or supporting power from certified environmentally preferred resources that include but are not limited to wind, solar, geothermal, and biomass, subject to review and approval by the commission. The commission shall ensure that these resources have been certified as meeting industry-accepted standards.

~~(5) (a) Subject to subsection (5)(b), the commission shall, in reviewing the procurement of electricity supply by the default supplier, take into account the statewide economic benefits that are associated with the electricity supply procurement for the default supply stakeholders. The default supply stakeholders include the default supplier, customers of the default supplier, and the public.~~

~~———— (b) The consideration of economic benefits is secondary to the consideration of the costs and benefits to the consumer and other criteria established by law.~~

~~———— (6) If a public utility intends to be an electricity supplier through an unregulated division, then the public utility must be licensed as an electricity supplier pursuant to 69-8-404."~~

Section 9. Section 69-8-311, MCA, is amended to read:

"69-8-311. Cooperative utility -- electricity supply service -- exemption. (1) A local governing body shall establish the price for electricity supply service offered by a cooperative utility.

~~(1) Within 1 year after May 2, 1997, a cooperative utility may file a notice with the commission that the cooperative utility does not intend to open the cooperative utility's distribution facilities to electricity suppliers and does not intend to adopt a transition plan:~~

~~(2) Except as otherwise provided in the universal system benefits program pursuant to 69-8-402, a cooperative utility filing notice under this section is exempt from the provisions and requirements of this chapter.~~

~~(2) A cooperative utility filing a notice under this section:~~

~~———— (a) may elect later to adopt a transition plan in accordance with this chapter; and~~

~~_____ (b) may not use a public utility's distribution facilities unless preexisting contracts exist."~~

SECTION 10. SECTION 69-8-403, MCA, IS AMENDED TO READ:

"69-8-403. Commission authority -- rulemaking authority. ~~(1) Beginning on the effective date of a commission order regarding a public utility's transition plan, the commission shall regulate the public utility's retail transmission, distribution, and default supply services within the state of Montana, as provided in this chapter.~~

~~_____ (2) The commission shall license electricity suppliers and enforce licensing provisions pursuant to 69-8-404.~~

~~_____ (3) The commission shall promulgate rules that identify the licensees and ensure that the offered electricity supply is provided as offered and is adequate in terms of quality, safety, and reliability.~~

~~_____ (4) The commission shall establish just and reasonable rates through established ratemaking principles for public utility default supply, distribution, and transmission services and shall regulate these services. The commission may approve rates and charges for those services based on alternative forms of ratemaking such as performance-based ratemaking, on a demonstration by the public utility that the alternative method complies with this chapter, and on the public utility's transition plan.~~

~~_____ (5) The commission shall certify that a cooperative utility has adopted a transition plan that complies with this chapter. A cooperative utility's transition plan is considered certified 60 days after the cooperative utility files for certification.~~

~~_____ (6) The commission shall promulgate rules that protect consumers, distribution services providers, and electricity suppliers from anticompetitive and abusive practices.~~

~~_____ (7) (a) After July 1, 2010, the commission shall continuously monitor whether or not workable competition has developed for small customers.~~

~~_____ (b) If the commission determines that workable competition has developed for small customers after July 1, 2010, the commission shall provide a report to the legislature that includes recommendations for legislative implementation of customer choice for small customers.~~

~~_____ (8) In addition to promulgating rules expressly provided for in this chapter, the commission may promulgate any other rules necessary to carry out the provision of this chapter.~~

~~(9) This chapter does not give the commission the authority to:~~

~~_____ (a) regulate cooperative utilities in any manner other than reviewing certification filings for compliance with this chapter; or~~

~~_____ (b) compel any change to a cooperative utility's certification filing made pursuant to this chapter."~~

SECTION 11. SECTION 69-8-411, MCA, IS AMENDED TO READ:

~~"69-8-411. Nondiscriminatory access -- reciprocity. Except as provided in 69-8-311, all electricity suppliers must be afforded open, fair, and nondiscriminatory access to customers and a comparable opportunity to compete. A distribution services provider or the distribution services provider's affiliates may not use another distribution services provider's facilities in the state of Montana to sell electricity to customers in the state of Montana unless the first distribution services provider or the distribution services provider's affiliates offer comparable and nondiscriminatory access to the distribution services provider's distribution facilities within the state of Montana. (1) Nonutility generators and electricity suppliers must have open, fair, and nondiscriminatory access to a public utility's transmission and distribution facilities according to federal energy regulatory commission rules and regulations for purposes of serving those customers identified in 69-8-201(1) and (2).~~

~~(2) Public utilities shall grant the retail customers identified in 69-8-201(1) and (2) and their electricity suppliers access to transmission and distribution facilities at rates and under terms and conditions comparable to the public utility's own access to those facilities or access by the public utility's affiliates.~~

~~(3) Public utilities shall file tariffs for transmission and distribution services regulated by the federal energy regulatory commission and the commission implementing subsections (1) and (2)."~~

Section 12. Section 69-8-419, MCA, is amended to read:

"69-8-419. Default Electricity supply resource planning and procurement -- duties of ~~default supplier public utility~~ -- objectives -- commission rules. (1) The ~~default supplier public utility~~ shall:

- (a) plan for future ~~default electricity~~ electricity supply resource needs;
- (b) manage a portfolio of ~~default electricity~~ electricity supply resources; and
- (c) procure new ~~default electricity~~ electricity supply resources when needed.

(2) The ~~default supplier public utility~~ shall pursue the following objectives in fulfilling its duties pursuant to subsection (1):

- (a) provide adequate and reliable ~~default supply services~~ electricity supply service at the lowest long-term total cost;
- (b) conduct an efficient ~~default electricity~~ electricity supply resource planning and procurement process that evaluates the full range of cost-effective electricity supply and demand-side management options;
- (c) identify and cost-effectively manage and mitigate risks related to its obligation to provide ~~default~~ electricity supply service;
- (d) use open, fair, and competitive procurement processes whenever possible; and

(e) provide ~~default supply services~~ electricity supply service AND RELATED SERVICES at just and reasonable rates.

(3) ~~By December 31, 2003, the~~ The BY DECEMBER 31, 2007, THE commission shall adopt rules that guide the ~~default~~ electricity supply resource planning and procurement processes used by the ~~default supplier~~ public utility and facilitate the achievement of the objectives in subsection (2) by the ~~default supplier~~ public utility. The rules must establish:

- (a) goals, objectives, and guidelines that are consistent with the objectives in subsection (2) for:
 - (i) planning for future ~~default~~ electricity supply resource needs;
 - (ii) managing the portfolio of ~~default~~ electricity supply resources; and
 - (iii) procuring new ~~default~~ electricity supply resources;
- (b) standards for the evaluation by the commission of the reasonableness of a power supply purchase agreement proposed by the ~~default supplier~~ public utility; and
- (c) minimum filing requirements for an application by the ~~default supplier~~ public utility for ~~advanced approval of a proposed power supply purchase agreement~~ preapproval of a new APPROVAL OF AN electricity supply resource."

Section 13. Section 69-8-420, MCA, is amended to read:

"69-8-420. Default Electricity supply resource procurement plans -- comment on plans. (1) The ~~default supplier~~ public utility shall develop ~~default~~ electricity supply resource procurement plans. The plans must be submitted to the commission at intervals determined in rules adopted by the commission ~~pursuant to 69-8-419.~~

(2) ~~A default~~ An electricity supply resource procurement plan must demonstrate the ~~default supplier's~~ public utility's achievement of the objectives provided in 69-8-419 and compliance with ~~the rules adopted pursuant to 69-8-419~~ COMMISSION RULES.

- (3) The commission shall:
 - (a) review the ~~default~~ electricity supply resource procurement plan;
 - (b) provide an opportunity to the public to comment on the plan; and
 - (c) issue written comments that identify:
 - (i) any concerns of the commission regarding the ~~default supplier's~~ public utility's compliance with ~~the rules adopted pursuant to 69-8-419; and~~ COMMISSION RULES; AND
 - (ii) ways to remedy any concerns."

Section 14. Section 69-8-421, MCA, is amended to read:

"69-8-421. Default supply filings -- commission processing and approval Preapproval of new APPROVAL OF electricity supply resources. (1) A ~~default supplier~~ public utility that removed its generation assets from its rate base pursuant to this chapter prior to [the effective date of this act] may apply to the commission for ~~preapproval of a new~~ APPROVAL OF AN electricity supply resource that is not yet procured. ~~advanced approval of a power supply purchase agreement that is:~~

~~_____ (a) not executed; or~~

~~_____ (b) executed with a provision that allows termination of the agreement if the commission does not find the agreement reasonable.~~

~~(2) (a) The commission shall issue an order on the default supplier's public utility's application for advanced approval of a power supply purchase agreement preapproval of a new electricity supply resource in a timely manner as provided in this subsection (2).~~

~~_____ (b) In establishing an administrative procedure for reviewing an application for advanced approval preapproval, the commission shall consider any financing and market constraints and the due process rights of affected persons.~~

~~(c)(2) Within 45 days of the ~~default supplier's~~ public utility's submission of an application for ~~advanced approval~~ preapproval APPROVAL, the commission shall determine whether or not the application is adequate and in compliance with the commission's minimum filing requirements. If the commission determines that the application is inadequate, it shall explain ~~how the filing fails to comply with the objectives in 69-8-419 and the rules adopted pursuant to 69-8-419.~~ THE DEFICIENCIES.~~

~~(d)(3) The commission shall issue an order within 180 days of receipt of an adequate application FOR APPROVAL OF A POWER PURCHASE AGREEMENT FROM AN EXISTING GENERATING RESOURCE unless it determines that extraordinary circumstances require additional time.~~

~~(4) THE COMMISSION SHALL ISSUE AN ORDER WITHIN 270 DAYS OF RECEIPT OF AN ADEQUATE APPLICATION FOR APPROVAL OF A LEASE, AN ACQUISITION OF AN EQUITY INTEREST IN A NEW OR EXISTING PLANT OR EQUIPMENT USED TO GENERATE ELECTRICITY, OR A POWER PURCHASE AGREEMENT FOR WHICH APPROVAL WOULD RESULT IN CONSTRUCTION OF A NEW ELECTRIC GENERATING RESOURCE. THE COMMISSION MAY EXTEND THE TIME LIMIT UP TO AN ADDITIONAL 90 DAYS IF IT DETERMINES THAT EXTRAORDINARY CIRCUMSTANCES REQUIRE IT.~~

~~(e)(5) To facilitate timely consideration of an application, the commission may initiate proceedings to evaluate planning and procurement activities related to a potential resource procurement prior to the ~~default supplier's~~ public utility's submission of an application for ~~approval~~ preapproval APPROVAL.~~

~~(3)(6)~~ (a) The commission may approve or deny, in whole or in part, an application for ~~advanced approval of a power supply purchase agreement preapproval of a new~~ APPROVAL OF AN electricity supply resource.

(b) The commission may consider all relevant information known up to the time that the administrative record in the proceeding is closed in the evaluation of an application for ~~advanced approval of a power supply purchase agreement preapproval of a new electricity supply resource~~ APPROVAL.

(c) A commission order granting ~~advanced approval of a power supply purchase agreement preapproval of a new electricity supply resource~~ APPROVAL OF AN APPLICATION must include the following findings:

(i) ~~advanced approval preapproval of all or part of the agreement new electricity supply resource~~ APPROVAL, IN WHOLE OR IN PART, is in the public interest; AND

~~(ii) the agreement new electricity supply resource resulted from a reasonable effort by the default supplier public utility to comply with the objectives in 69-8-419 and the rules adopted pursuant to 69-8-419; and~~

~~(iii) the price, quantity, duration, and other contract terms directly related to the price, quantity, and duration of the power supply purchase agreement new electricity supply resource are reasonable.~~

(II) PROCUREMENT OF THE ELECTRICITY SUPPLY RESOURCE IS CONSISTENT WITH THE REQUIREMENTS IN 69-3-201, THE OBJECTIVES IN 69-8-419, AND COMMISSION RULES.

(D) THE COMMISSION ORDER MAY INCLUDE A PROVISION FOR ALLOWABLE GENERATION ASSETS COST OF SERVICE WHEN THE UTILITY HAS FILED AN APPLICATION FOR THE LEASE OR ACQUISITION OF AN EQUITY INTEREST IN A PLANT OR EQUIPMENT USED TO GENERATE ELECTRICITY.

~~(d)(E)~~ The commission order may include other findings that the commission determines are necessary.

~~(e)(F)~~ A commission order that denies ~~advanced approval preapproval~~ APPROVAL must describe why the findings required in subsection ~~(3)(c)~~ (6)(C) could not be reached.

~~(4)(7)~~ Notwithstanding any provision of this chapter to the contrary, if the commission has issued an order containing the findings required under subsection ~~(3)(c)~~ (6)(C), the commission may not subsequently disallow the recovery of costs ~~incurred under the agreement~~ RELATED TO THE APPROVED ELECTRICITY SUPPLY RESOURCE based on contrary findings.

~~(5) If a default supplier public utility does not apply for advanced approval of a power supply purchase agreement preapproval of a new electricity supply resource, the commission shall consider the prudence of the default supplier's public utility's resource procurement actions in the context of a default supplier's public utility's cost recovery filing pursuant to 69-8-210 or in a separate proceeding. The commission's decisions in these proceedings must be based on facts that were known or should reasonably have been known by the default supplier public utility at the time of its procurement decisions.~~

~~(6)(8)~~ Nothing limits the commission's ability to subsequently, in any future ~~cost-recovery~~ RATE proceeding, inquire into the manner in which the ~~default-supplier~~ public utility has managed, dispatched, operated, and OR maintained any ~~new electricity supply resource~~ OR MANAGED ANY POWER SUPPLY PURCHASE AGREEMENT ~~a power supply purchase agreement~~ as part of its overall resource portfolio. The commission may subsequently disallow ~~default electricity supply~~ RATE RECOVERY FOR THE costs that result from the failure of a ~~default-supplier~~ public utility to reasonably ~~administer power supply purchase agreements~~ manage, dispatch, operate, maintain, or administer new electricity supply resources in the context of its overall ~~default electricity supply portfolio management and service obligations.~~ A MANNER CONSISTENT WITH 69-3-201, 69-8-419, AND COMMISSION RULES.

~~(7)(9)~~ The commission may engage independent ENGINEERING, FINANCIAL, AND MANAGEMENT consultants or advisory services to evaluate a public utility's ~~default electricity~~ supply resource procurement plans and proposed ~~power supply purchase agreements~~ new electricity supply resources. The consultants must have demonstrated knowledge and experience with electricity supply procurement and resource portfolio management, modeling, and risk management, AND ENGINEERING practices. The commission shall charge a fee to the ~~default supplier~~ public utility to pay for the costs of consultants or advisory services. These costs are recoverable in ~~default electricity supply~~ service rates.

~~(8) The commission may adopt rules prescribing minimum filing requirements for preapproval applications:~~

(10) BY DECEMBER 31, 2007, THE COMMISSION SHALL ADOPT RULES PRESCRIBING MINIMUM FILING REQUIREMENTS FOR APPLICATIONS FILED PURSUANT TO THIS PART."

SECTION 15. SECTION 69-8-602, MCA, IS AMENDED TO READ:

"69-8-602. Distribution services provider Utility net metering requirements. A ~~distribution services provider~~ utility shall:

(1) allow net metering systems to be interconnected using a standard kilowatt-hour meter capable of registering the flow of electricity in two directions, unless the commission determines, after appropriate notice and opportunity for comment:

(a) that the use of additional metering equipment to monitor the flow of electricity in each direction is necessary and appropriate for the interconnection of net metering systems, after taking into account the benefits and costs of purchasing and installing additional metering equipment; and

(b) how the costs of net metering are to be allocated between the customer-generator and the ~~distribution services provider~~ utility; and

(2) charge the customer-generator a minimum monthly fee that is the same as other customers of the electric utility in the same rate class. The commission shall determine, after appropriate notice and opportunity for comment if:

(a) the ~~distribution services provider~~ utility will incur direct costs associated with interconnecting or administering net metering systems that exceed any offsetting benefits associated with these net metering systems; and

(b) public policy is best served by imposing these costs on the customer-generator, rather than allocating these costs among the ~~distribution services provider's~~ utility's entire customer base."

SECTION 16. SECTION 69-8-603, MCA, IS AMENDED TO READ:

"69-8-603. Net energy measurement calculation. Consistent with the other provisions of this part, the net energy measurement must be calculated in the following manner:

(1) The ~~distribution services provider~~ utility shall measure the net electricity produced or consumed during the billing period, in accordance with normal metering practices.

(2) If the electricity supplied by the electricity supplier exceeds the electricity generated by the customer-generator and fed back to the electricity supplier during the billing period, the customer-generator must be billed for the net electricity supplied by the electricity supplier, in accordance with normal metering practices.

(3) If electricity generated by the customer-generator exceeds the electricity supplied by the electricity supplier, the customer-generator must be:

(a) billed for the appropriate customer charges for that billing period, in accordance with 69-8-602; and

(b) credited for the excess kilowatt hours generated during the billing period, with this kilowatt-hour credit appearing on the bill for the following billing period.

(4) On January 1, April 1, July 1, or October 1 of each year, as designated by the customer-generator as the beginning date of a 12-month billing period, any remaining unused kilowatt-hour credit accumulated during the previous 12 months must be granted to the electricity supplier, without any compensation to the customer-generator."

Section 17. Section 69-8-1004, MCA, is amended to read:

"69-8-1004. Renewable resource standard -- administrative penalty -- waiver. (1) Except as provided in 69-8-1007 and subsection (11) of this section, a graduated renewable energy standard is established for public utilities as provided in subsections (2) through (4) of this section.

(2) In each compliance year beginning January 1, 2008, through December 31, 2009, each public utility shall procure a minimum of 5% of its retail sales of electrical energy in Montana from eligible renewable resources.

(3) (a) In each compliance year beginning January 1, 2010, through December 31, 2014, each public utility shall procure a minimum of 10% of its retail sales of electrical energy in Montana from eligible renewable resources.

(b) As part of their compliance with subsection (3)(a), public utilities shall purchase both the renewable energy credits and the electricity output from community renewable energy projects that total at least 50 megawatts in nameplate capacity.

(c) Public utilities shall proportionately allocate the purchase required under subsection (3)(b) based on each public utility's retail sales of electrical energy in Montana in the calendar year 2009.

(4) (a) In the compliance year beginning January 1, 2015, and in each succeeding compliance year, each public utility shall procure a minimum of 15% of its retail sales of electrical energy in Montana from eligible renewable resources.

(b) (i) As part of their compliance with subsection (4)(a), public utilities shall purchase both the renewable energy credits and the electricity output from community renewable energy projects that total at least 75 megawatts in nameplate capacity.

(ii) In meeting the standard in subsection (4)(b)(i), a public utility may include purchases made under subsection (3)(b).

(c) Public utilities shall proportionately allocate the purchase required under subsection (4)(b) based on each public utility's retail sales of electrical energy in Montana in the calendar year 2014.

(5) (a) In complying with the standards required under subsections (2) through (4), a public utility shall, for any given compliance year, calculate its procurement requirement based on the public utility's previous year's sales of electrical energy to retail customers in Montana.

(b) The standard in subsections (2) through (4) must be calculated on a delivered-energy basis after accounting for any line losses.

(6) A public utility has until 3 months following the end of each compliance year to purchase renewable energy credits for that compliance year.

(7) (a) In order to meet the standard established in subsections (2) through (4), a public utility may only use:

(i) electricity from an eligible renewable resource in which the associated renewable energy credits have

not been sold separately;

(ii) renewable energy credits created by an eligible renewable resource purchased separately from the associated electricity; or

(iii) any combination of subsections (7)(a)(i) and (7)(a)(ii).

(b) A public utility may not resell renewable energy credits and count those sold credits against the public utility's obligation to meet the standards established in subsections (2) through (4).

(c) Renewable energy credits sold through a voluntary service such as the one provided for in ~~69-8-210(4)~~ 69-8-210(2) may not be applied against a public utility's obligation to meet the standards established in subsections (2) through (4).

(8) Nothing in this part limits a public utility from exceeding the standards established in subsections (2) through (4).

(9) If a public utility exceeds a standard established in subsections (2) through (4) in any compliance year, the public utility may carry forward the amount by which the standard was exceeded to comply with the standard in either or both of the 2 subsequent compliance years. The carryforward may not be double-counted.

(10) Except as provided in subsection (11), if a public utility is unable to meet the standards established in subsections (2) through (4) in any compliance year, that public utility shall pay an administrative penalty, assessed by the commission, of \$10 for each megawatt hour of renewable energy credits that the public utility failed to procure. A public utility may not recover this penalty in electricity rates. Money generated from these penalties must be deposited in the universal low-income energy assistance fund established in 69-8-412(1)(a).

(11) A public utility may petition the commission for a short-term waiver from full compliance with the standards in subsections (2) through (4) and the penalties levied under subsection (10). The petition must demonstrate that the:

(a) public utility has undertaken all reasonable steps to procure renewable energy credits under long-term contract, but full compliance cannot be achieved either because renewable energy credits cannot be procured or for other legitimate reasons that are outside the control of the public utility; or

(b) integration of additional eligible renewable resources into the electrical grid will clearly and demonstrably jeopardize the reliability of the electrical system and that the public utility has undertaken all reasonable steps to mitigate the reliability concerns."

NEW SECTION. SECTION 18. USE OF GENERATION ASSETS. GENERATION ASSETS ACQUIRED BY A PUBLIC UTILITY PURSUANT TO THIS CHAPTER:

(1) MUST BE USED BY THE PUBLIC UTILITY TO SERVE AND BENEFIT CUSTOMERS WITHIN THE PUBLIC UTILITY'S MONTANA SERVICE TERRITORY; AND

(2) MAY NOT BE REMOVED FROM THE RATE BASE UNLESS THE COMMISSION FINDS THAT CUSTOMERS OF THE PUBLIC UTILITY WILL NOT BE ADVERSELY AFFECTED.

NEW SECTION. **SECTION 19. CODIFICATION INSTRUCTION.** [SECTION 18] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 69, CHAPTER 8, PART 4, AND THE PROVISIONS OF TITLE 69, CHAPTER 8, PART 4, APPLY TO [SECTION 18].

NEW SECTION. **Section 20. Repealer.** Sections 69-8-102, 69-8-104, 69-8-202, 69-8-203, 69-8-204, 69-8-208, 69-8-209, 69-8-211, 69-8-301, 69-8-302, 69-8-303, 69-8-304, 69-8-308, 69-8-309, 69-8-310, ~~69-8-401~~, ~~69-8-403~~, 69-8-404, 69-8-408, 69-8-409, AND 69-8-410, ~~and 69-8-411~~, MCA, are repealed.

NEW SECTION. **Section 21. Saving clause.** [This act] does not affect rights and duties that matured, penalties that were incurred, or proceedings that were begun before [the effective date of this act].

NEW SECTION. **Section 22. Severability.** If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

- END -