

1 _____ BILL NO. _____

2 INTRODUCED BY _____
3 (Primary Sponsor)

4 A BILL FOR AN ACT ENTITLED: "AN ACT PROHIBITING ADDERS IN AVOIDED COST RATE MAKING;
5 AMENDING SECTIONS 69-3-604 AND 69-3-1206, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
6 DATE AND A RETROACTIVE APPLICABILITY DATE."

7
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9
10 **Section 1.** Section 69-3-604, MCA, is amended to read:

11 **"69-3-604. (Temporary) Standards for determination of rates and conditions.** (1) The commission
12 shall determine the rates and conditions of the contract for the sale of electricity by a qualifying small power
13 production facility according to the standards in subsections (2) through ~~(5)~~ (6).

14 (2) Long-term contracts for the purchase of electricity by the utility from a qualifying small power
15 production facility must be encouraged in order to enhance the economic feasibility of qualifying small power
16 production facilities.

17 (3) The rates to be paid by a utility for electricity purchased from a qualifying small power production
18 facility must be established with consideration of the availability and reliability of the electricity produced.

19 (4) The commission shall set these rates using the avoided cost over the term of the contract.

20 (5) Avoided cost rates may not include a bonus or adder to provide additional compensation for
21 environmental externalities or other costs above avoided costs, except when a bonus or adder is necessary to
22 compensate for a real and actual cost required by existing regulation or existing law.

23 ~~(5)(6)~~ The commission may adopt rules further defining the criteria for qualifying small power
24 production facilities, their cost-effectiveness, and other standards. (Repealed on occurrence of contingency--
25 secs. 1, 3, Ch. 284, L. 2003--see part compiler's comment.)"

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27 **Section 2.** Section 69-3-1206, MCA, is amended to read:

28 **"69-3-1206. Rate treatment.** (1) The commission may include in a public utility's rates:

- 1 (a) the cost of resources acquired in accordance with a plan;
- 2 (b) demand-side management programs established and implemented in accordance with 69-3-1209;
- 3 (c) the cost-effective expenditures for improving the efficiency with which the public utility provides
- 4 and its customers use utility services;
- 5 (d) the costs of complying with the planning requirements of this part; and
- 6 (e) the costs of complying with a competitive solicitation process conducted in accordance with 69-3-
- 7 1207.

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

10 (3) The commission may not approve a bonus or adder in the cost of a new resource acquired after
11 [the effective date of this act] to provide additional compensation for costs such as environmental externalities
12 unless the bonus or adder is necessary to compensate for a real and actual cost required by existing regulation
13 or existing law."

14
15 NEW SECTION. Section 3. Effective date. [This act] is effective on passage and approval.

16
17 NEW SECTION. Section 4. Retroactive applicability. [This act] applies retroactively, within the
18 meaning of 1-2-109, to applications pending before the commission or before a court on or after [the effective
19 date of this act].

20 - END -