

## 1 HOUSE BILL NO. 442

2 INTRODUCED BY D. SKEES, C. KNUDSEN

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4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A RATEMAKING MECHANISM FOR THE  
5 EXTENSION OF NATURAL GAS SERVICE TO UNSERVED AREAS; ALLOWING A LOCAL GOVERNMENT  
6 ENTITY TO REQUEST A COST ANALYSIS; REQUIRING A NATURAL GAS UTILITY TO PROVIDE A COST  
7 ANALYSIS; ALLOWING THE PUBLIC SERVICE COMMISSION TO APPROVE A RATE FOR NEW  
8 CUSTOMERS AFTER COMPLETION OF AN ANALYSIS; PROVIDING RULEMAKING AUTHORITY; AND  
9 PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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13 NEW SECTION. **Section 1. Local government entity -- cost analysis.** (1) If a local government  
14 entity is not served by a natural gas utility, the entity may request the natural gas utility that services customers  
15 nearest to the unserved area to prepare a cost analysis.

16 (2) (a) If requested, the cost analysis must be prepared by the utility and must estimate infrastructure,  
17 capacity, and service costs to extend service to the unserved area.

18 (b) The utility shall pay the costs of the analysis, and if service is extended to the unserved area in  
19 accordance with [section 2], the utility may recover the costs of the analysis in rates.

20 (3) The cost analysis must:

21 (a) include the utility's proposal for assigning responsibility for costs of the extension among  
22 customers in the unserved area and the utility's existing customers, if necessary or requested by the unserved  
23 area;

24 (b) demonstrate sufficient commitment from customers in the unserved area to utilize the  
25 infrastructure on completion of the expansion; and

26 (c) establish assignment of costs to new customers amortized over a set period of time.

27 (4) Nothing in this section prohibits a local government entity from working with a natural gas utility to  
28 provide the information necessary to complete the analysis required in subsection (3).

1 (5) For the purposes of [section 2] and this section, "local government entity" means a city, county,  
2 town, unincorporated municipality or village, or special taxing unit or district.

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4 **NEW SECTION. Section 2. Commission approval -- public comment -- rulemaking.** (1) (a) The  
5 commission may, on application of a natural gas utility and after giving notice and conducting a hearing as  
6 provided in 69-3-303, approve a rate that allows the utility to recover costs incurred to provide infrastructure and  
7 capacity to provide natural gas to an unserved area.

8 (b) Subject to subsections (1)(c) and (1)(d), the rate must be based on the cost analysis prepared in  
9 accordance with [section 1] and provide for the assignment of costs to new customers served by the extension.

10 (c) The rate established may be amortized over a set period of time to provide residents with a cost-  
11 effective mechanism to fund the infrastructure while allowing the utility to recover costs.

12 (d) The rate may be applied to a specific area within the boundaries of the complete area where the  
13 cost analysis was approved to solely serve new customers.

14 (2) The commission may promulgate rules for determining the use of a rate to extend service and to  
15 ensure that the natural gas utility is in compliance with the requirements of [section 1] and this section.

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17 **NEW SECTION. Section 3. Codification instruction.** [Sections 1 and 2] are intended to be codified  
18 as an integral part of Title 69, chapter 3, part 14, and the provisions of Title 69, chapter 3, part 14, apply to  
19 [sections 1 and 2].

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21 **NEW SECTION. Section 4. Effective date.** [This act] is effective on passage and approval.

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