

HOUSE BILL NO. 121

INTRODUCED BY NATHE, E. SMITH

IN THE HOUSE

January 7, 1985	Introduced and referred to Committee on Business and Labor.
January 11, 1985	On motion by Chief Sponsor, Senator E. Smith added as sponsor.
February 22, 1985	Committee recommend bill do pass as amended. Report adopted. Bill printed and placed on members' desks.
February 23, 1985	Second reading, do pass. Considered correctly engrossed.
February 26, 1985	Third reading, passed. Transmitted to Senate.

IN THE SENATE

March 4, 1985	Introduced and referred to Committee on Business and Industry.
March 27, 1985	Committee recommend bill be concurrred in as amended. Report adopted.
March 29, 1985	Second reading, concurrred in.
April 1, 1985	Third reading, concurrred in. Ayes, 46; Noes, 0. Returned to House with amendments.

IN THE HOUSE

April 2, 1985

Received from Senate.

April 4, 1985

Second reading, amendments
concurrent in.

April 5, 1985

Third reading, amendments
concurrent in.

Sent to enrolling.

Reported correctly enrolled.

1 reasonable charges. (1) Every public utility is required to
 2 furnish reasonably adequate service and facilities. The
 3 charge made by any public utility for any heat, light,
 4 power, water, telegraph, or telephone service produced,
 5 transmitted, delivered, or furnished or for any service to
 6 be rendered as or in connection with any public utility
 7 shall be reasonable and just, and every unjust and
 8 unreasonable charge is prohibited and declared unlawful.

9 (2) A charge is "reasonable and just" if it is based
 10 on reasonable considerations that include but are not
 11 limited to the quantity of utility use, the economic impact
 12 of charges on each classification of customer, the nature of
 13 utility use, the cost of providing service to each customer
 14 classification, market factors, methods of reducing wide
 15 periodic variations in demand for such products or services,
 16 and means of encouraging conservation of resources and
 17 energy."

18 Section 2. Section 69-3-306, MCA, is amended to read:

19 "69-3-306. Classification of service. (1) The
 20 commission may prescribe classifications of the service of
 21 all public utilities. Such classifications may take into
 22 account the quantity used, the time when used, and any other
 23 reasonable consideration. Each public utility is required to
 24 conform its schedule of rates, tolls, and charges to such
 25 classifications.

1 (2) The commission shall prescribe a classification
 2 for electricity rates embracing the need for utility service
 3 required for domestic purposes in areas where consumers lack
 4 an alternative to electricity for heating and essential home
 5 usage. A "domestic purpose" is any use that contributes to
 6 the health, comfort, and convenience of a person in the
 7 enjoyment of a dwelling as a home, including home heating,
 8 illumination, and other residential uses. The classification
 9 for utility service prescribed by the commission under this
 10 subsection (2) must result in electricity rates that allow
 11 substantial reduction of charges to residential customers in
 12 those areas subject to this classification. The commission
 13 shall include in its classification each of the following
 14 considerations as the basis for establishing this
 15 classification of service:

16 (a) the economic impact of the utility rate design and
 17 classifications of service as they affect residential
 18 customers who lack an alternative to electric service for
 19 heating and essential household utility needs;

20 (b) the locality of service and the cost of providing
 21 service to customers in that service area;

22 (c) the existence of closed market competition in
 23 which no other public utility exists to compete with the
 24 electric utility in that locality to provide heating and
 25 essential utility service to residential customers;

LC 0339/01

- 1 (d) the quantity of electricity used; and
- 2 (e) any other reasonable consideration."

-End-

APPROVED BY COMM. ON
BUSINESS AND LABOR

HOUSE BILL NO. 121

INTRODUCED BY NATHE, E. SMITH

A BILL FOR AN ACT ENTITLED: "AN ACT DIRECTING THE PUBLIC SERVICE COMMISSION TO PRESCRIBE A CLASSIFICATION FOR ELECTRICITY RATES EMBRACING THE NEED FOR UTILITY SERVICE REQUIRED FOR DOMESTIC PURPOSES IN AREAS WHERE PRESENT UTILITY RATES HAVE RESULTED IN ADVERSE ECONOMIC IMPACT ON RESIDENTIAL CUSTOMERS WHO LACK AN ALTERNATIVE TO ELECTRIC HEATING AND ESSENTIAL USAGE; CLARIFYING THE REQUIREMENTS FOR THE DESIGN OF UTILITY RATES; AMENDING SECTIONS-69-3-201--AND SECTION 69-3-306, MCA."

WHEREAS, the power of the state to regulate and control public utilities extends to the regulation of rates and charges established for the use of utility services by the public; and

WHEREAS, ratemaking and the establishment of classifications as to rates for utility service are legislative functions delegated to the Public Service Commission; and

WHEREAS, a fundamental basis for utility regulation is to assure that the utility will provide service to its customers at a reasonable cost; and

WHEREAS, the rates for electric service have increased

significantly in the last few years, resulting in an adverse economic impact on consumers who depend on electricity as their sole source of energy for residential heating and essential home usage; and

WHEREAS, the current rate design and classifications of service do not properly recognize those residential customers in areas where natural gas is unavailable as an alternative to electric heat; and

WHEREAS, the lack of an alternative to electricity in certain areas is due to the locality and the absence of market competition in the area.

THEREFORE, the Legislature finds it appropriate to enact legislation directing the Public Service Commission to prescribe a classification for electricity rates that allows a substantial reduction of charges for electricity used for domestic purposes in areas where present utility rates have created an unreasonable economic impact on residential customers who lack an alternative to electricity for heating and essential home usage because no other public utility exists to compete with an electric utility in the service area to provide affordable heat, power, or household energy.

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

~~Section 1, Section 69-3-201, MCA, is amended to read: "69-3-201: Utilities to provide adequate service at~~



1 reasonable charges. ~~(1) Every public utility is required to~~
 2 ~~furnish reasonably adequate service and facilities. The~~
 3 ~~charge made by any public utility for any heat, light,~~
 4 ~~power, water, telegraph, or telephone service produced,~~
 5 ~~transmitted, delivered, or furnished or for any service to~~
 6 ~~be rendered as or in connection with any public utility~~
 7 ~~shall be reasonable and just, and every unjust and~~
 8 ~~unreasonable charge is prohibited and declared unlawful.~~

9 ~~(2) A charge is "reasonable and just" if it is based~~
 10 ~~on reasonable considerations that include but are not~~
 11 ~~limited to the quantity of utility use, the economic impact~~
 12 ~~of charges on each classification of customer, the nature of~~
 13 ~~utility use, the cost of providing service to each customer~~
 14 ~~classification, market factors, methods of reducing wide~~
 15 ~~periodic variations in demand for such products or services,~~
 16 ~~and means of encouraging conservation of resources and~~
 17 ~~energy."~~

18 Section 1. Section 69-3-306, MCA, is amended to read:

19 "69-3-306. Classification of service. (1) The
 20 commission may prescribe classifications of the service of
 21 all public utilities. Such classifications may take into
 22 account the quantity used, the time when used, and any other
 23 reasonable consideration. Each public utility is required to
 24 conform its schedule of rates, tolls, and charges to such
 25 classifications.

1 ~~(2) The commission shall prescribe a classification~~
 2 ~~for electricity rates embracing the need for utility service~~
 3 ~~A DECLINING BLOCK RATE STRUCTURE FOR ELECTRIC SERVICE, WHEN~~
 4 ~~COST-JUSTIFIED, WHERE required for domestic purposes in~~
 5 ~~areas where consumers lack an alternative to electricity for~~
 6 ~~heating and essential home usage. A "domestic purpose" is~~
 7 ~~any use that contributes to the health, comfort, and~~
 8 ~~convenience of a person in the enjoyment of a dwelling as a~~
 9 ~~home, including home heating, illumination, and other~~
 10 ~~residential uses. The classification for utility service~~
 11 ~~prescribed by the commission under this subsection (2) must~~
 12 ~~result in electricity rates that allow substantial reduction~~
 13 ~~of charges to residential customers in those areas subject~~
 14 ~~to this classification. The commission shall include in its~~
 15 ~~classification each of the following considerations as the~~
 16 ~~basis for establishing this classification of service:~~

17 ~~(a) the economic impact of the utility rate design and~~
 18 ~~classifications of service as they affect residential~~
 19 ~~customers who lack an alternative to electric service for~~
 20 ~~heating and essential household utility needs;~~

21 ~~(b) the locality of service and the cost of providing~~
 22 ~~service to customers in that service area;~~

23 ~~(c) the existence of closed market competition in~~
 24 ~~which no other public utility exists to compete with the~~
 25 ~~electric utility in that locality to provide heating and~~

1 ~~essential-utility-service-to-residential-customers;~~

2 ~~(d)--the-quantity-of-electricity-used; and~~

3 ~~(e)--any-other-reasonable-consideration;"~~

-End-

HOUSE BILL NO. 121
INTRODUCED BY NATHE, E. SMITH

A BILL FOR AN ACT ENTITLED: "AN ACT DIRECTING THE PUBLIC SERVICE COMMISSION TO PRESCRIBE A CLASSIFICATION FOR ELECTRICITY RATES EMBRACING THE NEED FOR UTILITY SERVICE REQUIRED FOR DOMESTIC PURPOSES IN AREAS WHERE PRESENT UTILITY RATES HAVE RESULTED IN ADVERSE ECONOMIC IMPACT ON RESIDENTIAL CUSTOMERS WHO LACK AN ALTERNATIVE TO ELECTRIC HEATING AND ESSENTIAL USAGE; CLARIFYING THE REQUIREMENTS FOR THE DESIGN OF UTILITY RATES; AMENDING SECTIONS 69-3-201--AND SECTION 69-3-306, MCA."

WHEREAS, the power of the state to regulate and control public utilities extends to the regulation of rates and charges established for the use of utility services by the public; and

WHEREAS, ratemaking and the establishment of classifications as to rates for utility service are legislative functions delegated to the Public Service Commission; and

WHEREAS, a fundamental basis for utility regulation is to assure that the utility will provide service to its customers at a reasonable cost; and

WHEREAS, the rates for electric service have increased

significantly in the last few years, resulting in an adverse economic impact on consumers who depend on electricity as their sole source of energy for residential heating and essential home usage; and

WHEREAS, the current rate design and classifications of service do not properly recognize those residential customers in areas where natural gas is unavailable as an alternative to electric heat; and

WHEREAS, the lack of an alternative to electricity in certain areas is due to the locality and the absence of market competition in the area.

THEREFORE, the Legislature finds it appropriate to enact legislation directing the Public Service Commission to prescribe a classification for electricity rates that allows a substantial reduction of charges for electricity used for domestic purposes in areas where present utility rates have created an unreasonable economic impact on residential customers who lack an alternative to electricity for heating and essential home usage because no other public utility exists to compete with an electric utility in the service area to provide affordable heat, power, or household energy.

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

~~Section 1--Section 69-3-201, MCA, is amended to read: "69-3-201--Utilities--to--provide--adequate--service--at~~



1 reasonable charges. ~~(1) Every public utility is required to~~
 2 ~~furnish reasonably adequate service and facilities. The~~
 3 ~~charge made by any public utility for any heat, light,~~
 4 ~~power, water, telegraph, or telephone service produced,~~
 5 ~~transmitted, delivered, or furnished or for any service to~~
 6 ~~be rendered as or in connection with any public utility~~
 7 ~~shall be reasonable and just, and every unjust and~~
 8 ~~unreasonable charge is prohibited and declared unlawful.~~

9 ~~(2) A charge is "reasonable and just" if it is based~~
 10 ~~on reasonable considerations that include but are not~~
 11 ~~limited to the quantity of utility use, the economic impact~~
 12 ~~of charges on each classification of customer, the nature of~~
 13 ~~utility use, the cost of providing service to each customer~~
 14 ~~classification, market factors, methods of reducing wide~~
 15 ~~periodic variations in demand for such products or services,~~
 16 ~~and means of encouraging conservation of resources and~~
 17 ~~energy."~~

18 Section 1. Section 69-3-306, MCA, is amended to read:
 19 "69-3-306. Classification of service. (1) The
 20 commission may prescribe classifications of the service of
 21 all public utilities. Such classifications may take into
 22 account the quantity used, the time when used, and any other
 23 reasonable consideration. Each public utility is required to
 24 conform its schedule of rates, tolls, and charges to such
 25 classifications.

1 ~~(2) The commission shall prescribe a classification~~
 2 ~~for electricity rates embracing the need for utility service~~
 3 ~~A DECLINING BLOCK RATE STRUCTURE FOR ELECTRIC SERVICE, WHEN~~
 4 ~~COST-JUSTIFIED, WHERE required for domestic purposes in~~
 5 ~~areas where consumers lack an alternative to electricity for~~
 6 ~~heating and essential home usage. A "domestic purpose" is~~
 7 ~~any use that contributes to the health, comfort, and~~
 8 ~~convenience of a person in the enjoyment of a dwelling as a~~
 9 ~~home, including home heating, illumination, and other~~
 10 ~~residential uses. The classification for utility service~~
 11 ~~prescribed by the commission under this subsection (2) must~~
 12 ~~result in electricity rates that allow substantial reduction~~
 13 ~~of charges to residential customers in those areas subject~~
 14 ~~to this classification. The commission shall include in its~~
 15 ~~classification each of the following considerations as the~~
 16 ~~basis for establishing this classification of service:~~

17 ~~(a) the economic impact of the utility rate design and~~
 18 ~~classifications of service as they affect residential~~
 19 ~~customers who lack an alternative to electric service for~~
 20 ~~heating and essential household utility needs;~~

21 ~~(b) the locality of service and the cost of providing~~
 22 ~~service to customers in that service area;~~

23 ~~(c) the existence of closed market competition in~~
 24 ~~which no other public utility exists to compete with the~~
 25 ~~electric utility in that locality to provide heating and~~

1 ~~essential-utility-service-to-residential-customers;~~
2 ~~(d)--the-quantity-of-electricity-used,-and~~
3 ~~(e)--any-other-reasonable-consideration;"~~

-End-

SENATE STANDING COMMITTEE REPORT

MARCH 27 19 85

MR. PRESIDENT

We, your committee on BUSINESS & INDUSTRY

having had under consideration HOUSE BILL No. 121

third reading copy (blue color)

UTILITY RATE CLASSIFICATION FOR AREAS LACKING AN ALTERNATIVE TO ELECTRICITY (Smith)

Respectfully report as follows: That HOUSE BILL No. 121

be amended as follows:

- 1. Title, lines 5 through 10. Following: "PRESCRIBE A" on line 5 Strike: remainder of line 5 through "USAGE" on line 10 Insert: "DECLINING BLOCK RATE STRUCTURE FOR ELECTRIC SERVICE WHEN COST-JUSTIFIED"
2. Page 1, line 14 through line 21 on page 2. Strike: line 14 on page 1 through line 21 on page 2 in their entirety
3. Page 4, lines 4 through 10. Following: "COST-JUSTIFIED," on line 4 Strike: remainder of line 4 through "uses." on line 10

AND AS AMENDED BE CONCURRED IN

XXXXXX

DO NOT PASS

Sen. Mike Halligan Chairman.

HOUSE BILL NO. 121

INTRODUCED BY NATHE, E. SMITH

A BILL FOR AN ACT ENTITLED: "AN ACT DIRECTING THE PUBLIC SERVICE COMMISSION TO PRESCRIBE A CLASSIFICATION FOR ELECTRICITY RATES EMBRACING THE NEED FOR UTILITY SERVICE REQUIRED FOR DOMESTIC PURPOSES IN AREAS WHERE PRESENT UTILITY RATES HAVE RESULTED IN ADVERSE ECONOMIC IMPACT ON RESIDENTIAL CUSTOMERS WHO LACK AN ALTERNATIVE TO ELECTRIC HEATING AND ESSENTIAL USAGE DECLINING BLOCK RATE STRUCTURE FOR ELECTRIC SERVICE WHEN COST JUSTIFIED; CLARIFYING THE REQUIREMENTS FOR THE DESIGN OF UTILITY RATES; AMENDING SECTIONS 69-3-201 AND SECTION 69-3-306, MCA."

WHEREAS, the power of the state to regulate and control public utilities extends to the regulation of rates and charges established for the use of utility services by the public; and

WHEREAS, ratemaking and the establishment of classifications as to rates for utility service are legislative functions delegated to the Public Service Commission; and

WHEREAS, a fundamental basis for utility regulation is to assure that the utility will provide service to its customers at a reasonable cost; and

WHEREAS, the rates for electric service have increased significantly in the last few years, resulting in an adverse economic impact on consumers who depend on electricity as their sole source of energy for residential heating and essential home usage; and

WHEREAS, the current rate design and classifications of service do not properly recognize those residential customers in areas where natural gas is unavailable as an alternative to electric heat; and

WHEREAS, the lack of an alternative to electricity in certain areas is due to the locality and the absence of market competition in the area;

THEREFORE, the Legislature finds it appropriate to enact legislation directing the Public Service Commission to prescribe a classification for electricity rates that allows a substantial reduction of charges for electricity used for domestic purposes in areas where present utility rates have created an unreasonable economic impact on residential customers who lack an alternative to electricity for heating and essential home usage because no other public utility exists to compete with an electric utility in the service area to provide affordable heat, power, or household energy;

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

Section 1, Section 69-3-201, MCA, is amended to read:

REFERENCE BILL

HB 121



1 ~~"69-3-201; Utilities to provide adequate service at~~
 2 ~~reasonable charges; (1) Every public utility is required to~~
 3 ~~furnish reasonably adequate service and facilities; The~~
 4 ~~charge made by any public utility for any heat, light,~~
 5 ~~power, water, telegraph, or telephone service produced,~~
 6 ~~transmitted, delivered, or furnished or for any service to~~
 7 ~~be rendered as or in connection with any public utility~~
 8 ~~shall be reasonable and just; and every unjust and~~
 9 ~~unreasonable charge is prohibited and declared unlawful;~~

10 ~~(2) A charge is "reasonable and just" if it is based~~
 11 ~~on reasonable considerations that include but are not~~
 12 ~~limited to the quantity of utility use, the economic impact~~
 13 ~~of charges on each classification of customer, the nature of~~
 14 ~~utility use, the cost of providing service to each customer~~
 15 ~~classification, market factors, methods of reducing wide~~
 16 ~~periodic variations in demand for such products or services,~~
 17 ~~and means of encouraging conservation of resources and~~
 18 ~~energy."~~

19 Section 1. Section 69-3-306, MCA, is amended to read:

20 "69-3-306. Classification of service. (1) The
 21 commission may prescribe classifications of the service of
 22 all public utilities. Such classifications may take into
 23 account the quantity used, the time when used, and any other
 24 reasonable consideration. Each public utility is required to
 25 conform its schedule of rates, tolls, and charges to such

1 classifications.

2 (2) The commission shall prescribe a classification
 3 for electricity rates embracing the need for utility service
 4 A DECLINING BLOCK RATE STRUCTURE FOR ELECTRIC SERVICE, WHEN
 5 COST-JUSTIFIED, WHERE required for domestic purposes in
 6 areas where consumers lack an alternative to electricity for
 7 heating and essential home usage; A "domestic purpose" is
 8 any use that contributes to the health, comfort, and
 9 convenience of a person in the enjoyment of a dwelling as a
 10 home, including home heating, illumination, and other
 11 residential uses. The classification for utility service
 12 prescribed by the commission under this subsection (2) must
 13 result in electricity rates that allow substantial reduction
 14 of charges to residential customers in those areas subject
 15 to this classification; The commission shall include in its
 16 classification each of the following considerations as the
 17 basis for establishing this classification of service:

18 (a) the economic impact of the utility rate design and
 19 classifications of service as they affect residential
 20 customers who lack an alternative to electric service for
 21 heating and essential household utility needs;

22 (b) the locality of service and the cost of providing
 23 service to customers in that service area;

24 (c) the existence of closed market competition in
 25 which no other public utility exists to compete with the

1 ~~electric-utility-in-that-locality--to--provide--heating--and~~
2 ~~essential-utility-service-to-residential-customers;~~
3 ~~(d)--the-quantity-of-electricity-used;-and~~
4 ~~(e)--any-other-reasonable-consideration;"~~

-End-