

SENATE BILL NO. 284

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT DIRECTING THE PUBLIC SERVICE COMMISSION TO USE A MARKET COMPARISON METHODOLOGY WHEN DETERMINING THE REASONABLENESS OF THE COST OF COAL OR OTHER BOILER FUEL PURCHASED BY A REGULATED PUBLIC UTILITY FROM ITS AFFILIATE; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. Section 1. Definitions. For the purposes of [section 2] and this section, the following definitions apply:

(1) "Affiliate" means a corporation or other entity wholly owned or controlled, directly or indirectly, by the public utility or by a corporation or other entity that wholly owns or controls, directly or indirectly, the public utility.

(2) "Different supplier" means a fuel supplier that is not an affiliate of the public utility that is subject to commission review under [section 2].

NEW SECTION. Section 2. Evaluation of coal or other boiler fuel costs. (1) The purchases of coal or other boiler fuel for the generation of electricity by a public utility from a fuel supplier that is an affiliate of the public utility is subject to review by the commission to enable the commission to determine whether the costs incurred by the public utility are reasonable.

(2) In determining whether the costs incurred are reasonable, the commission shall compare the costs incurred by the public utility to the costs that the public utility would have incurred if the coal or other boiler fuel had been purchased from a different supplier under similar contract terms.

(3) The commission may disallow recovery in the rates charged by the public utility of any amount by which the costs incurred exceed the amount that the commission determines to be reasonable based on the comparison required under subsection (2).

NEW SECTION. Section 3. Codification instruction. [Sections 1 and 2] are intended to be codified



1 as an integral part of Title 69, chapter 3, and the provisions of Title 69, chapter 3, apply to [sections 1 and  
2 2].

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

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SENATE BILL NO. 284

INTRODUCED BY *Van Vatterburg* *Cole Beck*  
*W. Ryan* *HARP* *M. Hanson*  
*John Johnson* *Benell* *Spitzer*

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INTRODUCED BY

*Van Vatterburg, Ryan, HARP, M. Harrison, Cole, Ben, W. Ryan, Robert, M. Anderson, Carlos, Spitzer, John, John, Kelly, Ben, Bill*

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2 INTRODUCED BY VAN VALKENBURG, CRIPPEN, JACOBSON, HARP, M. HANSON, COLE, BECK,  
3 RYAN, GALVIN, PAVLOVICH, MENAHAN, GRINDE, SPRAGUE, HOLLAND, FORRESTER, T. NELSON,  
4 SHEA, DEBRUYCKER, J. JOHNSON, HARRINGTON, KITZENBERG, BENEDICT, WILSON

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25 (2) In determining whether the costs incurred are reasonable, the commission shall compare the  
26 costs incurred by the public utility to the costs that the public utility would have incurred if the coal or other  
27 boiler fuel had been purchased from a different supplier under similar contract terms.

28 (3) The commission may disallow recovery in the rates charged by the public utility of any amount  
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30 on the comparison required under subsection (2).

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