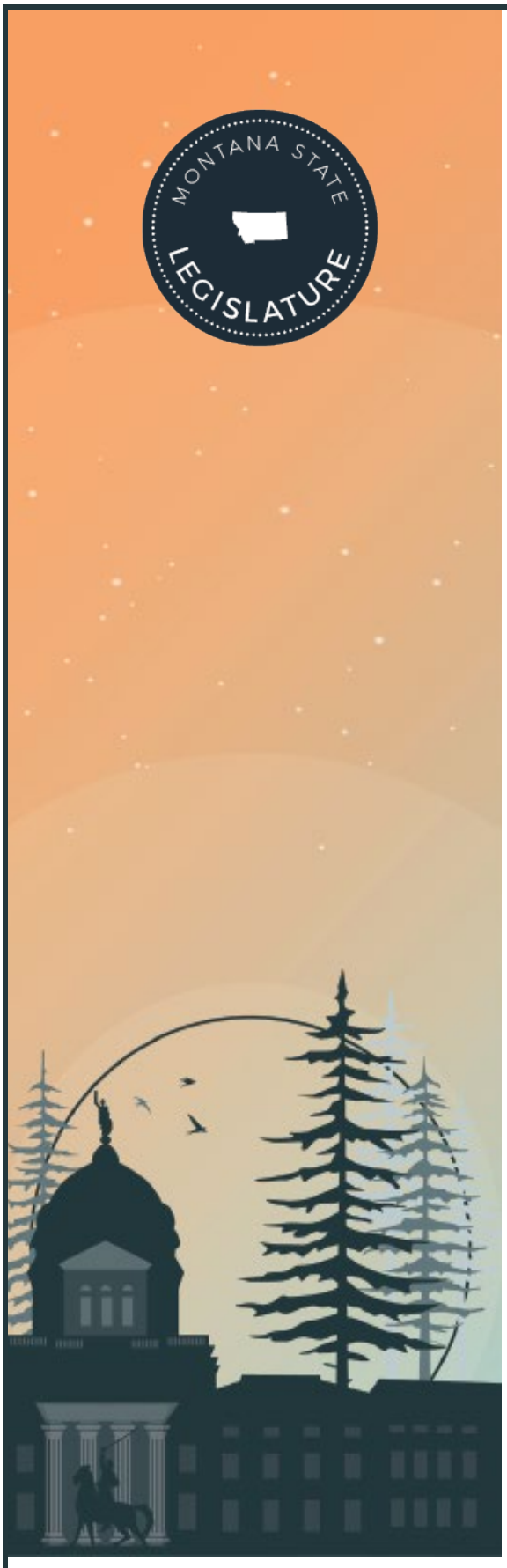

INTEGRATED RESOURCE PLANNING: MONTANA HISTORY

Select Committee on Resource Planning and Acquisition

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2023-2024 WORK PLAN

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INTRODUCTION

Montana's history with integrated resource planning began in the late 1980s. This report attempts to provide context for the state's energy planning policies and discuss the components of an integrated resource plan (IRP). The planning process in the state focuses on:

- the relationship between resource planning, procurement and ratemaking,;
- the role of environmental and societal externalities in resource portfolios;
- the use of competitive resource solicitations;
- an evaluation of market uncertainty and risk;
- an assessment of the optimal mix of supply and demand; and
- public involvement and stakeholder input.

HISTORY

Montana's development of an integrated resource planning process began as the result of an October 1988 agreement between Montana Power Company, District XI Human Resource Council, and the Natural Resources Defense Council. The agreement grew out of MPC's decision, and the legal proceedings following the decision, to build Colstrip Unit 3 Unit 4. Entities were concerned about the disposition of MPC's share of Colstrip Unit 4 power and about MPC's commitment to developing conservation resources. MPC agreed to budget $2.4 million for its conservation programs and agreed to the creation of a Conservation and Least Cost Planning Advisory Committee to review and advise MPC concerning its conservation acquisition plans.[1] The committee was tasked with:

- defining least-cost resource planning as it related to MPC;
- establishing criteria for determining least-cost resources;
- determining the appropriate role of demand-side resources in planning; and
- establishing the appropriate role of competitive bidding in planning.

The agreement established the members of the committee including MPC, the Human Resource Council, Montana environmental interests, Montana consumer interests, the Montana business community, Northwest Regional Power Planning Council, and the Montana Department of Natural Resources and Conservation.

In exchange, the Human Resource Council and the Natural Resources Defense Council agreed to make no legal challenge to a number of MPC issues pertaining to the use of power generated at Colstrip Unit 4, particularly a series of dockets that were before the Montana Public Service Commission.

The agreement surrounding Colstrip Unit 4 and the subsequent birth of integrated resource planning in Montana did not occur in a vacuum. In 1973, MPC and several other utilities filed an application with the Department of Natural Resources and Conservation for a certificate of environmental compatibility and public need under the Major Facility Siting Act for Colstrip Units 3 and 4. To acquire the certificate, the utilities had to demonstrate that there was a need for the energy produced; that the facilities would serve the public interest, convenience, and

[1] Montana Power Company, District XI Human Resource Council, and Natural Resources Defense Council, agreement, signed and dated October 20, 1988.

necessity; and that the loads and resources forecast by the utilities demonstrated an energy deficit in the future. In addition, MPC had to demonstrate that the additional units were the lowest-cost alternative for consumers and the best choice available for future power needs. The state concluded that energy produced by Colstrip Units 3 and 4 was needed and in 1976 granted the certificate. The decision was appealed to the Montana Supreme Court on two occasions.[2]

Those court cases, however, did not address an issue before the Montana PSC — changes in the rates paid by Montana consumers resulting from the construction of Units 3 and 4. After completion of Colstrip 3 in 1983, MPC filed an application with the PSC to increase electric service rates to reflect the inclusion of Colstrip 3 and associated facilities in its rate base. The request was for $96.4 million to increase revenues by about 55 percent. It was the largest rate increase request ever filed in Montana. The PSC ultimately determined Colstrip 3 was not "used and useful" and could not be included in MPC's rate base.[3] While some interim rate increases were granted, MPC responded by announcing they would reduce the budget for construction and work at Unit 4. Three of the five utility partners in Colstrip requested a delay until financial issues were sorted out. The delay was expected to result in 300 workers being furloughed.[4] In the meantime, the PSC decision on Unit 3 went to the Montana Supreme Court, and the Court ruled that MPC's acquisition of a certificate and a finding of usefulness and need under the Major Facility Siting Act did not limit the PSC's statutory ratemaking authority.[5]

In 1984, MPC also filed a petition for judicial review of the PSC order under certain provisions of the Montana Administrative Procedure Act. In June 1985, a District Court ruled in favor of MPC, finding that the PSC had unlawfully denied MPC the $96.4 million rate increase in 1984. The ruling sent the request back to the PSC for reconsideration, opening up debate about the statutory timelines during which the PSC was to make a decision.

In August 1985, the PSC reversed course after its 1984 decision and voted to increase MPC's electric rates by about $80.3 million, phased in over an eight-year period. A final appeal before the Montana Supreme Court was dismissed in November 1985.[6] MPC decided to sell its 210 megawatts at Colstrip 4, largely because of the financial difficulties the utility encountered after the PSC's original finding that Colstrip 3 was not needed and should not be in the rate base. MPC also reached an agreement concerning future integrated resource planning.

Concerns about utility planning and procurement were not unique to Montana or to decisions about Colstrip. In the late 1960s, energy planners in the Northwest determined that increased demand would outstrip the capacity of existing hydroelectric resources. This was expected to affect Washington, Oregon, Idaho, and Montana. Regional planners were encouraged to start planning and building large thermal plants. MPC and a consortium of Washington utilities pursued the Colstrip facilities. The Washington Public Power Supply System, authorized by the state of Washington, began planning to construct five nuclear plants. Several factors combined to delay construction schedules and to drive costs to inflate for the nuclear facilities. In 1983, the Washington Public Power

[2] Northern Plains Resource Council v. Board of Natural Resources and Conservation, 181 Mont. 500, 594 P.2d 297 (1979); and Northern Plains Resource Council v. Board of Natural Resources and Conservation, 183 Mont. 540, 601 P.2d 27 (1979).
[3] Docket No. 83.9.67, Order No. 5051c, Montana Public Service Commission.
[4] Glenn Pacini, "Colstrip 3,"the University of Montana, Theses, Dissertations, Professional Papers (1986), paper 8670.
[5] Montana Power Company v. Public Service Commission, 692 P.2d 432 (1984).
[6] Montana Power Company v. Public Service Commission, No. 85-445 (1985).

Supply System defaulted on $2.24 billion in municipal bonds. It was the largest bond default in the United States. Four of the plants were never completed.[7]

Adding to the misery, electricity demand across the Northwest in the late 1980s and early 1990s fell far short of earlier projections, in part because of increasing consumer rates to finance new generation and in part because of economic recession. The Northwest ended up with an energy surplus. In energy circles, this was deemed a colossal planning failure. In response, utility planners started scrutinizing energy demand and consumption, resource selection, and associated risks. Integrated resource planning and state requirements for planning resulted.

Montana's Conservation and Least Cost Planning Advisory Committee in October 1990 issued its report and recommendations concerning integrated least-cost resource planning and acquisition in Montana. It was "the culmination of an historic, sixteen month collaborative effort by representatives of groups which actively participate in energy policy and regulatory processes in Montana including: Montana Power Company, District XI Human Resource Council, Montana Power Company Large Users Group, Montana Environmental Information Center, Northern Plains Resource Council, Montana Department of Natural Resources and Conservation, and Northwest Power Planning Council," wrote Gerald Mueller, coordinator of the committee.[8]

THE NINETIES

The committee provided recommendations to the PSC and to MPC to implement integrated resource planning. MPC was advised to petition the PSC to institute guidelines for least-cost planning and competitive acquisition processes and to approve methods for acquiring qualifying facility (QF) resources that would be compatible with integrated least-cost planning and competitive resource acquisition. The committee's October 1990 report stated: "The decades of the 1970s and 1980s have demonstrated conclusively the enormous cost implications of utility resource decisions to the economies of our region and state as well as individual industries, businesses, local governments, farms and ranches, and households. Ratepayers who need and consume electricity must support and insist that both MPC and its regulators have available and apply the information, expertise, and tools — and hence the budget and personnel — to develop, implement, and oversee integrated least-cost resource planning and acquisition."[9]

The PSC also became increasingly interested in integrated least-cost planning and competitive resource acquisition. The commission established a proceeding to examine the issues and in October 1990 issued a Notice of Investigation, inviting interested parties to comment on the appropriate procedure. After collecting public comment, the PSC determined that some form of least-cost planning needed to be developed in Montana. The "second stage" of integrated resource planning began in late 1991 with the PSC developing administrative rules articulating guidelines for the development of utility least-cost plans. The third stage was to be the actual implementation of utility least-cost planning.

The rulemaking at the PSC moved forward. Stakeholders had much to say about the rules. "One principal theme is the minimization of resource planning controversy. To their credit, these proposed rules stress clear, concise utility resource plans so that a utility ensures that it communicates effectively. The rules also provide the opportunity for

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[7] "Seduced and Abandoned? Utilities and WPPSS Nuclear Plants," *Columbia Magazine* (Fall 1991), Vol. 5, No. 3., Washington State Historical Society.
[8] "Integrated Least Cost Planning Report and Recommendations to Montana Power Company and Montana Public Service Commission" (October 1990), p. i.
[9] Ibid, p. 28.

meaningful feedback to the utility from interested parties, the public, and the Commission. This feedback is essential, and we hope the Commission takes advantage of it," wrote MPC commenting on the proposed rules.[10]

Montana-Dakota Utilities raised a multitude of concerns with the proposed rules. MDU is a multijurisdictional utility, and the utility raised concerns about Montana resource planning creating problems with North Dakota and South Dakota regulatory commissions. Both MDU and MPC also raised a fundamental concern that the Montana PSC was not authorized by the Montana Legislature to "mandate its vision of integrated resource planning." The Montana Legislature in 1981 and 1985 had rejected planning proposals.[11] MPC in 1992 told the PSC that a legislative sanction for the guidelines "would be beneficial to all parties."

Nevertheless, in December 1992 the PSC adopted rules requiring both MPC and MDU to submit integrated least-cost resource plans, beginning with MPC in March 1993.[12] were required to provide opportunities for public participation and comment during the planning process.[13]

In 1993, Representative Joe Quilici (D-Butte) introduced House Bill 390 establishing the Montana Integrated Least-Cost Resource Planning and Acquisition Act. Quilici testified before the House Business and Economic Development Committee that the bill had three purposes:

- clarify the PSC authority to require electric and natural gas utilities to file a report with the PSC;
- clarify that utilities could recover costs if they invested in energy efficiency or other investments consistent with the plans that went before the PSC; and
- eliminate duplication between planning requirements before the PSC and those required under the Major Facility Siting Act.

There were no opponents to the legislation in the House or Senate committees. The Montana PSC testified on its rulemaking and stated that it firmly believed the commission had sufficient legal authority to require integrated resource planning. However, the PSC noted that disagreement existed on that front — disagreement that could be settled by the courts or the Legislature. Then-PSC Chairman Bob Anderson urged the Legislature to take action. "We respect the process that produced this bill. It represents a way of settling differences in a constructive way instead of the polarized, contentious way of the past. This bill represents one of the positive legacies of the Colstrip era," Anderson testified on February 10, 1993, before the House committee.

MONTANA INTEGRATED LEAST-COST RESOURCE PLANNING AND ACQUISITION ACT

The Montana Integrated Least-Cost Resource Planning and Acquisition Act is in Title 69, chapter 3, part 12, of the Montana Code Annotated. The statute reads in part: "It is the policy of the state of Montana to supervise, regulate, and control public utilities. To the extent that it is consistent with the policy and in order to benefit society, the state encourages efficient utility operations, efficient use of utility services, and efficient rates. It is further the policy of the state to encourage utilities to acquire resources in a manner that will help ensure a clean, healthful,

[10] Docket No. 90.8.49, In the Matter of Proposed Adoption of Rules on Integrated Least Cost Planning and Electric Utilities, Comments of the Montana Power Company, p.2.
[11] House Bill 780, 1981 Montana Legislature, and House Bill 868, 1985 Montana Legislature.
[12] 38.5.2001 through 38.5.2012, Administrative Rules of Montana.
[13] Section 114, Energy Policy Act of 1992, Public Law 102-486.

safe, and economically productive environment."[14] The statute goes on to direct the PSC to adopt rules requiring a public utility to prepare and file a plan.

The plan requirements are left largely up to commission rule but must include an evaluation of a full range of cost-effective means for the utility to meet service requirements for Montana customers, including conservation and improvements in efficiency. The law also requires the PSC to conduct a public meeting to receive public comment on a plan. The commission also may comment on a plan, but the comments are not considered a preapproval of a project. The Montana Department of Environmental Quality (DEQ) is statutorily given a role to review a plan and comment. A plan can be used by the DEQ in the event that it dovetails with a Major Facility Siting Act application. The Consumer Counsel also is instructed to review a plan and invited to provide comments.

MPC was instructed to file its first plan on March 15, 1993, and on March 15 of each odd year thereafter. MDU was to file its first plan on September 15, 1993, and on September 15 of each odd year thereafter. Pacific Power and Light Company was to file its first plan on May 15, 1994, and on May 15 of each even year thereafter. All other electric utilities were to file plans by March 15, 1994.

The rules, again adopted in 1992 prior to the legislation authorizing planning, include goals as well. However, throughout the rules, the goals are referenced as "guidelines." Under policy, "it is the goal of these integrated least-cost resource planning guidelines to encourage electric utilities to meet their customers' needs for adequate, reliable and efficient energy services at the lowest total cost while remaining financially sound. To achieve this goal, utilities should plan to meet future loads through timely acquisition of an integrated set of demand- and supply-side resources. Importantly, this includes actively pursuing and acquiring all cost-effective energy conservation. The cost effectiveness of all resources should be determined with respect to long-term societal costs."[15] Along with the least- cost plan, each utility also submits an action plan illustrating how the plan will be implemented over the near term under various load and resource scenarios.

The rules, unlike the statute, define integrated least-cost resource planning as "an ongoing, dynamic and flexible process which:

- explicitly manages the consequences of uncertainty and risk associated with a utility's market characteristics and supply alternatives,
- integrates the demand-and supply-side resources that represent the least cost to society over the long-term,
- explicitly weighs a broad range of resource attributes (e.g., environmental externalities) in the evaluation of alternative resources,
- is reasonably understandable to interested persons (including members of the general public) and the commission,
- involves stakeholders and nonutility expertise in utility resource planning,
- results from a planning process within the utility which facilitates communication and coordination among the entities dealing with utility finances, demand forecasts, demand- and supply-side resource evaluations, as well as other relevant entities, and

[14] 69-3-1202(1), MCA.
[15] 38.5.2001, Administrative Rules of Montana.

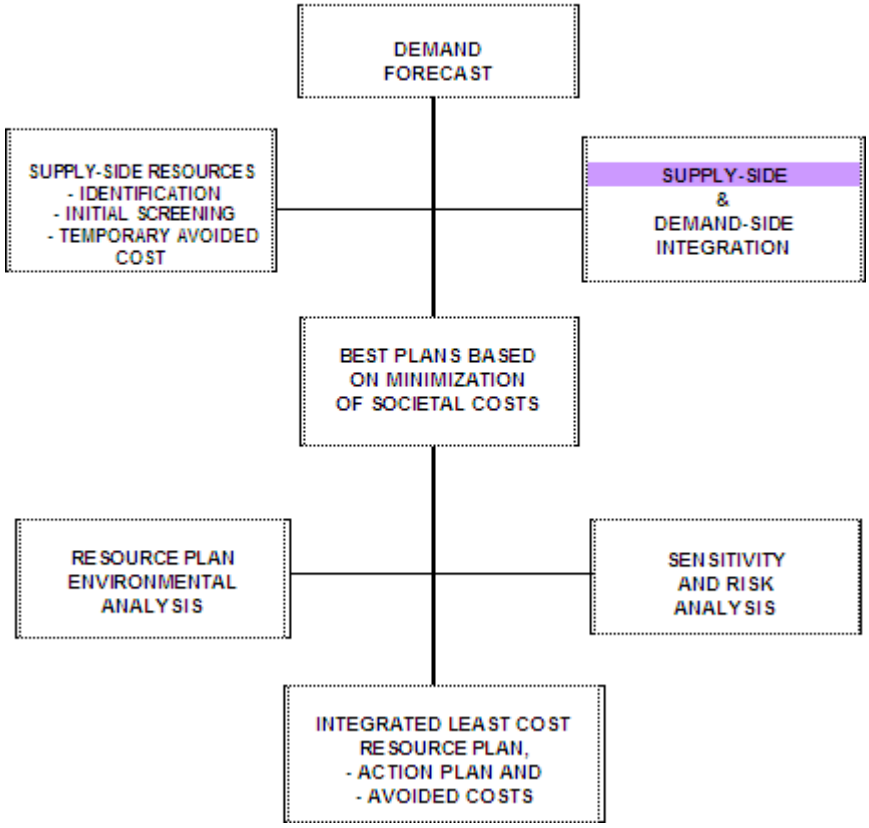
- continually monitors and develops data on the cost effectiveness and actual productivity of conservation programs."

The rules or guidelines provide utilities policy and planning guidance and are not a mandate in terms of investment decisions. Although the rules repeatedly use the term "guideline," they remain rules. Once adopted, administrative rules are published in the Administrative Rules of Montana (ARM) and have the force of law. The rules also contain a number of requirements.

The rules discuss competitive resource solicitations. All-source solicitations should include "the broadest practical group of potential demand- and supply-side resource providers," including QFs, nonutility independent power producers, publicly owned and investor-owned utilities, power marketing agencies, demand-side resources, and efficiency improvements.

As in statute, the rules outline a process for public participation. Utilities are instructed to make plans available for public inspection at utility offices designated as follows: MPC — Butte, Missoula, Helena, Bozeman, Great Falls, Billings, Havre, Glasgow, Lewistown, and Hamilton; Pacific Power and Light Company — Kalispell and Libby; and MDU — Glendive, Miles City, and Billings. Utilities are also to make their plans available for public inspection at each county library and each university, college, and junior college library in their Montana service territories.[16]

FIGURE 1
LEAST COST PLANNING OPTIMIZATION PROCESS EXAMPLE



The rules require that utility investment in conservation measures installed on the customer's side of the meter be considered cost-effective up to 115 percent of the utility's long-term avoided cost, for example. A range of environmental impact mitigation and control costs are required to be quantified, estimated, or evaluated, or all three. Utilities are to weigh, rank, evaluate, and select individual energy resources. The rules also require the application of process planning cycles and provide an example (**Figure 1**). A long-term resource planning process also should recognize and utilize rate design to yield demand-side resources and to ensure that, to the extent possible, the goals and objectives of all rate design efforts are consistent with the

[16] 38.5.2012, Administrative Rules of Montana.

goal and definition of integrated least-cost planning. Least-cost resource plans are intended to provide the best balance of objectives to:

- minimize the societal cost of producing energy services;
- minimize the costs of risk not incorporated into the formal cost analysis;
- minimize the environmental and other external costs not incorporated into the formal cost analysis;
- maintain economical levels of service reliability that incorporate consideration of customers' value of service reliability; and
- distribute costs and benefits equitably.

No later than 60 days following the close of a written comment period, the PSC holds a hearing on the plan. Finally, based on its review of the plan and consideration of the comments of others, the PSC may issue a general statement indicating whether "the plan conforms to the guidelines." A plan, however, does not bind the PSC in its review of utility resource plans in conjunction with a rate case or for the purposes of setting rates.

DEREGULATION AND RESOURCE PLANNING

MPC filed its final, complete integrated least-cost resource plan on June 28, 1995. The commission received comments from interested parties in writing and orally at public hearings. The commission also employed a consultant to review MPC's plan and to report to the commission whether the plan was consistent. The two most commonly recurring comments were that MPC did not model demand-side resources on an equivalent and comparative basis with competing supply-side resources, and that MPC's significant reduction in planned demand-side resource expenditures and acquisition was unjustified from social, utility, and competitive perspectives. The PSC determined the plan to be adequate but noted a number of deficiencies. One finding read: "To the extent MPC determines that the benefits of further integration of transmission and distribution are not cost justified, MPC should document this determination in its 1997 plan."[17] The company also discussed an alternative planning process for 1997 that would allow MPC to implement its 1995 plan amid the restructuring that was occurring in the national electric industry.

On February 4, 1996, MPC filed a motion with the PSC to waive the requirement for filing an integrated least-cost resource plan. In its motion, MPC stated that in lieu of a comprehensive resource plan it would file a status report by March 15, 1997. It did so, and in April 1997, the commission issued a notice of filing and opportunity to comment on the status report. No comments were received.

In January 1997, MPC and a number of Montana's large customers brought forward a legislative proposal to deregulate retail electricity supply in Montana. By May 1997, the Montana Legislature passed and approved Senate Bill 390. In passing Senate Bill 390 (Chapter 505, Laws of 1997), the 1997 Legislature noted that competitive markets exist, that Montana customers should have the freedom to choose their electricity supplier, that Montana consumers should be protected, and that the financial integrity of Montana utilities should be maintained.[18]

Integrated resource planning in Montana took a backseat to the larger policy issue of deregulation. In September 1997, MDU filed its plan with the PSC. "In these times of rapidly changing conditions in the economy and the

[17] Docket No. 95.6.30, Order No. 5884, Montana Public Service Commission, December 26, 1995.
[18] For text of testimony in support and in opposition, see the committee minutes of Senate Bill 390 during the 1997 legislative session.

electric utility industry, especially with the deregulation and restructuring of the industry, it is imperative that Montana-Dakota have flexibility and risk minimization as an integral part of resource planning."[19]

In 2001, the California energy crisis began to unfold, with wholesale energy prices in California increasing by 270 percent from the previous year.[20] Suspicion that Enron and other power marketers and suppliers were gaming the California system to maintain high electricity prices also began to surface. The power crisis spilled over into other states as California scrambled to secure out-of-state power. Wholesale energy prices in the Pacific Northwest, including in Montana, rose to unprecedented levels.[21]

The 2003 Legislature continued to address the evolution of deregulation in Montana. It passed House Bill 509 addressing default supply planning, establishing an Energy and Telecommunications Interim Committee, and requiring a cost recovery mechanism. In addition, it passed Senate Bill 247 allowing for preapproval of default supply resources.

DEREGULATION AND RESOURCE PLANNING

The Montana PSC in July 2002 initiated a roundtable process with a multitude of stakeholders to develop guidelines for default supply resource planning and procurement in Montana. A goal, among several others, was to establish an integrated resource planning process for default suppliers. NorthWestern, the default supplier, and other stakeholders participated. NorthWestern advocated for clear procurement process rules that would decrease the uncertainty that default suppliers were facing. On the subject of Montana's integrated resource planning, NorthWestern Energy wrote: "The original (integrated resource plan) had several objectives. One was to encourage utilities to use competitive solicitation in the acquisition of new resources (both supply-and-demand-side resources), rather than continuing their reliance on company owned generation resources; a second was to require explicit consideration of external effects in resource acquisitions; a third was to give the public a larger voice in resource acquisition efforts, and a fourth was to develop long-term plans for resource acquisitions that could be understood by the Commission and public at large. The movement to choice has decreased both the scope of and need for [integrated resource planning]. The need for these guidelines in the utility resource planning process has decreased greatly due to the passage of SB 390 and the subsequent movement to customer choice."[22]

The PSC and stakeholders developed a proposal that was later introduced in the 2003 Montana Legislature as House Bill 509. The legislation, among many things, allowed the PSC to adopt rules governing resource planning and procurement. It did not, however, allow for preapproval of supply contracts.

In 2003, Senator John Cobb (R-Augusta) introduced Senate Bill 247 directing the PSC to preapprove procurement of electricity by a default supplier that first developed a plan. The bill was similar to a California statutory model for preapproval of electricity supply contracts. The bill required the default supplier to submit a procurement plan

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[19] Montana-Dakota Utilities Co., 1997 Integrated Resource Plan, Submitted to the Montana Public Service Commission, September 15, 1997, p. 1-2.
[20] Congress of the United States, Congressional Budget Office, "Causes and Lessons of the California Electricity Crisis" (Washington, DC, September 2001), p. viii.
[21] Jeff Martin and Todd Everts, "The Electrical Utility Industry Restructuring Transition Advisory Committee," report to the Governor and 58th Legislature (December 2002).
[22] D2002.7.93, NorthWestern Energy's comments to PSC regarding default electric supply service.

in compliance with objectives set by the PSC. If the objectives were met, and barring some exceptions, the PSC would then grant preapproval for the electricity supply contracts.

As outlined in the bill, by December 31, 2003, the PSC would adopt rules to guide default supply resource acquisition. House Bill 509 established a "default supplier" to be a distribution services provider of a utility that had restructured in accordance with Title 69, chapter 8.

NorthWestern Energy testified before the Senate Energy and Telecommunications Committee on January 30, 2003, that preapproval was essential to ensuring the financial integrity of the company acting as the default supplier and was important to customers because it allowed for securing long-term contracts at lower prices. The concept of a planning process in SB 247 became less important than debate about preapproval. Originally, preapproval allowed a default supplier to apply to the commission for advance approval of a power supply purchase agreement. The PSC was also prohibited from subsequently disallowing the recovery of costs incurred under an approved preapproval agreement based on contrary findings.

Bob Rowe, chairman of the PSC at the time, was a leading opponent to the proposal. Rowe supported the intent of the legislation to give the default supplier authority, direction, and the appropriate regulatory environment to enter into long-term contracts. He advocated for the existing authority of the PSC to evaluate purchase agreements and the processes outlined in HB 509. The Consumer Counsel also opposed preapproval, raising concerns that it shifted the risk to small consumers, removed incentives for cost control, removed flexibility, changed the PSC's role from regulator to manager, and was unnecessary and duplicative of HB 509. Questions were raised in 2003, and continue to be raised today, about whether NorthWestern would truly have an incentive to complete a comprehensive planning process with preapproval and its impact on company risk.

Senate Bill No. 247 was approved by the House 84-16 and by the Senate 44-5. The legislation outlined both an electricity supply resource procurement planning process and preapproval.

On January 29, 2004, NorthWestern Energy filed its first default electricity supply resource procurement plan. The PSC invited public comment on the proposal and hosted workshops. Multiple entities commented, ranging from Rocky Mountain Power to the Montana Environmental Information Center. The PSC raised concerns about the plan's failure to reflect a long-term resource planning analysis and failure to optimize specific types and quantities of resources within the portfolio or timing of resource procurements before July 2007.[23]

In 2007, when the Montana Legislature passed and approved House Bill 25, Montana's experiment with deregulation ended. With changes made by the 2007 Legislature, NorthWestern Energy began pursuing its own generation assets, using the guidelines put into place in HB 25 and directing the PSC on the steps to be followed in reviewing and potentially approving NorthWestern Energy's electricity supply resources. To ease concerns about financing new power plants, NorthWestern began to utilize preapproval for certain, significant generating projects it hoped to build or acquire. Preapproval was to provide some level of cost recovery assurance prior to constructing or acquiring generation assets.

[23] Docket No. N2004-1.15, NorthWestern Energy's Default Electricity Supply Resource Procurement Plan, August 17, 2004.

MONTANA PLANNING AND PROCUREMENT GUIDELINES

The result was Montana's electricity supply resource planning and procurement requirements at the time outlined in 69-8-419 and 69-8-420, MCA. The policy was recently repealed in 2019 by HB 597 sponsored by the Rep. Dan Zolnikov of Billings. As a public utility regulated under chapter 8, NorthWestern Energy was required to plan for future electricity supply resource needs and to procure new resources when needed.

Similar to integrated resource planning law, the electricity supply resource planning law granted the PSC broad rulemaking authority to guide the planning process. The PSC is required to review the plan, provide the public with an opportunity to comment, and issue written comments on the plan within nine months of receiving it. Changes by the 2017 Legislature now also require the commission to host two public meetings to allow for comment on the plan.

HOUSE BILL 597 (2019)

In 2019, the Legislature passed House Bill 597 sponsored by Rep. Dan Zolnikov of Billings. For the purposes of integrated resource planning the bill combined the existing separate policies for the states two utilities under the existing Integrated Least-Cost Resource Planning and Acquisition Act in 69-3-1204 MCA.

The bill amended the existing language to:

- require a 3-year planning cycle;
- set more detailed standards for the evaluation of electric demand, reserve margins, contingency plans, the need for additional resources, and competitive solicitation processes among others;
- and set concrete requirements for the PSC's role in reviewing and approving the plan.

The commission adopted rules to implement the changes early in 2023.

The following is the existing statute prescribing resource planning in Montana:

69-3-1204. Integrated least-cost plan. (1) (a) The commission shall adopt rules requiring a public utility to prepare and file a plan every 3 years for meeting the requirements of its customers in the most cost-effective manner consistent with the public utility's obligation to serve and in accordance with this part.

(b) The rules must prescribe the content and the time for filing a plan.

(2) (a) A plan must contain but is not limited to:

(i) an evaluation of the full range of cost-effective means for the public utility to meet the service requirements of its Montana customers, including conservation or similar improvements in the efficiency by which services are used and including demand-side management programs in accordance with **69-3-1209**;

(ii) an annual electric demand and energy forecast developed pursuant to commission rules that includes energy and demand forecasts for each year within the planning period and historical data, as required by commission rule;

(iii) an assessment of planning reserve margins and contingency plans for the acquisition of additional resources developed pursuant to commission rules;

(iv) an assessment of the need for additional resources and the utility's plan for acquiring resources;

(v) the proposed process the utility intends to use to solicit bids for energy and capacity resources to be acquired through a competitive solicitation process in accordance with **69-3-1207**; and

(vi) descriptions of at least two alternate scenarios that can be used to represent the costs and benefits from increasing amounts of renewable energy resources and demand-side management programs, based on rules developed by the commission.

(b) The utility shall fully explain, justify, and document the data, assumptions, methodologies, models, determinants, and any other inputs on which it relied to develop information required in subsection (2)(a).

(3) (a) The commission may adopt rules providing guidelines to be used in preparing a plan and identifying the criteria to be used in determining cost-effectiveness.

(b) The criteria may include externalities associated with the acquisition of a resource by a public utility.

(c) The rules must establish the minimum filing requirements for acceptance of a plan by the commission for further review. If a plan does not meet the minimum filing requirements, it must be returned to the public utility with a list of deficiencies. A corrected plan must be submitted within the time established by the commission.

(4) A plan filed with the commission by a utility, as defined in **75-20-104**, must be provided to the department of environmental quality and the consumer counsel.

(5) The commission shall:

(a) review the plan;

(b) publish a copy of the plan;

(c) allow for a minimum of 60 days for the public to comment on the plan; and

(d) provide public meetings in accordance with **69-3-1205**.

(6) (a) The commission may identify deficiencies in the plan, including:

(i) any concerns of the commission regarding the public utility's compliance with commission rules; and

(ii) ways to remedy the concerns.

(b) The commission may engage independent engineering, financial, and management consultants or advisory services to evaluate a public utility's plan. The consultants must have demonstrated knowledge and experience with resource procurement and resource portfolio management, modeling, risk management, and engineering practices. The commission shall charge a fee to the public utility to pay for the costs of consultants or advisory services. These costs are recoverable in rates.