



Montana Legislative Services Division
Legislative Environmental Policy Office

December 23, 2015

TO: Environmental Quality Council and Energy and Telecommunications Interim Committee
FR: Legislative Environmental Policy Staff
RE: Draft Legislation proposed in State of Washington

The Washington State Legislature begins its 2016 session on January 11. Puget Sound Energy (PSE) owns 50% of Colstrip Generating Units 1 and 2 and 25% of Units 3 and 4. It is the largest single owner of the Colstrip facility. The utility intends to introduce legislation in Washington to address its continued use of coal-fired generation from the Colstrip Generating Station, and draft legislation provided by PSE is attached.

PSE is under pressure to reduce its reliance on Colstrip from the Washington state utility commission, the Washington governor, and others who are concerned about the environmental impacts and economic costs of coal-fired generation. In response to the pressure and economic realities in the energy industry, PSE, a Washington state energy utility providing electrical power and natural gas in the Puget Sound region of the Northwest, indicated it is pursuing the attached legislation.

In 2015, the Washington Legislature considered establishing a process for an electrical company to petition the Washington Public Utility and Transportation Commission for a plan to acquire and decommission one or more coal-fired generating units and to secure ratepayer funds for environmental remediation. Because of Colstrip's complicated ownership structure, a single owner of the plant can't simply retire one of the units. The Washington legislation would have enabled PSE to buy Talen Energy's (formerly PPL Montana) share of Units 1 and 2 and retire those units. The legislation did not pass.

The 2016 legislation crafted by PSE, the "Washington State Eligible Coal Unit Risk Mitigation Act", allows PSE to acquire a new interest in Colstrip, which exceed certain greenhouse gas emission performance standards in Washington in order to acquire a greater interest in Colstrip. PSE would essentially be granted the ability to file plans with the Washington Public Utility Commission to buy out Talen Energy's share of Unit 3 (PSE would then own 55% of Unit 3), as long as efforts were simultaneously made to decommission other units - like Units 1 and 2, based on an early draft of the PSE legislation. The draft legislation directs PSE to file a plan in Washington on or before December 31, 2017 to facilitate the mitigation.

Members of the ETIC and the EQC met in Spokane in late October with members of the Washington Legislature. The Oct. 28 meeting was hosted by the Washington Legislature's Senate Energy, Environment and Telecommunications Committee, led by Sen. Doug Ericksen, R-Ferndale. The ETIC in September selected Sens. Ankney and Cliff Larsen to attend the meeting, and the Environmental Quality Council selected Sens. Keane and Rick Ripley to participate. Representatives of Montana's Public Service Commission and the Montana Governor's Office also participated in the meeting.

Sen. Ericksen, who carried the 2015 bill to close Units 1 and 2, admitted that a dialogue with Montana did not occur prior to the introduction of legislation in 2015. He encouraged Washington and Montana to have a "reasoned and rational discussion" about Colstrip Units 1 and 2. Montana legislators discussed the economic and social impacts closure of Colstrip would have on Montana and Rosebud County. The legislators asked Washington to cooperate with Montana, to consider the impacts to the employees at the facilities and associated mine, and to consider the overall economic impacts to Montana. Sen. Ericksen said he wants to hear from Montana legislators in 2016.

Sen. Ericksen has indicated that a PSE bill may be heard in the Senate committee on Jan. 21. ETIC and EQC members may wish to discuss whether they would like to provide comments to the Washington Legislature on the bill draft proposed and whether the interim committees would like to have representatives testify via conference call or send representatives to Olympia to testify on the legislation.

The draft legislation is anticipated to change in the coming weeks. As updated drafts become available, staff will provide those to the EQC and ETIC.

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