



Energy and Telecommunications Interim Committee

64th Montana Legislature

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September 14, 2015

RE: UE-151500 - Investigation of coal-fired generating unit decommissioning and remediation costs

The Energy and Telecommunications Interim Committee (ETIC) of the Montana Legislature, a bipartisan committee of Senators and Representatives, is providing the Washington Utilities and Transportation Commission (WUTC) with comments on the commission's investigation into Puget Sound Energy's decommissioning and remediation costs for Colstrip Units 1 and 2 in accordance with WUTC Docket UE-151500.

If the WUTC is going to investigate closing a generating facility located in Montana before the end of its useful life, the ETIC insists that the WUTC consult all affected parties -- particularly those parties located in the state where the facility operates. We encourage the state of Washington to further examine the implications of prematurely retiring Colstrip Units 1 and 2 beyond the limited perspective provided to the WUTC so far.

The closure of Colstrip Units 1 and 2 will have significant economic and environmental consequences in Montana. If the state of Washington intends to facilitate the early retirement of these units, we suggest that it is the state of Washington, Washington utilities, and Washington ratepayers that should be held accountable for all associated taxes and decommissioning and remediation costs.

The ETIC requests that the state of Washington work collaboratively with the state of Montana to discuss the true economic value of the Colstrip facilities. The ETIC also extends an invitation to the WUTC, Governor Jay Inslee, and to all members of the Washington Legislature to visit Colstrip, to tour the facility and the adjacent mine, and to meet the people of Colstrip. It seems only appropriate that Washington regulators and politicians directly explain their ongoing efforts to promote the closure of the Colstrip facility to those most impacted.

A 2010 research report completed by the University of Montana found that Colstrip's operations provide about \$104 million in state and local taxes. The report found that more than 700 people are employed at the facility and the associated mine, and that the overall operations support nearly 2,688 jobs in the private sector. Colstrip Units 1 and 2 are responsible for about \$1.2 million annually in personal income taxes for about 290 employees.

The Montana Department of Revenue recently attempted to illustrate the tax revenue currently coming from Colstrip Units 1 and 2. The estimates assume that Colstrip Units 1 and 2 produce

about 14.7% of the total energy produced by all of the Colstrip facility. The Department of Revenue estimates incorporate the property tax, electrical energy license tax, individual income tax, corporate income tax, and coal severance tax attributable to Colstrip Units 1 and 2. The estimated total is about \$14.2 million, as shown in **Table 1**.

When regulators and policymakers discuss closing these facilities, it directly impacts not only county services, but elementary, junior high, and high schools and the multitude of special tax districts that rely on those funds. Decommissioning costs must consider all tax impacts to the state of Montana and to Rosebud County.

Tax Type	Estimated Tax Revenue
Property Tax	\$6,133,989
Electrical Energy License Tax	\$632,000
Individual Income Tax	\$1,200,000
Corporate Income Tax	\$147,000
Coal Severance Tax	\$6,100,000
Total	\$14,212,989

Table 1: Source Montana Department of Revenue

The costs referenced above are determined by looking at a tax bill and doing a few mathematical equations. We are optimistic that the WUTC will go beyond that. The true decommissioning costs at Colstrip must account for the impacts that we simply cannot assign a value. The ETIC implores the state of Washington to consider the human capital -- the Montana families that will be most impacted by premature closure. We are asking the WUTC be expansive in its investigation and to consider the welfare of the community of Colstrip and the 9,300 people who call Rosebud County home. The Colstrip facility and adjacent mine provide good jobs and a good quality of life for most of its residents. Colstrip is a company town, and if one or more of the generating facilities are shuttered, the impacts to the community will be incomprehensible.

At a minimum, decommissioning costs must account for:

- workforce retraining programs;
- career development activities; and
- other opportunities for economic diversification.

There are also other unknown decommissioning and remediation costs to consider, including:

- Ownership of the city of Colstrip's water rights is complex. The water rights at Colstrip and even some infrastructure are jointly owned by the City of Colstrip and the owners of the Colstrip Generating Facility. As decommissioning is explored, it is imperative that the potential costs of ensuring the city of Colstrip acquire and maintain its water supply and water rights be considered.
- The overall remediation costs related to closing Colstrip Units 1 and 2 are, according to the Montana Department of Environmental Quality (MDEQ), largely unknown. It is

important that when considering remediation costs, those considerations extend far beyond shutting Colstrip Units 1 and 2, the costs of demolition and equipment salvage, and reclamation of the plant site.

- Western Energy Company – Rosebud Mine is a 25,000-acre surface mine complex that supplies almost all of its current production to the adjacent Colstrip facility, which was specifically designed to burn Rosebud coal. Mining permits held by Western Energy Company require reclamation plans and cost estimates for all areas disturbed by mining. Western Energy Company has provided surety bonds to the state of Montana to ensure that reclamation will occur. The owners of the Colstrip Generating Facility, including Units 1 and 2, are required to reimburse Western Energy Company for the cost of mine reclamation prior to and including final reclamation when mining ceases. The costs are included in the current costs paid for each ton of coal supplied to the facility. Five bonds are retained as outlined in **Table 2**.

Acreage Bonded Under Strip Mine Permits 2014		
Company	Acreage Permitted	Bond Retained
Western Energy	1,485	\$1,190,812
Western Energy	6,058	\$48,403,696
Western Energy	9,382	\$56,207,281
Western Energy	4,191	\$19,120,740
Western Energy	4,554	\$20,134,194
Total	25,670	\$145,056,723

Table 2: Source MDEQ

- There are ongoing matters regarding wastewater facilities at the Colstrip facilities. MDEQ is engaged in an enforcement action against the operator of Colstrip over groundwater contamination caused by leaking ash ponds at the Colstrip facility. The steps both MDEQ and the operator must take to address these problems are outlined in an Administrative Order on Consent (AOC), which both parties agreed to in 2012. The terms of the AOC are binding on the current owners of the facility and any subsequent purchasers of additional ownership in the facility. The overall remediation costs necessary to address the contamination are unknown but likely will become more apparent as technical reviews and characterization reports required under the AOC are completed. The WUTC should fully examine the AOC and continue to monitor the details and progress of remediation required by the AOC.

The decommissioning and remediation costs, as well as the genuine concerns expressed by the ETIC, are real. The ETIC sincerely hopes that the WUTC and your staff recognize these concerns and make a concerted effort to address them. Thank you for your consideration.

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