Fiscal Note 2017 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	SB0402	**Title:**	Revise laws related to utilities and coal-fired generation
Primary Sponsor:	Ankney, Duane	**Status:**	As Amended

☐Significant Local Gov Impact ✓Needs to be included in HB 2 ☐Technical Concerns

☐Included in the Executive Budget ✓Significant Long-Term Impacts ☐Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
State Special Revenue	$100,000	$0	$0	$0
Revenue:				
General Fund	$0	$0	$0	$0
State Special Revenue	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	$0	$0	$0

Description of fiscal impact: SB 402, as amended, creates a coal county impact fee for an electric company, electricity supplier, or public utility which acquires a coal-fired generation facility or unit with the intention of retiring the facility or unit, or retires a facility or unit without economic necessity. The fee, based on taxable value of the facility intended to be retired, would be paid annually, with 50% of it going to the county in which the facility resides.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. SB 402 creates a coal county impact fee for an electric company, electricity supplier, or public utility (an entity) which acquires a coal-fired generation facility or unit with plans to retire the plant.
2. The fee must be paid annually for the first 20 years after the entity incurs eligible coal-fired generation facility costs. The fee is equal to five times the total taxable value planned to be retired.
3. If an entity retires a coal-fired generation facility or unit but does not incur acquisition costs, the entity is required to pay a coal county impact fee annually for the first 10 years after agreeing to retire the facility. The fee is equal to two times the taxable value of all taxable property planned to be retired annually.

4. The entity that incurs acquisition costs and/or is subject to the fee must provide the public service commission with notice that they plan to retire the plant within 30 days of purchase or the decision to retire the plant. The Department of Revenue shall then determine the amount of the impact fee. The fee remains static for all of the years in which it is due.
5. The department may withhold 1% of the fee as reimbursement for collection and program management.
6. Except for the 1% withheld by the department, the money must be deposited in the general fund.
7. The bill creates a coal county trust account which must be created in any county eligible to receive a coal county impact fee. The money must remain in this account until the coal-fired facility or unit is retired or the number of persons employed at the facility is reduced by more than one-half in the preceding two-year period. The governing body may then use the funds for purposes identified in section 7 of the bill text.
8. In FY 2016 and each succeeding fiscal year, 50% of all money received from the payment of the impact fee must be deposited in the coal county trust account in the county in which the coal-fired facility or unit, retired or planned to be retired, is located.
9. An entity or combination of entities is not subject to the impact fee if the entity retires the coal-fired facility because they are not able to meet state or federal standards without unreasonable investment or capital improvements or if the facility has reached the end of its useful life. In this case, the Public Service Commission shall provide the entity a waiver and provide a copy to the department of revenue. The commission will charge the entity a waiver fee of $500 or less.
10. This bill also adds an exemption for public utilities beginning January 1, 2016 from generating a minimum of 15% of their production in Montana from eligible renewable energy resources. A public utility may request an exemption from this requirement if they are meeting 15% of their retail electricity sales in the state with electricity from any entity that wholly or partially owns or operates a coal-fired generation facility in Montana.
11. As there are no known formal plans for entities to acquire and/or retire coal-fired generation facility in the period covered by this fiscal note, there is no fee revenue estimated in the fiscal impact. See the section on long-term impacts, below, for an estimate on revenue generated from this fee if an entity were to plan to retire a facility under the conditions outlined in this bill.
12. This bill is effective on passage and approval.
13. This bill applies to eligible coal-fired generating facility acquisition costs on or after the effective date.

Department of Commerce

14. Section 15 of the bill revises the priority preferences for applicants seeking funding from the Treasure State Endowment Program (TSEP) in 90-6-710(2), MCA. This bill adds projects that are needed as a result of the retirement of a coal-fired generating facility or unit as defined in section 3 of the bill as the third highest priority. SB 402 has an immediate effective date, but for the purposes of this fiscal note, it is assumed the department would apply the proposed priority preference revisions when reviewing and ranking TSEP funding applications for 2017 legislative approval. There is no fiscal impact to the Department of Commerce.

Public Service Regulation

15. Section 8 of SB 402 requires the PSC to adopt rules by January 1, 2016, that guide the agency's processing of requests of electrical companies, electricity suppliers, public utilities, or combination of entities for waivers of the impact fees mandated by Section 5 of the bill. In order to meet the rule adoption deadline, the PSC assumes it would hire an outside consultant to work with the PSC and stakeholders to develop the rules at an estimated cost of $100,000.

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Fiscal Impact:				
Expenditures:				
Operating Expenses	$100,000	$0	$0	$0
TOTAL Expenditures	$100,000	$0	$0	$0
Funding of Expenditures:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$100,000	$0	$0	$0
TOTAL Funding of Exp.	$100,000	$0	$0	$0
Revenues:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$0	$0	$0	$0
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	($100,000)	$0	$0	$0

Effect on County or Other Local Revenues or Expenditures:

1. See the long-term impacts section, below, for the estimated impact on county revenue if an entity were to plan to retire a facility under the conditions outlined in this bill.

Long-Term Impacts:

1. The following table shows estimates for the annual impact by each of Colstrip's 4 units if they were to be retired by an entity that acquired them with the intention of retirement.

	Estimated Taxable Value	Annual Impact Fee with Acquisition Costs	Department 1%	Coal County Trust Account	General Fund
Colstrip Unit 1	$10,612,438	$53,062,190	$530,622	$26,531,095	$26,000,473
Colstrip Unit 2	$10,612,438	$53,062,190	$530,622	$26,531,095	$26,000,473
Colstrip Unit 3	$25,580,469	$127,902,345	$1,279,023	$63,951,173	$62,672,149
Colstrip Unit 4	$25,580,469	$127,902,345	$1,279,023	$63,951,173	$62,672,149
Total	$72,385,814	$361,929,070	$3,619,291	$180,964,535	$177,345,244

2. The following table shows estimates for the annual impact by each of Colstrip's 4 units if they were to be retired by an entity that did not have acquisition costs while intending to retire the plants, but decided to retire them without economic necessity.

	Estimated Taxable Value	Annual Impact Fee with No Acquisition Costs	Department 1%	Coal County Trust Account	General Fund
Colstrip Unit 1	$10,612,438	$21,224,876	$212,249	$10,612,438	$10,400,189
Colstrip Unit 2	$10,612,438	$21,224,876	$212,249	$10,612,438	$10,400,189
Colstrip Unit 3	$25,580,469	$51,160,938	$511,609	$25,580,469	$25,068,860
Colstrip Unit 4	$25,580,469	$51,160,938	$511,609	$25,580,469	$25,068,860
Total	$72,385,814	$144,771,628	$1,447,716	$72,385,814	$70,938,098

3. Upon a known plan to retire a coal-fired generation facility or unit, this bill would result in $213,500 for changes to the department's computer system for management and collection of the fee.
4. This bill would result in a one-time fee for the creation of a form that would be absorbed by the department.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*