



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

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|---------------|--------|---------------|--|
| Bill # | SB0402 | Title: | Revise laws related to utilities and coal-fired generation |
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|-------------------------|---------------|----------------|------------|
| 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

| | <u>FY 2016 Difference</u> | <u>FY 2017 Difference</u> | <u>FY 2018 Difference</u> | <u>FY 2019 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures: | | | | |
| General Fund | \$6,000 | \$0 | \$0 | \$0 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| Net Impact-General Fund Balance: | <u><u>(\$6,000)</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$0</u></u> |

Description of fiscal impact: SB 402, as amended, creates a coal county impact fee imposed on an electrical company, electricity supplier, or public utility that retires a coal-fired generating unit or units on or before November 30, 2025. The impact fee would be distributed among county impact accounts, a workforce redevelopment training account, and the state general fund.

FISCAL ANALYSIS

Assumptions:

- SB 402, as amended, creates a coal county impact fee, imposed on an electrical company, electricity supplier, or public utility that retires a coal-fired generating unit or units on or before November 30, 2025.
- This bill defines affected coal-fired generating unit or units as those located in Montana where the unit or units have a generating capacity that is greater than or equal to 200 megawatts but not more than 400 megawatts and were placed in service prior to 1980.
- The coal county impact fee is to be paid in the 10 years following the retirement of the generating unit(s).
- In the first 5 years following the retirement of the unit(s), the fee is equal to \$3 million plus 100% of the centrally assessed property taxes paid on the retired unit(s) in the 2014 tax year and 100% of the electrical energy producers license tax paid. The fee does not include transmission or distribution facilities taxes, pollution control equipment taxes, or wholesale energy transaction taxes.

5. In the sixth tax year following the retirement of the unit(s), the fee is equal to 100% of the centrally assessed property taxes paid on the retired unit(s) in tax year 2014 and 100% of the electrical energy producers license tax paid.
6. In the seventh tax year following the retirement of the unit(s), the fee is equal to 80% of the centrally assessed property taxes paid on the retired unit(s) in tax year 2014 and 80% of the electrical energy producers license tax paid.
7. In the eighth tax year following the retirement of the unit(s), the fee is equal to 60% of the centrally assessed property taxes paid on the retired unit(s) in tax year 2014 and 60% of the electrical energy producers license tax paid.
8. In the ninth tax year following the retirement of the unit(s), the fee is equal to 40% of the centrally assessed property taxes paid on the retired unit(s) in tax year 2014 and 40% of the electrical energy producers license tax paid.
9. In the tenth tax year following the retirement of the unit(s), the fee is equal to 20% of the centrally assessed property taxes paid on the retired unit(s) in the tax year 2014 and 20% of the electrical energy producers license tax paid.
10. If an electrical company, electricity supplier, or public utility retires a unit or units prior to or on November 30, 2025 and demonstrates to the department that they are paying an impact fee, they are not required to pay centrally assessed property taxes due in connection with the unit or units that are retired.
11. This bill directs counties where the retired unit(s) were retired are located to create coal county impact accounts. This account receives 25% of the impact fee monies.
12. This bill directs counties where the retired unit(s) were located to create coal county school district accounts. This account receives 25% of the impact fee monies.
13. This bill creates a workforce redevelopment and training special revenue account which would receive 25% of the impact fee monies.
14. This bill directs 25% of the impact fee monies to the general fund.
15. This bill creates a coal-fired generation council and appropriates \$6,000 from the general fund to the legislative service's division for the biennium beginning July 1, 2015 to support the council.
16. 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 retire a facility under the conditions outlined in this bill.
17. This bill is effective on passage and approval.

| | <u>FY 2016 Difference</u> | <u>FY 2017 Difference</u> | <u>FY 2018 Difference</u> | <u>FY 2019 Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Fiscal Impact:</u> | | | | |
| <u>Expenditures:</u> | | | | |
| Appropriation | \$6,000 | \$0 | \$0 | \$0 |
| TOTAL Expenditures | <u>\$6,000</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$6,000 | \$0 | \$0 | \$0 |
| TOTAL Funding of Exp. | <u>\$6,000</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| TOTAL Revenues | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | (\$6,000) | \$0 | \$0 | \$0 |

Effect on County or Other Local Revenues or Expenditures:

1. See the long-term impacts section, below, for the estimated impact fee if an entity were to retire a facility under the conditions outlined in this bill. Counties and school districts would each receive 25% of the impact fee revenue in the county in which the unit(s) were retired.

Long-Term Impacts:

1. The following table shows estimates for the annual impact fee if Colstrip’s units 1 and 2 were retired. The definition of coal-fired generating units, as described in assumption 2, limits the impact of this bill to only 1 and 2 of the Colstrip units. Colstrip units 3 and 4 no longer qualify for the impact fee. The fee would be distributed as outlined in assumptions 11 through 14.

| Year | Estimated Impact Fee |
|--------------|----------------------|
| 1 | 23,150,000 |
| 2 | 23,150,000 |
| 3 | 23,150,000 |
| 4 | 23,150,000 |
| 5 | 23,150,000 |
| 6 | 20,150,000 |
| 7 | 16,120,000 |
| 8 | 12,090,000 |
| 9 | 8,060,000 |
| 10 | 4,030,000 |
| Total | 176,200,000 |

2. This bill states that if an electrical company, electricity supplier, or public utility retires a coal-fired generating unit or units prior to or on November 30, 2025, and demonstrates to the department that they are paying the annual impact fee, they are not required to pay centrally assessed property taxes due in connection with the coal-fired generation unit or units that are retired. In 2014, for Colstrip units 1 and 2, this amount is estimated to be \$19,285,000.
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