



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2019 Biennium

|               |        |               |   |
|---------------|--------|---------------|---|
| <b>Bill #</b> | SB0338 | <b>Title:</b> | Revise laws related to closure of certain coal-fired generation |
|---------------|--------|---------------|---|

|                         |               |                |               |
|-------------------------|---------------|----------------|---------------|
| <b>Primary Sponsor:</b> | Ankney, Duane | <b>Status:</b> | As Introduced |
|-------------------------|---------------|----------------|---------------|

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

|   | <u>FY 2018</u><br><u>Difference</u> | <u>FY 2019</u><br><u>Difference</u> | <u>FY 2020</u><br><u>Difference</u> | <u>FY 2021</u><br><u>Difference</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Expenditures:</b>                    |                                     |                                     |                                     |                                     |
| General Fund                            | \$151,940                           | \$0                                 | \$0                                 | \$0                                 |
| State Special Revenue                   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| <b>Revenue:</b>                         |                                     |                                     |                                     |                                     |
| General Fund                            | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| State Special Revenue                   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| <b>Net Impact-General Fund Balance:</b> | <u><u>(\$151,940)</u></u>           | <u><u>\$0</u></u>                   | <u><u>\$0</u></u>                   | <u><u>\$0</u></u>                   |

**Description of fiscal impact:** SB 338 requires the Department of Environmental Quality (DEQ) to develop and implement a retirement planning and grant program for coal-fired electric generating units. DEQ does not currently have a program that meets the requirements of this bill; therefore, additional resources will be required to develop and administer these programs.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Environmental Quality (DEQ)**

- SB 338 provisions constitute a new program development area. DEQ estimates it would need an additional 1.50 FTE to develop the retirement planning and grant program by the required date of July 1, 2018.
- The additional 1.50 FTE would be used in FY 2018 and would include: 0.25 FTE lawyer, 0.25 FTE paralegal, 0.75 FTE Environmental Specialist, and 0.25 FTE Environmental Engineer.
- This would result in \$113,784 in personal expenses and \$38,156 in total operating expenses in FY 2018. DEQ would need general fund to cover these costs since rule writing will be required before fees can be collected.
- SB 338 only applies to coal-fired units with generating capacity greater than or equal to 200 MW. Only Colstrip Units 1-4 are larger than 200 MW in Montana.

5. DEQ assumes that Colstrip Units 1 and 2 will close in 2022, on or before July 1 of that year. Therefore, DEQ assumes that it would not be reviewing a retirement plan or administering a grant program within the next two biennia.
6. DEQ would need to develop this program regardless of whether a company entered into a transition agreement with the governor and attorney general.
7. DEQ will need to rely on the expertise from other agencies to implement this bill effectively. Those agencies likely include, but are not limited to, the Departments of Commerce, Revenue, Labor and Industry, the Public Service Commission, the Coal Board, the Bond Council, the Governor’s Office, the Attorney General’s Office, and tribal governments. Fiscal impact to these agencies, boards and councils will be minimal.

**Secretary of State**

8. This bill will have minimal cost for postage and administrative duties related to tribal notifications in section 14 of this bill. The office of the Secretary of State does not receive general fund monies for office operations, but has agreed to assume the fiscal responsibility for this bill.

|   | <u><b>FY 2018</b></u><br><u><b>Difference</b></u> | <u><b>FY 2019</b></u><br><u><b>Difference</b></u> | <u><b>FY 2020</b></u><br><u><b>Difference</b></u> | <u><b>FY 2021</b></u><br><u><b>Difference</b></u> |
|---|---|---|---|---|
| <b><u>Fiscal Impact:</u></b>  |   |   |   |   |
| <b>FTE</b>  | 1.50  | 0.00  | 0.00  | 0.00  |
| <b><u>Expenditures:</u></b>   |   |   |   |   |
| Personal Services   | \$113,784   | \$0   | \$0   | \$0   |
| Operating Expenses  | \$38,156  | \$0   | \$0   | \$0   |
| <b>TOTAL Expenditures</b>   | <u>\$151,940</u>                                  | <u>\$0</u>  | <u>\$0</u>  | <u>\$0</u>  |
| <b><u>Funding of Expenditures:</u></b>  |   |   |   |   |
| General Fund (01)   | \$151,940   | \$0   | \$0   | \$0   |
| State Special Revenue (02)  | \$0   | \$0   | \$0   | \$0   |
| <b>TOTAL Funding of Exp.</b>  | <u>\$151,940</u>                                  | <u>\$0</u>  | <u>\$0</u>  | <u>\$0</u>  |
| <b><u>Revenues:</u></b>   |   |   |   |   |
| General Fund (01)   | \$0   | \$0   | \$0   | \$0   |
| State Special Revenue (02)  | \$0   | \$0   | \$0   | \$0   |
| <b>TOTAL Revenues</b>   | <u>\$0</u>  | <u>\$0</u>  | <u>\$0</u>  | <u>\$0</u>  |
| <b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b> |   |   |   |   |
| General Fund (01)   | (\$151,940)                                       | \$0   | \$0   | \$0   |
| State Special Revenue (02)  | \$0   | \$0   | \$0   | \$0   |

**Effect on County or Other Local Revenues or Expenditures:**

1. SB 338 would provide procedures to mitigate costs and losses that the state and a local government entity would experience upon the retirement of a coal-fired generating unit. The owners of a coal-fired generating unit that is planned for retirement would be required to submit a retirement plan, including decommissioning requirements, to the Department of Environmental Quality. Decommissioning requirements would need to address the loss of value of residential and commercial property, a local government’s outstanding bond liability, workforce transition costs, and cost shifts attributable to the retirement of the unit, including changes in the state’s and local government’s revenue. The payment by the owners of units for these decommissioning requirements would be deposited into two retirement planning and grant program accounts. Additional funding to these accounts would include any penalties and administrative costs assessed. Funds from these accounts would be disbursed to eligible entities by the department to fund decommissioning requirements. The provisions of this bill would have a significant fiscal impact on the City of Colstrip, Rosebud County, and the related school districts and special districts that would be affected by the retirement of Colstrip coal-fired generating units. There is not enough information to determine the dollar amount of the fiscal impact.

**Long-Term Impacts:**

1. Long-term DEQ fiscal impacts will not be incurred until a unit is retired. At that time DEQ will need an additional 1.00 FTE to administer the grant program. DEQ may need additional resources to properly review retirement plans.

**Technical Notes:**

1. Both subsections 10(4) and 11(1) refer to subsection 10(5). There is no subsection 10(5).

|                           |             |                                   |             |
|---------------------------|-------------|-----------------------------------|-------------|
| <i>Sponsor’s Initials</i> | <i>Date</i> | <i>Budget Director’s Initials</i> | <i>Date</i> |
|---------------------------|-------------|-----------------------------------|-------------|