

SENATE BILL NO. 331

INTRODUCED BY T. RICHMOND, D. ANKNEY

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING ELECTRIC UTILITY COST RECOVERY FOR CERTAIN
5 COAL-FIRED GENERATING UNITS AND TRANSMISSION; ESTABLISHING THE MONTANA ENERGY
6 SECURITY ACT OF 2019; REQUIRING THE PUBLIC SERVICE COMMISSION TO INCLUDE CERTAIN
7 RETURNS AND COSTS IN UTILITY RATES; ALLOWING FOR UTILITY COST RECOVERY FOR CERTAIN
8 ACQUISITIONS; ALLOWING FOR AN INCREASED INTEREST, BASED ON A TRANSFER, IN CERTAIN
9 COAL-FIRED GENERATING UNITS; PROVIDING EXCEPTIONS; ESTABLISHING CONDITIONS FOR A
10 TRANSFER; REQUIRING INFORMATION TO BE FILED WITH THE DEPARTMENT OF ENVIRONMENTAL
11 QUALITY; ESTABLISHING A FEE; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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13 WHEREAS, the Colstrip generating complex consists of four different generating units, with six joint
14 owners, each holding different ownership shares of the various units; and

15 WHEREAS, four of the joint owners are public utilities with significant service territories in the state of
16 Oregon and Washington and no significant service territory in Montana; and

17 WHEREAS, one of the joint owners is a merchant generator with no service territory; and

18 WHEREAS, Colstrip Units 1 and 2 are currently scheduled to be closed by July 1, 2022, under a
19 settlement agreement signed by its joint owners; and

20 WHEREAS, there is a difference of opinion between the states of Washington, Oregon, and Montana as
21 to the desirability of maintaining the operations of the Colstrip units, and the closure of the Colstrip units
22 disproportionately affects Montana; and

23 WHEREAS, baseload coal-fired electrical generating resources are important to Montana and Montana
24 customers; and

25 WHEREAS, the continued operation of Colstrip Unit 4 and the interconnected 500-kilovolt transmission
26 line are in the economic best interests of Montana; and

27 WHEREAS, the importance of continuing the operation of Colstrip Unit 4 and the interconnected
28 500-kilovolt transmission line requires a clear expression of certain electric utility ratemaking principles to be
29 applied to the operation of that unit and the transmission line.

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1 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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3 NEW SECTION. Section 1. Short title. [Sections 1 through 3] may be cited as the "Montana Energy
4 Security Act of 2019".

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6 NEW SECTION. Section 2. Investment -- cost recovery for certain coal-fired generating units and
7 transmission resources -- DEFINITIONS. (1) (A) Except as provided in ~~[section 3(3)]~~ [SECTION 3(3) AND (4)] AND
8 SUBSECTION (1)(C) OF THIS SECTION, if a coal-fired generating unit is retired before the expected life used for
9 depreciation purposes, the electric utility's PRUDENTLY INCURRED undepreciated investment in the coal-fired
10 generating unit, together with any PRUDENTLY INCURRED AND required decommissioning and site remediation costs
11 FOR AN INCREASED OWNERSHIP SHARE OF A COAL-FIRED GENERATING UNIT ACQUIRED ON OR AFTER [THE EFFECTIVE DATE
12 OF THIS ACT], NOT TO EXCEED 150 MEGAWATTS, must be included in rates by the public service commission as a
13 long-term amortization, not to exceed 30 years. RETIREMENT BEFORE THE EXPECTED LIFE USED FOR DEPRECIATION
14 PURPOSES MUST BE APPROVED BY THE PUBLIC SERVICE COMMISSION.

15 (B) RETIREMENT OF A COAL-FIRED GENERATING UNIT BEFORE THE EXPECTED LIFE USED FOR DEPRECIATION
16 PURPOSES MUST BE APPROVED BY THE PUBLIC SERVICE COMMISSION.

17 (C) COST RECOVERY FOR AN UNDEPRECIATED INVESTMENT AND REQUIRED DECOMMISSIONING AND SITE
18 REMEDICATION COSTS ATTRIBUTABLE TO AN ELECTRIC UTILITY'S SHARE IN A COAL-FIRED GENERATING UNIT ACQUIRED
19 BEFORE [THE EFFECTIVE DATE OF THIS ACT] ARE SUBJECT TO PUBLIC SERVICE COMMISSION REVIEW AND APPROVAL.

20 (2) For the purposes of ~~[sections 1 through 3]~~, "coal-fired generating unit" THE FOLLOWING DEFINITIONS
21 APPLY:

22 (A) "COAL-FIRED FOR THE PURPOSES OF [SECTIONS 1 THROUGH 3], "COAL-FIRED GENERATING UNIT" means
23 a unit of a coal-fired generating station located in Montana in which an electric utility that has restructured in
24 accordance with Title 69, chapter 8, holds an ownership interest on or before ~~[the effective date of this act]~~.

25 (B) "Costs" FOR THE PURPOSES OF [SECTION 3], "COSTS" MEANS CAPITAL INVESTMENTS FOR ENVIRONMENTAL,
26 REGULATORY, AND SAFETY COMPLIANCE AND RELIABILITY.

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28 NEW SECTION. Section 3. Acquisition cost-recovery for certain coal-fired generating units AND
29 TRANSMISSION RESOURCES. (1) (a) Except as provided in subsections (1)(b) through (1)(d) AND SUBJECT TO THE
30 CONDITIONS AND LIMITATIONS OF THIS SECTION, the commission shall allow the full recovery of costs incurred by an

1 electric utility in acquiring and owning an increased ownership share of a coal-fired generating unit, not to exceed
 2 150 megawatts ~~and subject to the conditions and limitations of this section, AND THE PRUDENT INVESTMENT IN ANY~~
 3 INTERCONNECTED TRANSMISSION FACILITIES OF 500 KILOVOLTS OR MORE, NOT TO EXCEED BOOK VALUE.

4 (b) Costs incurred by an electric utility in accordance with subsection (1)(a) must be capped at a total
 5 of ~~\$40~~ \$75 million over a consecutive ~~5-year~~ 10-YEAR period following the date of transfer. ~~The date of transfer~~
 6 ~~may not be later than December 31, 2021.~~

7 (c) ~~Operational, maintenance, repair, or improvement costs~~ COSTS that exceed the limitations or time
 8 constraints of subsection (1)(b) are subject to commission review. The commission may review the prudence of
 9 those costs.

10 (d) ~~Operational, maintenance, repair, or improvement costs~~ COSTS do not include decommissioning and
 11 site remediation costs in accordance with [section 2(1)].

12 (2) An acquiring electric utility must be provided the increased ownership share of the coal-fired
 13 generating unit at a nominal transfer price of \$1, regardless of the book value of that ownership share to the
 14 transferring utility.

15 (3) (a) A transferring utility remains liable for its share of the ownership costs and liabilities that existed
 16 by virtue of its ownership on and before the date of transfer, including but not limited to any required
 17 decommissioning or site remediation costs imposed by federal, state, or local government.

18 (b) Prior to an acquisition, the acquiring electric utility shall file information with the department of
 19 environmental quality verifying the continued acceptance of liability by a transferring utility as established in
 20 subsection (3)(a).

21 (c) The information must be accompanied by a \$100 filing fee. The fee is not recoverable in an acquiring
 22 electric utility's rates.

23 (4) COST RECOVERY ESTABLISHED IN [SECTIONS 1 AND 2] IS PROVIDED FOR IF AN ELECTRIC UTILITY ACQUIRES
 24 AN INCREASED OWNERSHIP SHARE OF A COAL-FIRED GENERATING UNIT ON OR BEFORE DECEMBER 31, 2021.

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 26 NEW SECTION. Section 4. Codification instruction. [Sections 1 through 3] are intended to be codified
 27 as an integral part of Title 69, chapter 3, and the provisions of Title 69, chapter 3, apply to [sections 1 through 3].

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 29 NEW SECTION. Section 5. Effective date. [This act] is effective on passage and approval.

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