

SENATE BILL NO. 278

INTRODUCED BY T. RICHMOND

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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING PUBLIC UTILITY COST RECOVERY FOR COAL-FIRED GENERATION AND RELATED TRANSMISSION; REQUIRING THE PUBLIC SERVICE COMMISSION TO INCLUDE CERTAIN RETURNS AND COSTS IN UTILITY RATES; ALLOWING FOR UTILITY COST RECOVERY FOR CERTAIN ACQUISITIONS; ALLOWING FOR AN INCREASED INTEREST, BASED ON A TRANSFER, IN COAL-FIRED GENERATION; ESTABLISHING CONDITIONS FOR A TRANSFER; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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

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

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

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

WHEREAS, the continued operation of Colstrip Units 3 and 4 and the interconnected 500-kilovolt transmission line are in the economic best interests of Montana; and

WHEREAS, the importance of continuing the operations of the Colstrip Unit 4 and the interconnected 500-kilovolt transmission line requires a clear expression of certain utility ratemaking principles to be applied to the operation of those units and the transmission line.

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

**NEW SECTION. Section 1. Investment -- cost-recovery for certain electric generation and transmission resources.** (1) The rates established by the public service commission for electric utility service

1 provided by a utility who is an owner or joint owner of a coal-fired electric generating station located in Montana  
2 must include the full recovery of the owner's investment in the generating station and any interconnected  
3 transmission facilities of 500 kilovolts or more, including a return on and return of the amount invested.

4 (2) If a coal-fired generating station in Montana is retired before the expected life used for depreciation  
5 purposes, the owner's or joint owner's undepreciated investment in the generating station, together with any  
6 required decommissioning and site remediation costs, must be included in rates by the public service commission  
7 as a long-term amortization, not to exceed 30 years.

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9 **NEW SECTION. Section 2. Acquisition cost-recovery for certain electric generation facilities.** (1)

10 The commission shall allow the full recovery of all costs incurred by an electric utility in acquiring and owning an  
11 increased ownership share of a coal-fired generating station in Montana in which the acquiring utility is already  
12 one of the joint owners, subject to the conditions and limitations of this section.

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

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

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20 **NEW SECTION. Section 3. Codification instruction.** [Sections 1 and 2] are intended to be codified  
21 as an integral part of Title 69, chapter 3, and the provisions of Title 69, chapter 3, apply to [sections 1 and 2].

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23 **NEW SECTION. Section 4. Effective date.** [This act] is effective on passage and approval.

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