

WEST VIRGINIA LEGISLATURE

2021 REGULAR SESSION

Introduced

House Bill 2959

FISCAL
NOTE

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[Introduced March 08, 2021; Referred to the
Committee on Energy and Manufacturing]

1 A BILL to amend and reenact §24-2-11 of the Code of West Virginia, 1931, as amended, relating
 2 to coal fired power plants, regarding environmental pollution controls for coal-fired power
 3 plant findings; allowing utilities to file with the commission an application for the expedited
 4 recovery of costs for the installation and operation and maintenance of environmental
 5 pollution control equipment.

Be it enacted by the Legislature of West Virginia:

ARTICLE 2. POWERS AND DUTIES OF PUBLIC SERVICE COMMISSION.

**§24-2-11. Modernization and improvement of coal-fired boilers at electric power plants;
required environmental pollution controls for coal-fired power plants findings;
 expedited process; requirements; rulemaking.**

1 (a) The Legislature hereby finds that:

2 (1) West Virginia is rich in energy resources, which provide many advantages to the state,
 3 its economy and its citizens;

4 (2) West Virginia’s abundant coal reserves have created, and will continue to create, many
 5 benefits to the state and its citizens;

6 (3) West Virginia is experiencing a significant downturn in the coal industry as a result of
 7 increasing environmental regulation and increased competition from natural gas and oil;

8 (4) Stabilization of the coal industry to maintain its accompanying benefits to the state and
 9 its citizens requires West Virginia to be proactive and focus on the modernization and
 10 improvement of coal-fired boilers used by electric utilities in this state to allow the more efficient
 11 use of coal in the generation of electricity with reduced environmental impact;

12 (5) Electric utilities in the state have made considerable investments in equipment at coal
 13 fired plants to comply with numerous environmental regulations;

14 (6) Electric utilities in West Virginia continue to modify and install environmental pollution
 15 controls on power plants to comply with federal and state environmental regulatory requirements
 16 to ensure that those facilities can continue to operate and serve the citizens of the state with

17 reliable and affordable energy and protect the environment, including air, water and land;

18 ~~(5)~~ (7) A comprehensive program of modernizing, upgrading and improving coal-fired
19 boilers and a program of modifying and installing pollution controls and other related equipment
20 at existing West Virginia power plants owned by electric utilities at reasonable cost to ratepayers,
21 will benefit the customers of the electric utilities, the public in West Virginia, the environment and
22 the economy of the state as a whole;

23 ~~(6)~~ (8) A coal-fired boiler modernization and improvement program or an environmental
24 pollution control program which includes modification or installation of pollution control equipment,
25 associated infrastructure, and necessary ancillary equipment, will create jobs, provide for
26 continued and enhanced safety and reliability of aging electrical generation infrastructure, and
27 provide for more economical generation of electricity from coal, all of which will benefit customers
28 located throughout the state; and

29 ~~(7)~~ (9) Efforts to modernize and improve coal-fired boilers and to comply with
30 environmental regulatory mandates at coal-fired power plants owned by electric utilities and used
31 to generate electricity in this state involve the investment of capital and the incurrence of
32 associated incremental costs. Accordingly, in order for the electric utility undertaking those coal-
33 fired boiler modernization and improvement programs or environmental pollution control
34 programs to comply with air, water, land and related requirements to attract the necessary capital,
35 the electric utility should be permitted to recover an ~~the~~ incremental rate of return on incremental
36 increases in net rate base, related income taxes, depreciation and property taxes associated with
37 the coal-fired boiler modernization and improvement programs or environmental pollution control
38 programs commencing with the implementation of a coal fired-boiler modernization program
39 approved by the commission without waiting for a full base rate tariff filing, as more fully described
40 in subsection ~~(f)~~(g) of this section; and

41 (10) Environmental pollution control equipment shall include, but not be limited to, carbon
42 capture, reduction, and/or storage if state or federal reductions of carbon or CO2 emissions is

43 required.

44 (b) Electric utilities may file with the commission an application for a multiyear
45 comprehensive program for modernizing and improving coal-fired boilers at power plants located
46 in this state and owned, in whole or in part, by the electric utility. Subject to commission review
47 and approval, a program may be amended and updated by the electric utility as circumstances
48 warrant. ~~The recovery of costs in support of the program shall be allowed in the manner set forth~~
49 ~~in this section if the proposed program and related rates are found to be just, reasonable, and~~
50 ~~based on prudent investments that are used and useful to the utilities' West Virginia ratepayers~~

51 (c) Electric utilities may file with the commission an application for the expedited recovery
52 of costs for the installation and operation and maintenance of environmental pollution control
53 equipment that will be installed to comply with federal or state environmental requirements. The
54 filing may be a separate filing from a coal-fired boiler modernization and improvement program
55 filing.

56 ~~(e)~~ (d) The application is in lieu of a proceeding pursuant to section eleven of this article
57 and shall contain the following:

58 (1) A description of the coal-fired boiler modernization and improvement program or
59 environmental pollution control program, in such detail as the commission prescribes, which may
60 include costs associated with or incidental to the reduction of emissions or compliance with
61 environmental requirements, the projected cost, and timing of the installation of equipment and
62 facilities that the applicant proposes to replace, construct, modernize and/or improve;

63 (2) The projected net increase in rate base, on an average annual basis, related to the
64 replacement, construction or improvements;

65 (3) The projected starting and completion dates for the modernization and improvement
66 program or environmental pollution control program;

67 (4) The projected cost of debt for the coal-fired boiler modernization and improvement
68 program funding or environmental pollution control program funding and the projected capital

69 structure for coal-fired boiler modernization and improvement program or environmental pollution
70 control program funding;

71 (5) Testimony, exhibits or other evidence that demonstrates the need for the
72 modernization and improvement of coal-fired boilers or environmental pollution control equipment
73 and other related equipment in order to provide and maintain adequate, efficient, safe, reliable
74 and reasonably priced electrical generation;

75 (6) A proposed cost recovery mechanism consistent with this section; and

76 (7) Other information the applicant considers relevant or the commission requires.

77 ~~(d)~~ (e) Upon filing of the application, the applicant shall publish, in the form the commission
78 directs, which form shall include, but not be limited to, the anticipated rates and, if any, rate
79 increase under the proposal, by average percentage and dollar amount for customers within a
80 class of service, as a Class I legal advertisement in compliance with the provisions of §59-3-1 *et*
81 *seq.* of this code, the publication area to be each county in which service is provided by the
82 electrical utility, a notice of the filing of the application and that the commission shall may hold a
83 hearing on the application within 180 days of the notice; unless no substantial opposition to the
84 application is received by the Public Service Commission within one week, 60 days of the
85 publication, of the proposed hearing date in which case the hearing can be waived. ~~and~~ The
86 Commission shall issue a final order within 270 days of the application filing date unless the
87 Commission tolls the running of the 270 days due to failure of the electric utility to timely provide
88 information required by the commission.

89 ~~(e)~~ (f) Upon notice and hearing, if required by the commission, the commission shall
90 approve the coal-fired boiler modernization and improvement program or environmental pollution
91 control program and allow expedited recovery of costs related to the expenditures as provided in
92 subsection (g) of this section if the commission finds that the expenditures and the associated
93 rate requirements are just, reasonable, based on prudent investments, not contrary to the West
94 Virginia public interest, used and useful to the utilities' West Virginia ratepayers, and will allow for

95 the provision and maintenance of adequate, efficient, safe, reliable and reasonably priced
96 electricity generated from coal.

97 (f) (g) Upon commission approval, electric utilities will be authorized to implement the coal-
98 fired boiler modernization and improvement programs or environmental pollution control
99 programs and to recover related incremental capital costs and operation and maintenance costs,
100 net of contributions to recovery of return and depreciation and property tax expenses directly
101 attributable to the coal-fired boiler modernization and improvement program, or environmental
102 pollution control program provided by electric utility's customers, if any, as provided in the
103 following subparagraphs (1), (2) and (3) and net increases or decreases in operation and
104 maintenance expenses as provided in the following subparagraph (4):

105 (1) An allowance for return shall be calculated by applying a rate of return to the average
106 planned net incremental increase to in rate base attributable to the net rate base effect of the
107 coal-fired boiler modernization and improvement program or environmental pollution control
108 program for the coming year, considering the projected amount and timing of expenditures under
109 the coal-fired boiler modernization and improvement program or environmental pollution control
110 program plus any expenditures in previous years of the program. The rate of return shall be
111 determined by utilizing the rate of return on equity authorized by the commission in the electric
112 utility's most recent base rate case proceeding or in the case of a settled rate case a rate of return
113 on equity set forth in or associated with such settlement or, if neither is set forth or associated
114 with such settlement, a rate of return on equity as determined by the commission, and the
115 projected cost of the electric utility's debt during the period of the coal-fired boiler modernization
116 and improvement program or environmental pollution control programs to determine the weighted
117 cost of capital based upon the electric utility's capital structure used in the most recent base rate
118 case proceeding.

119 (2) Income taxes at the corporate statutory income rates applicable to the return allowed
120 on the coal-fired boiler modernization and improvement program or environmental pollution

121 control program shall be calculated for inclusion in rates.

122 (3) Incremental depreciation and property tax expenses directly attributable to the coal-
123 fired boiler modernization and improvement program or environmental pollution control program
124 shall be estimated for the upcoming year.

125 (4) Incremental net increases in operation and maintenance expenses attributable to the
126 coal-fired boiler modernization and improvement program or environmental pollution control
127 program estimated for the upcoming year after consideration of any operation and maintenance
128 expense savings from modified use of existing boiler or environmental control equipment.

129 ~~(4)~~ (5) Following commission approval of its coal-fired boiler modernization and
130 improvement program or environmental pollution control program, an electric utility shall place
131 into effect rates that include an increment, approved by the commission in accordance with
132 subsection (g) above, that recovers the allowance for return, operation and maintenance
133 expenses, related income taxes, depreciation and property tax expenses associated with the
134 electric utility's estimated coal-fired boiler modernization and improvement program investments
135 for the upcoming year, net of contributions to recovery of those incremental costs provided by the
136 electric utility's customers, if any, ("incremental cost recovery increment"). In each year
137 subsequent to the order approving the coal-fired boiler modernization and improvement program
138 or environmental pollution control program and an incremental cost recovery increment, the
139 electric utility shall file a petition with the commission setting forth a new proposed incremental
140 cost recovery increment based on investments and expenses to be made in the subsequent year,
141 plus any under-recovery or minus any over-recovery of actual incremental costs attributable to
142 the coal-fired boiler modernization and improvement program or environmental pollution control
143 program investments, for the preceding year.

144 ~~(g)~~ (h) The electric utility may make any accounting accruals necessary to establish a
145 regulatory asset or liability through which actual incremental costs incurred and costs recovered
146 through the rate mechanism are tracked.

147 ~~(h)~~ (i) Electric utilities may defer incremental operation and maintenance expenditures
148 attributable to regulatory and compliance-related requirements introduced after the electric utility's
149 last rate case proceeding and not included in the electric utility's current base rates. In a future
150 base rate case, the commission shall allow recovery of the deferred costs amortized over a
151 reasonable period of time to be determined by the commission if the commission finds that the
152 costs were reasonable and prudently incurred and were not reflected in rates in prior rate cases.

NOTE: The purpose of this bill is regarding required environmental pollution controls for coal-fired power plants and to allow utilities to file with the commission an application for the expedited recovery of costs for the installation and operation and maintenance of environmental pollution control equipment.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.