

Main Street Montana – Energy and Utilities KIN
Group F – Federal Carbon Rules Issues
Conference Call
December 18, 2014 – 10:00 a.m.
Minutes

PARTICIPANTS: Derek Denniston, NaturEner, Vice-President, Business Development
Senator Alan Olson, Sanjel Field Representative, Roundup
Kathy Hadley, National Center for Appropriate Technology, Butte
Dan Berube, Retired CEO, Montana Power Company, Butte

Tom Kaiserski (Main Street liaison) introduced the conference call participants followed by explaining the mission of today which is to identify the two highest priority energy exporting issues on which to focus. This will then be presented to the full group (possibly in February 2015).

Denniston facilitated the discussion by providing an overview of EPA's 2030 carbon reduction targets which resulted in a number of challenges, questions and ideas expressed as noted below.

Discussion/Ideas:

- Hadley suggested the KIN could look at the 5 scenarios presented in [DEQ's carbon reduction white paper](#) to see if there is a best path going forward. She also noted that Washington State is planning to tax carbon emissions and questioned how that may affect Montana, which exports 50% of power out of state-mainly to the west.
- Berube agreed with analyzing the DEQ white paper options and also felt that the KIN should get feedback from Montana coal plant owners on the proposed EPA carbon reduction targets.
- Olson expressed concerns about whether or not the DEQ's anticipated carbon reductions can be attained given the options presented in the white paper, overall costs, and cost allocation / enforcement issues related to energy efficiency measures that may be implemented to meet carbon reduction targets.

Subject Statements:

- Yes, this group unanimously agreed there is a constructive role for this KIN in responding to EPA carbon reduction targets.
- Prior to identifying the precise role for this KIN, this group would like to:
 - ✓ Poll the plant owners to find out their concerns/thoughts and how this will affect them
 - ✓ Look closely at DEQ's White Paper to see if carbon reductions can be gained – if not, who is responsible and will violations be issued
 - ✓ Have DEQ answer questions concerning their White Paper

It was agreed to conduct another conference call around mid-January 2015 with DEQ representatives as well as coal plant owners to answer questions from this group; Tom agreed to coordinate the conference call. During the mid-January conference call, this KIN group will finalize their recommendations to be presented to the full KIN sometime in February 2015.

The meeting adjourned at 10:53 a.m.

Main Street Montana – Energy and Utilities KIN
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Conference Call
February 3, 2014 – 10:00 a.m.
Minutes

PARTICIPANTS:

- Dan Berube – retired MPC CEO
- Jason Brothen – GM – starting April 1, 2015, Lower Yellowstone Electric Co-op
- Rich Budde – Corval Group (VP Business Development)
- Derek Denniston – NaturEner (Business Development Officer)
- Henry Dykema - Renewable energy business owner
- Kathy Hadley – NCAT CEO
- Brian Lipscomb – Energy Keepers (Kerr Dam) CEO
- Alan Olson – Sanjel (recent State Legislator, Sanjel Field Rep)
- Don Prevost – GM (retiring) Lower Yellowstone Electric Co-op
- Ben Reed – Renewable energy business owner
- Bill Thompson - NorthWestern Energy (environmental engineer)

Tom Kaiserski (Main Street liaison) introduced the conference call participants and explained the purpose of the call came out of the first Group F call in December when the group decided to hold a call with MDEQ in order to ask questions about its whitepaper and the proposed EPA 111 d carbon regulations for existing coal fired power plants. Then Dave Klemp, Bureau Chief, Air Resources Management Bureau, MDEQ provided an overview of DEQ's work on the proposed EPA 111d rules. Dave explained that MDEQ developed its 111 d whitepaper as a hypothetical exercise to get some ideas of potential scenarios that might develop based on the proposed rule. Dave further explained many aspects of what MDEQ has done to understand the proposed EPA 111d rule may change when the final rule is issued. Dave mentioned that MDEQ is developing a work plan to coordinate with stakeholders on how to approach the impending carbon rules; that work plan will be released soon. Dave mentioned he expects EPA to issue the final rule around mid-summer 2015; usually rules such as these are adopted shortly thereafter (within 30 days) with no more comment period although Dave has heard that others have requested EPA provide an additional comment period, but that has not been confirmed by EPA. The EPA is also intending to release a model federal plan that states can consider when adopting its own plan.

Questions / comments:

- Alan Olson lead off with a number of questions for Dave starting with how will energy efficiency programs be factored into compliance measures for the proposed rule and how will violations be handled related to non-compliance. Dave answered that it is uncertain how compliance issues for energy efficiency power savings will be handled / enforced. Dave surmises that where state compliance plans contain and commit to certain dollar values expended in order to achieve pre-determined energy savings that the EPA may consider it a violation if either the funds committed for energy efficiency are not expended or if the actual savings or energy use reductions are not achieved. Dave said that energy efficiency savings would be included in the denominator of the carbon reduction compliance equation used in the rule. MDEQ feels it's important that energy efficiency

remain a component of the compliance options for states meeting the provisions of the 111d rule. Other questions / comments from Olson included:

- As contemplated In Building Block 3 of the proposed EPA rule, how will increasing renewable energy generation in Montana reduce carbon emissions if, as MDEQ's whitepaper contends, there are no reductions in coal usage at Montana power plants? Dave responded that the answer lies in the difference between a rate based vs a mass based standard for emissions and the assumptions a state may have for growth in energy generation (Tom Kaiserski note - for example doubling the amount of energy generation while not increasing CO2 emissions would result in reducing the CO2 emission rate by 50%). The proposed EPA rule provides states the option to convert to a mass based standard; the proposed EPA rule provides a rate based target of 1,771 lbs. CO2/MWh for Montana by 2030.
- The EPA rule did not include existing hydro generation in calculating the state's 2012 baseline emission rate of 2,246 lbs CO2 / MWh – contending this results in an inaccurate assessment of the baseline CO2 emission rate.
- The EPA rule is unrealistic in assuming that a 6% increase in efficiency can be attained at all nine affected coal fired units in Montana.
- Dave Klemp acknowledged that Olson raises some points that EPA will need to consider.
- Kathy Hadley asked Dave if distributed generation, such as roof top solar, will be included when accounting for carbon reductions and he said that it will be factored in.
- Don Prevost noted that if the proposed EPA rule is adopted and results in either the Montana RPS or some other clean energy standard to be applied to electrical co-ops (which at this time are exempted) it is going to have an impact on rates. Dave Klemp clarified that as currently proposed in the draft rule, the EPA would only get involved in a state's plan in the event there is a failure to comply.
- Dan Berube mentioned that the Group F call participants decided during their December call that they wanted to poll Montana coal plant operators on their views about of the proposed 111 d rules. Tom proposed to the group that he would send to the Group F participants copies of 111 d comments that were submitted to EPA from MDU, NorthWestern Energy and PPL Montana and that those could be discussed, along with the results of this phone call, in a subsequent phone call to be held in the next few weeks in advance of the next full KIN meeting scheduled for March 5. No one on the call objected to this approach.
- Tom also mentioned that a subsequent Group F call could also include discussion of other issues that were discussed on their December call, such as the suggestion on the December call for Group F to review the five scenarios presented in MDEQ's 111 d whitepaper and choose one to support. Bill Thompson stated that Group F should take into account / be cautious about choosing to support any of the scenarios developed by MDEQ in its whitepaper as these were not developed in consultation with industry.

It was agreed to conduct another conference call in the next few weeks and prior to the next full KIN meeting scheduled for March 5 in order to finalize the Group F recommendation to the full KIN; Tom agreed to coordinate the conference call.

The meeting adjourned at about 11:30 a.m.

Main Street Montana – Energy and Utilities KIN
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Conference Call
February 17, 2014 – 10:00 a.m.
Minutes

PARTICIPANTS:

- Dan Berube – retired MPC CEO
- Kathy Hadley – NCAT CEO
- Niles Hushka – CEO, KLJ Engineering
- Alan Olson – Sanjel (recent State Legislator, Sanjel Field Rep)
- Ben Reed – Renewable energy business owner, Win Power West
- José Maria Sanchez Seara – CEO , NaturEner
- Note: Henry Dykema - owner Sundance Solar, was unable to participate on the call but provided written comments noted below

Tom Kaiserski (Main Street liaison) introduced the conference call participants and explained the purpose of the call is to discuss the coal plant owner comments (NorthWestern Energy, MDU and PPL Montana) to EPA on the proposed 111d rules, formulate the Group F recommendation to take to the next full KIN meeting on March 5th and to identify who will present the recommendation to the KIN.

The following discussion ensued:

- Berube commented that the coal plant owner comments to EPA about the proposed rules to a large degree expressed major concerns that were similar in content such as grid reliability issues, hydro being left out of the base year calculations, etc.
- Hadley noted too the coal plant owner comments to EPA all expressed a distance between the content of the proposed rule vs. the utilities' response to the rule. She noted this distance was exemplified in similar comments from the utility companies such as EPA lacks the authority to impose the proposed rules and 2012 should not be used as the year on which carbon reductions should be based (for a number of reasons including high hydro conditions in the northwest). For these reasons Hadley indicated that she feels it is important for the KIN to become fully engaged in the stakeholder process - mentioned in the February 3 Group F phone call – a process that is being developed by MDEQ regarding implementation of the proposed 111d rules.
- Reed stated that giving stakeholders a venue in which to discuss this important issue is good and he agreed that the KIN should become engaged in MDEQ stakeholder process being developed.
- Hushka agreed that engaging in the MDEQ stakeholder process was advisable and added that he felt the KIN could make a recommendation that the developing MDEQ stakeholder process should be elevated to a level similar to that of the Governor's Sage Grouse Advisory Counsel in terms of the influence the stakeholder process would have on state policy regarding implementation of the 111d rules.

Following the discussion the call participants agreed to the following recommendation to make to the full KIN:

1. Group F recommends that there is a constructive role for this KIN in responding to EPA carbon reduction targets.
2. Group F further recommends that the KIN should fully engage in the developing MDEQ 111d implementation stakeholder process and the KIN should make a recommendation that the stakeholder process be elevated to a level similar to that of the Governor's Sage Grouse Advisory Counsel in terms of the influence the stakeholder process would have on influencing state policy.

José Maria Sanchez Seara volunteered and there was no objection to him presenting the results of the Group F discussions and its recommendation to the full KIN at its next meeting on March 5th.

The meeting adjourned at about 10:45 a.m.

Written Comments submitted by Henry Dykema:

I just thought I would touch base and let you know that something has come up for me tomorrow and I will be unable to participate in the Group F conference call. I did want to pass along a couple of points regarding the EPA carbon reduction mandate and our role as advisors to the greater KIN. My understanding is that the EPA is asking states to draft a plan to reduce carbon emissions and if they fail the EPA will write it for them. I think it is important that Group F and the greater KIN support the Montana DEQ in their efforts to draft a plan specific to Montana. Also, I would like to make the point that climate change and its financial impacts on Montana will likely dwarf any potential costs associated with the DEQ's draft plan and I support moving in the direction of aggressive carbon reduction for the good of Montana and its industries. Thanks a lot and sorry to miss the call.