

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

2nd Energy and Utilities Key Industry Network (KIN)

Meeting Minutes

March 5, 2015

8:30 a.m. – 1:30 p.m.

Co-Chairs

Niles Hushka, KLJ Engineering
Bob Rowe, Northwestern Energy

KIN Members Present

Carl Borgquist, Absaroka Energy
Jason Brothen, Lower Yellowstone Electric Co-op
Rich Budde, Corval Group
Henry Dykema, Sundance Solar Systems
Kathy Hadley, NCAT

Joe Michelloti, Westmoreland
Alan Olson, Sanjel
Brian Lipscomb, Energy Keepers, Inc.
Ben Reed, Winpower West
Jose Maria Sanchez Seara, NaturEner

(On phone)

Anne Jones, Montana/Dakota Utilities
Chris McCall, Compass Energies

KIN Members Absent

Dan Berube, Northwestern Energy
Corey Goulet, Northwestern Energy
Bob Harris, Western Area Power Administration
Mark Johnson, Flathead Electric

John Kappes, Mountain Water Missoula
Ryan Lance, Conoco Phillips
Ellioit Mainzer, Bonneville Power Administration
Phil Rykhoek, Denbury Resources

Staff/Public

Governor Steve Bullock
Tracy Stone-Manning, Governor's Chief of Staff
Jim Molloy, Senior Policy Advisor, Governor's Office
Tim Baker, Governor's Policy Advisor for Natural Resources
John Rogers, Governor's Chief Economic
Pam Bucy, Commissioner, Dept. of Labor & Industry
Tom Livers, Director, Dept. of Environmental Quality

George Mathieus, Dept. of Environmental Quality,
Mary Craigle, Department of Commerce
Tom Kaiserski, Department of Commerce
Josh Freeman, Enbridge

Janice Wannebo, Montana Department of Commerce
Michaela Wolfinger, Project Specialist, MT Main Street

Bob Rowe, Co-Chair, began the meeting at 8:35 a.m. followed by introductions. Discussion ensued regarding the various working groups:

- Group A-Workforce Issues;
- Group B-Regulatory Issues;
- Group C-Marketing Montana;
- Group D-Access to Capital;
- Group F-Federal Carbon Rules

Workforce and Regulations – Overview from Pam Bucy and Tom Livers

Pam Bucy, Commissioner, Montana Department of Labor and Industry, thanked everyone for their hard work and commitment to serving on the Key Industry Network (KIN) committees. This Administration is working hard to engage the private sector and needs to hear from the Energy KIN to know exactly what the industry needs.

Commissioner Bucy distributed “Montana’s Workforce” handout which provided an overview of Montana’s current workforce showing Montana’s low unemployment rate of 4.2% (December 2014) and 90,000 workers changing jobs every quarter. This job churning helps both employers and workers by forming better job matches and more efficiently using human capital.

Commissioner Bucy discussed the many areas of success and challenges for Montana including: Annual Employment by Ownership and Industry, Montana’s Aging Workforce, Jobs During Recession & Recovery, Montana’s Future Jobs, Higher Education Results, and various programs such as RevUp, American Apprenticeship Initiative, Montana HealthCare, and Montana Career Information System (MCIS).

Commissioner Bucy noted that about 27% of Montana’s workforce is 55 years or older and approaching retirement age. These impending retirements potentially reducing Montana’s labor force by 137,000 workers. The group of young workers entering the labor force (aged 16 to 24) is simply not big enough to accommodate these retirements, with a total population of individuals aged 16 to 24 at only 113,000.

Economic and demographic shifts have fundamentally changed the services that the Department of Labor and Industry (DLI) and other public sector organizations provide to Montanans. DLI has responded to these needs by providing more intensive services to individuals who remain unemployed and helping businesses find workers in a tight job market. Commissioner Bucy stressed that worker retraining needs to occur with the worker on-the-job because every worker will be needed to fill business demand. DLI is also doing more to support worker retraining and employment into new industries to better match the skills needed. DLI has been realigning its services and priorities away from the crisis mode of assisting UI claimants to focusing on workforce development, training programs – and looking for creative ways to speed up and make more cost-effective the worker training process.

Commissioner Bucy said most Montana industries are back to pre-recession level employment and are experiencing job gains. Some industry sectors, like construction, have been slower to recover although recent economic data supports that construction has finally turned a corner and is showing job growth. It will be many years however before the construction industry returns to pre-recession employment levels.

Montana faces the situation where the industries that are hiring workers do not match the available skills in the pool of unemployed workers. DLI is doing more to support worker re-training and employment into new industries. The Department is also doing a lot more work to support businesses in their endeavors to find, train, and hire skilled workers. Uniquely in Montana – we not only face a shortage of appropriately skilled workers – but we are absolutely not going to have enough workers for the jobs we currently have.

Tom Livers discussed the services offered by the Department of Environmental Quality (DEQ) and noted DEQ has been interfacing with Energy KIN members on the EPA carbon reduction targets (111d rules). He mentioned that DEQ's carbon reduction white paper was drafted as a start of the discussion and that the agency is developing a robust public process as the federal carbon rule process unfolds.

Tom noted that DEQ is working to improve regulatory processes to get a better alignment of internal functions. He noted that from KIN meeting minutes he has reviewed that the Major Facility Siting Act is of concern; specifically the 1 to 3 mile wide study corridor.

Tim Baker and Tracy Stone Manning discussed the proposed 111d rules noting that these are very controversial and they stressed that the Governor is committed to developing a comprehensive Montana stakeholder process to assure that state interests are fully engaged and represented in the federal process. Both Tim and Tracy indicated that the Energy KIN will be fully informed as the stakeholder process is developing and have an opportunity to be involved and have input.

Prioritize KIN Action Items

Mary Craige facilitated this portion of the meeting. Below is an outline of the priorities by each group:

Work Group D – Access to Capital

Craig Wilkins reported on the discussion of Group B which dealt with access to capital and presented a slide deck containing a capital attraction strategy. Craig described Montana capital access problems:

- Montana's has difficulty attracting institutional funding – partly due to geographical issues; Montana is isolated from the mainstream of institutional funders and consequently not thought of as a business center.
- Montana is not viewed as business friendly by some institutional funders :
 - Business equipment tax is viewed as onerous – particularly for R&D companies that are not yet producing revenue.
 - Strong union presence / non right-to-work state.
- Montana has only a couple of alternatives to choose from for angel investors and only for relatively small investments.
- Energy is very capital intensive – it needs more state support; Texas and Michigan are states that heavily support energy efforts – not enough state dollars in Montana in place to encourage innovation.

- State needs to do more to market its strengths :
 - More success stories told – answer the question “Why Montana?”
 - Promote:
 - Employee loyalty is excellent
 - Unprecedented access to government
 - Recent work comp changes
 - Blackstone and other efforts to support small business

Wilkin’s recommended the state identify business clusters and create a promotional campaign to market its business strengths and existing clusters outside the state to a variety of investors. Wilkin’s proposal recommends creating a state equity fund, funded in part with state seed money and matched with private capital. He noted that Texas and Massachusetts are among states have created equity funds of this type.

Work Group A - Workforce Issues

Rich Budde reported on workforce issues discussed by group A (see minutes from December 10, 2014 call). Anne Jones from MDU commented on how North Dakota funds interns and is expanding recruitment targets such as Native Americans. MDU has added a recruiter specifically targeting technical positions (lineman). The following items were discussed:

- Challenges with recruitment and retention
- Bringing entry level positions up to speed
- Consistency/training industry wide
- Need to standardize energy job training
- How to partner with educators to get participation in workforce development
- Promote energy careers to Montana students at an earlier age
- Target groups like DECA

The KIN discussed Action Steps summarized below:

1. Workforce Summit in September 2015 (all KINs)
 - Possibly to include discussion panels including KIN members to talk about common workforce issues across KINS and sector specific issues
 - Strategies to increase available workforce – keep them in, keep them here, bring more in
2. Work on career awareness from Pre-school to 16 efforts with Office of Public Instruction (OPK), Montana University System(MUS) and the DLI on career and livable wage discussion. (all KINs)
 - DECA could be a touch point for reaching HS students
3. Need for Internships/Apprenticeships (all KINs)
 - DLI has RevUp grant providing targeted funding for Energy, Manufacturing and Health Care workforce development
 - Support current tax credit proposed this session/ look to future legislation to support development
 - Management training needed
4. Process/platform to coordinate industry efforts (KIN specific)
 - Would provide accessibility to training

Work Group B - Regulatory Issues

Carl Borgquist reported the Group B discussion on the difficulty developers have when multiple jurisdictions are responsible for administering regulations. ,Regulators need to be adequately paid, areas sufficiently staffed, the culture promoted of regulators starting with a premise of ways to say yes to developers. He noted that the PSC is becoming increasingly complex and may need to appoint technical specialists.

Action Steps Summary –

- Review Major Facility Siting Act (Energy KIN specific). Tim Baker will be Governor’s lead for this effort.
- Develop one-stop regulatory processes
- Streamline everywhere we can
- Develop frontend agreement on steps, timing, appeals and how to address upfront potential unknowns
- Create a board of Advisors or a concierge point to assist businesses through the process
KIN should analyze and identify needed regulatory process and legislative changes Partner across industries and potentially with other states in approach with feds (include other KINs-natural resources, manufacturing) - Federal Transmission Siting Task Force and its RAPID tool kit cited as current example of federal / state / local cooperation.

Work Group C - Market Montana

Carl Borgquist reported Group C’s discussion that, for Montana energy production to grow, the state must develop export markets. There is a need to manage the energy export business both regionally and internationally in order to attract capital and monitor /develop access to markets. A model might be an infrastructure authority like those operating in North Dakota and Wyoming. Bob Rowe commented he doesn’t think access to capital for infrastructure is a big issue –based on NorthWestern’s MSTI experience, if the market is there then there is no problem attracting capital. Group C also discussed a need for a state energy policy. Senator Olson noted a bill he carried to create a state infrastructure authority in 2005 did not pass; however, the legislature did adopt a state energy policy in 2011. The group discussed the Northwest Power and Conservation Council forums to identify and track energy markets, – either have the KIN work with these groups of the KIN should be looking carefully at markets identified through the council planning process.

Action Steps Summary –

- Include a regional scan as part of the process to ensure accessibility of Montana’s energy
- Remove / mitigate barriers
- Explore creating a Montana Energy Infrastructure Authority to coordinate needs of energy industry (export, bonding, capital attraction)

- Foster In-state Infrastructure/Innovations
 - Create a platform to coordinate discussion
 - Make sure sustained & predictable for current and prepare for future
 - Foster Innovation / Address market and needs changes
 - Maintain safety
 - Manage risk
 - Forum to craft and sell ideas
 - Board of Advisors/Ambassadors that has power
 - Explore what new markets are dictating/needed innovation (not necessary our regular industries)

Work Group F - Federal Carbon Rules

José Maria Sanchez Seara reported the Group F discussion (3 calls) on the proposed 111d rule:

1. Recommendation that that there is a constructive role for this KIN in responding to EPA carbon reduction targets.
2. The KIN should fully engage in the developing MDEQ 111d implementation stakeholder process
3. The stakeholder process be elevated to a level similar to that of the Governor's Sage Grouse Advisory Council in terms of the influence stakeholders would have on influencing state policy.

Tim Baker and Tracy Stone Manning stopped by the meeting and discussed the proposed 111d rules noting that these are very controversial and they stressed that the Governor is committed to developing a comprehensive Montana stakeholder process to assure that state interests are fully engaged and represented in the federal process. Both Tim and Tracy indicated that the KIN will be fully informed as the stakeholder process is developing and it will have the opportunity to be involved and have input.

Action Steps Summary – Tim Baker

- Formalize a process for input (KIN) into DEQ's EPA Carbon rules review and choice of scenario to support (summer of 2016 minimum deadline)
- Input into sage grouse discussion from this KIN
- Elevate stakeholder process into DEQ processes / partnership to level of Sage Grouse Advisory Council

Governor Steve Bullock stopped by the meeting and acknowledged his appreciation for KIN member's commitment to the Main Street Montana Project. Bullock asked each member to provide their feedback.

The next Energy & Utilities KIN meeting is tentatively scheduled between May 27-29, 2015. The meeting adjourned at 1:35 p.m.