

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

Energy & Utilities KIN Meeting Minutes May 28, 2015

Location: Board of Investment Conference Room – Helena

Prepared by: Janice Wannebo, Mary Craigle

KIN Member Attendees:

| | |
|------------------------|-----------------------------------|
| Bob Rowe, Co-Chair | Chris McCall (phone) |
| Niles Hushka, Co-Chair | Robert McFarlane |
| Dan Berube | Joe Micheletti (phone) |
| Carl Borgquist | Alan Olson |
| Henry Dykema | Ben Reed |
| Bob Harris | Ryan Salsbery (alternate for MDU) |
| Mark Johnson (phone) | Jose Maria Sanchea Seara |
| Brian Lipscomb (phone) | Craig Wilkins |

KIN Liaison Staff:

Tom Kaiserski, Program Manager, Industry Development Program, Dept. of Commerce (DOC)
Mary Craigle, Bureau Chief, Census & Economic Information Center, DOC
Janice Wannebo, Program Assistant, Industry Development Program, DOC

Governor's Office:

Tim Baker, Policy Advisory for Natural Resources, Governor's Office
Jim Molloy, Senior Policy Advisory, Governor's Office
John Rogers, Chief Business Development Officer, Governor's Office of Economic Development (GOED)

Guests:

Meg O'Leary, Director, DOC
Jeff Fox, Policy Advisor, Renewable Northwest
Dave Klemp, Bureau Chief, Air Resources Management, Department of Environmental Quality (DEQ)
Tom Livers, Director, DEQ
Laura Andersen, Bureau Chief, Energy & Pollution Prevention, DEQ
Brian Altman, Transmission Account Executive, Bonneville Power Administration (phone)
Mark Reller, Constituent Account Executive, Bonneville Power Administration
Chris Scolari, Natural Resource Policy Advisory, Western Governors' Association (WGA) (via phone)
Casey Schreiner, State Workforce Investment Board Director, Dept. of Labor & Industry
Jon Chafin, Chairman & CEO, Chafin Energy, LLC

Tom Kaiserski began the meeting at 8:40 a.m. by thanking the KIN members for their time and effort to attend these meetings. Introductions followed. The agenda was changed slightly to accommodate schedules as follows:

Overview of March Meeting, Status Report, Legislative Session Results and Main Street Action Plans

Tim Baker updated the KIN members on the status of energy and utilities legislation from the session as follows:

- SB261 - Sage Grouse Stewardship Act – passed (includes money for proactive development)
- HB156 – tax incentive for pollution control – passed and was signed by the Governor on 5/5/15
- Impact fee related to Colstrip – did not pass
- Federal legislation regarding Colstrip – it started as regulatory treatment requirements but then changed to a study. Governor Bullock and Public Service Commission (PSC) provided comments. There will be continued engagement with stakeholders. Still discussing revenue and expenses.

Craigle outlined the Energy & Utilities KIN Action Items as follows:

- a) Workforce / Career Awareness
- b) Business Development / Promotion {energy export / infrastructure authority and investment }
- c) Transportation Issues
- d) Carbon Reduction Targets (111d)
- e) Facility Siting Act (MFSA) {improving regulatory process}
- f) Access to Capital
- g) KIN Recommendations / Wrap-up
- h) Post December 2015 / 2017 Legislature

Federal 111d Carbon Rule

Baker reported the 111d Carbon Rule is now in the “proposed” rule stage with final rules issued this summer. Patrick Cummins, Consultant from Colorado, will assist with outreach to stakeholders, will allow time to discuss, and then start the process. After the final rule is released in June 2016, Montana must develop a state plan which must meet or exceed the final carbon reduction target calculated by the Environmental Protection Agency (EPA). The EPA issues and writes the federal plan but better for Montana to write our own plan and have the EPA would adopt it. Montana is contemplating three different scenarios – not just one recommendation. Possibly forming a sub-group to narrow down on the specific building blocks and the Energy KIN members will be contacted and engaged in this process. Also anticipating other states involvement and a potential regional plan (in part to cut lease costs).

Carbon Reduction

- Next KIN meeting have a presentation by Patrick Cummins on stakeholder input into 111d process design
- Continue work with Tim Baker on group formation and processes

KIN Action:

- Future involvement of KIN in process (individually or collectively)

Regulatory and Permitting Information Desktop (RAPID) Toolkit

Chris Scolari (via phone & PowerPoint presentation) provided a handout entitled “Regulatory and Permitting Information Desktop (RAPID) Toolkit.” Scolari stated the toolkit provides publicly available wiki-based information (state and federal permits and regulations) about bulk transmission project development (refer to handout for details). This project is being managed by the Western Governors’ Association, in partnership with National Renewable Energy Laboratories, the Department of Energy, Tetra Tech, Inc. and Kearns & West, Inc. Data can be downloaded and printed for free. Scolari continued reviewing the website (<http://en.openei.org/wiki/RAPID>) that outlines bulk transmission, geothermal, solar, and resources available to agencies and developers for permitting renewable energy and bulk transmission projects. Alan Olson indicated Section 106 – Cultural Resource Requirements - would be beneficial for the pipeline siting. Scolari acknowledged, as this website continues to develop, it will probably include pipeline information but currently there are no plans in place yet. Bob Rowe reported on two positive steps as part of the MSTI siting process: NorthWestern funded an academic-quality study of the impact of major transmission lines in the western context; and, funded an independent peer review process to consider corridor alternatives. Bob and NorthWestern followed up with Chris at WGA to provide information for the Toolkit.

Infrastructure Authority

Niles Hushka stated that North Dakota created two authorities back in 2005 1) North Dakota Transmission Authority and 2) North Dakota Pipeline Authority along with the North Dakota Empower Commission. Both authorities have funding for research and projects. The Transmission Authority was given bonding authority for actual infrastructure construction including building transmission lines. The Authority did two things: 1) acting as the liaison between power companies and the Midwest Independent System Operators (MISO) and 2) holder of all records with various committees.

The North Dakota Empower Commission is comprised of 10 members from key industries that are legislatively appointed for 6 years with alternating terms. Hushka indicated the members have a lot of clout. Last session, this commission brought forth sixty-two (62) studies.

Hushka reported that Wyoming’s Infrastructure Authority was created in 2004 by their Legislature with a \$1.6 million biennial budget with a mission to diversify and expand the state’s economy by promoting the value of Wyoming’s energy resources and infrastructure including commission studies, paying overhead costs, and convening conferences. Wyoming’s Authority has \$1 billion in bonding authority for energy infrastructure. The Authority is currently focused on mega energy industry development.

Kaiserski suggested this KIN consider all of the above options as it decide what recommendations to make to the Governor. Borgquist volunteered to write a proposal for Montana to create an Infrastructure Authority. Hushka and Reed agreed to work with Borgquist to draft the proposal. The proposal will be distributed to full KIN members for their review.

Business Development – Energy Exporting

Carl Borgquist reported many of the energy companies in Montana are working with the university system and schools at all levels. The State of Montana and representative company leaders, on a unified front, are working

with Wyoming; however, Montana lacks development funds and buy-in from the state and other stakeholders which is necessary if significant progress is to occur. Bob Rowe added these efforts need to be coordinated, and that development depends on the presence of a market. Some previous development efforts were unsuccessful because of the inability of developers to identify purchasers for their product. Robert McFarlane suggested this KIN recommend 3-4 issues or action items to accelerate inter-state commerce.

Workforce Summit Update

Casey Schreiner is the Co-Chair for the upcoming Workforce Summit scheduled on October 11 & 12, 2015 on the Montana State University (MSU) campus in Bozeman. The agenda will include a KIN panel discussion on workforce issues. In the near future, a template will be created and distributed to help KIN members assess workforce needs. A second survey will be sent to KIN members to gather interests/topics for the summit. KIN members are encouraged to complete the survey.

Schreiner also reported one of the major focuses the State is working on is to align career pathways (through the REV UP grant funding). The Montana University System (MUS) and Department of Labor & Industry (DLI) are working together trying to reduce the “silos” in state government. Dr. Kirk Lacy has been hired as the liaison between MUS and DLI. Schreiner also acknowledged the Health Care Act has a workforce component and DLI will be staffing and resourcing the enactment effort.

Meg O’Leary, Director of the Montana Department of Commerce, acknowledged the Summit is a result of conversations the Administration had throughout the Main Street Montana Program. One priority of the Summit is to get a national speaker on apprenticeship programs. Governor Bullock is planning to attend most of the day depending on his schedule.

Workforce Summit – Topics: industry and career awareness

Date: October 11 & 12, 2015 in Bozeman – Sunday (3:00 – 8:30 p.m.); Monday (8:30 a.m. – 3:00 p.m.)

KIN Actions:

- Template for workforce needs
- Survey on interest/topics
- Profile of KIN success
- Panel participation

Commerce Re-Organization

O’Leary also mentioned the Business Resources Division and the Montana Office of Promotions and Tourism within the Department of Commerce (DOC) are currently undergoing a re-organization also driven by Main Street Montana meeting feedback. The Office of Promotions and Tourism does a fantastic job of marketing Montana to visitors so this merger brings these skills to marketing and attracting businesses. The goal is to stop inward facing departments and change the agency to be more responsive to the businesses and residents of Montana. The Department of Commerce is also ramping up the International Trade Bureau to be more proactive and act as a facilitator to drive innovation.

O’Leary reported last year Governor Bullock traveled on a trade mission to China where coal was discussed. The DOC is currently working on another trade mission to Southeast Asia and this KIN can assist with defining topics, etc. with the focus on creating jobs.

Public Relations – Business Marketing ↔ Energy KIN

- Request for Proposal (RFP) for messaging development
- Re-organization at Department of Commerce
 - Business Development
 - Liaison to address needs: building
 - Relationships
 - Transportation
 - Housing
 - Community Infrastructure
 - Export – Trade Bureau
 - Research
 - Host, convene, trade show assistance

Pacific Northwest Economic Region (PNWER) Summit

The first ever PNWER Summit in Montana will be hosted at Big Sky on July 12-16, 2015. The conference is celebrating its 25th Anniversary. PNWER includes working group sessions that provide opportunities for the public and private sector, from ten jurisdictions in Canada and the USA, the two countries represented. These group sessions allow attendees to discuss shared challenges and innovative solutions to the region’s biggest economic questions.

Moving Forward on Other Priority Issues

Craigle assessed the KIN’s accomplishments / underway to date as follows:

- Workforce – profile of work needs, input into Summit, participation
- Carbon Reduction – success in forming “sage grouse like” group
- Montana Facilities Siting Act (MFSA) review with DEQ
- Infrastructure Authority proposal draft
- Transportation Logistics Group
- Formation of an Access to Capital group
- Business Promotion – DOC
- Energy Business Development – DOC/GOED
- Export Market Expansion – DOC /GOES
- Project Coordination
- Final report and recommendations

Infrastructure, Export, Investment Discussion

- ✓ Explore linkages

- 111d
- MFSA
- Infrastructure funds/Access to capital
- ✓ “Robust pre-conditions” for exporting is goal

KIN Action:

- KIN to consider proposal to create Infrastructure Authority to be drafted by Borgquist, Hushka & Reed

Infrastructure Authority Model - Components

- Bonding
- Commission to advise
- Siting Act
- Other Issues Beyond the Siting Act
- Regional Coordination
- Funding for Studies
- Access to Capital
- Elevates the State (needed)
- Legislative Support (key)

Discuss these components related to KIN interest/involvement.

Decide action/no action item(s) for each

Facilities Siting (MFSA) –Improve regulatory process

Subgroup: Niles Hushka, Alan Olson, Bob Rowe, Jose Maria Sanchea Seara, Dan Berube and Robert McFarlane Kaiserski will arrange for meeting with Department of Environmental Quality (DEQ) representatives to go over the statues/red flags in the coming months.

KIN Action:

- Hold a conference call to discuss next steps

Access to Capital – Governor’s Office

- Group will be formed led by Bill Johnstone (D.A.D.) – cross-kin

KIN Action:

- Provide input and participate
- Investment Tax Credit (TEDD) model
 - DOC will keep KIN members Informed on work
 - Some KIN members may want to provide feedback /participate in Access to Capital working group

Transportation Issues

- Pursue funding for portal / transportation coordination
- Transportation KIN forming (mid-July)
 - Co-Chair, Tom Walsh (Montana Rail Link)

- Co-Chair, Jason Matheny (Davis Transport)

KIN Action:

- Provide input, participate in cross-KIN work
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Goals by December 2015

- Wrap-up KIN work involving state support staff
- Legislative/committee work
- Governor recommendations

Before Next Meeting:

- Working group have calls
- Document – outlining path to be included beyond the MFSA and circulate to KIN members for input
- Workforce Summit surveys
- Individuals submit suggestion recommendations for the Governor

Next Meeting Agenda: KIN members will be polled on availability for meeting in late-Sept. or early-Oct. 2015

- Presentations
- Recommendations
- Post 2015 KIN
- 2017 Legislation

The meeting adjourned at approximately 12:00 pm followed by a catered lunch.