

Energy Transmission and Production Projects	Agency/Program #: 6501-55-G1	
	Division: Energy Promotion and Development	
Program:		
Agency Name:	Department of Commerce	
Agency Contact:		
LFC Contact:	Sesso / Taylor	
LFD Liaison:	Matt Stayner	5830
OBPP Liaison:	Christine Hultin-Brus	54

Program or Project Description:
The division facilitates the promotion, planning, development, economic analysis, and coordination of energy facilities in and impacting Montana.

Fund Name:	Appropriation, Expenditure and Source				Approp & Expenditure numbers are as of April 30, 2010
	2010		2011		
	Approp.	Expended	Approp.	Expended	
General Fund	455,000	324,989	455,000		
State Special					
Federal Funds					
Total:	\$455,000	\$324,989	\$455,000	\$0	

Goal(s):
Increase the number of energy transmission and production projects completed in Montana.

Performance Measures :
Permits granted, Monies expended by private firms, new facilities opened

2011 Biennium Significant Milestones:	Completion Dates	
	Target	Actual
1		
2		
3		
4		
5		
6		

Please see attached report

LFD Narrative:
LFD Assessment: Progress report needed

Data Relevance: The agency has provided detailed information on projects being worked on by the Energy Promotion and Development Division, but this information does not directly indicate how the program is progressing in achieving the stated legislative goal. During the previous workgroup meeting, the agency was asked to work with the LFD staff to create a set of performance measurements that provided a quantifiable indication of progress towards the legislative goal of increasing the number of energy transmission and production projects completed in Montana. The performance indicators that were proposed by the agency contained a number of ambiguous terms to which the LFD staff proposed quantifiable alternatives. These alternatives were ignored by the agency and the data provided in the agency's report is relative only to the agency's proposed, but not yet adopted, performance indicators.

Appropriation Status: The agency has reported both appropriation and expenditure amounts under House Bills 2 and 645. An additional appropriation was established via budget amendment (BA015) in the amount of \$100,000 for a federally funded Wind Powering America (WPA) program through the U.S. Department of Energy that is not included in the report.

Options:
1) Dismiss from further review
2) Review again in October, 2010
3) Request additional information
4) Upgrade or downgrade the rating

Potential questions for the workgroup:

- How does the agency propose that the suggested performance measures provide quantitative indication of legislative goal attainment?
- What is the rate of completion of energy transmission and production projects per year today compared to the time immediately preceding the creation of the EPDD?
- How would the projects described in the agency's report be impacted if the EPDD was not involved?
- What is the total number of net new energy jobs today verses five years ago?
- How does the function of the EPDD differ from the Governor's Office of Economic Development?
- Describe the fulfillment of the Wind Powering America Grant.

Version	Date	Author
	6/2/2010	Stayner

Change Description

Energy Promotion and Development Division
Performance Report
May 2010

The Energy Promotion and Development Division (EPDD) was created in 2007 as a result of the state's commitment to 'clean and green' energy development in Montana. EPDD staff conducts the analysis of complex energy issues, balancing the interests of both private developers with those of the public sector, and prepares and delivers written and oral communications that seek to resolve conflicts and achieve resolutions to problems that can delay or prevent energy development projects. The goal of this work is to create jobs and increase tax base, statewide by facilitating the development of clean and responsible energy production and energy transport infrastructure projects in Montana.

Increases in power generating capacity and construction / permanent jobs that have been created are deemed to provide some measure of performance of the EPDD. Tables 1 and 2 provide information on projects completed in FY 2009 / 2010 including power generation capacity increase, capital investment and construction and permanent jobs actually created.

The EPDD is performing an important economic development function for the state of Montana that is focused on energy. By its nature, economic development entails activities that may not bear fruit until well into the future, especially related to large scale energy development costing billions of dollars.

This report will also provide information on energy assistance to developers provided by the Division as well as estimates of power increases, capital investment and construction / permanent jobs to be created as a result of developing projects. We believe legislators will be well served to obtain information on the potential for energy related economic development that exists as a result of the work of EPDD.

Developing projects are shown in Table 3 which provides projected power generation increases for projects that have a good likelihood of being completed /constructed in FY 2011 along with estimates for power increases, capital investment and construction and permanent jobs to be created. These projects include 5 wind farms and the Mill Creek Station gas fired power plant. The wind farms listed in Table 3 are all in advanced stages of development that now have or are likely to have transmission capacity in FY 2011. The Mill Creek Station is currently under construction and due to be completed in FY 2011.

Table 1 - FY 2009

Project	Capital Investments in Energy Project	Construction Jobs	Permanent Jobs	Power Generation Capacity Increase
Diamond Willow Wind Farm, Baker	\$40 million	50	3	19.5 MW
Glacier I Wind Farm, Shelby	\$215 million	350	10	106.5 MW
Total	\$255 million	400	13	126

Table 2 - FY 2010

Project	Capital Investments in Energy Projects	Construction Jobs	Permanent Jobs	Power Generation Capacity Increase
Glacier II Wind Farm, Shelby	\$220 million	350	10	103.5 MW
Basin Electric Natural Gas Peaking Plant, Culbertson	\$100 million	50	7	91 MW
Basin Electric Waste Heat Recovery Plant, Culbertson	\$10 million	10	1	5.5 MW
Total	\$330 million	410	18	200 MW

Table 3 - FY 2011

Project	Estimated Capital Investments in Energy Projects	Potential Construction Jobs	Permanent Jobs	Power Generation Capacity Increase
Rim Rock Wind Farm, Shelby	\$800 million	530	25	309 MW
NorthWestern Energy Regulating Plant, Anaconda	\$206 million	75	11	150 MW
Beaver Creek Wind Farm, Reed Point	\$225 million	200	10	100 MW
Coyote Wind Farm, Springdale	\$158 million	175	4	79 MW
Martinsdale Wind Farm, Martinsdale	\$114 million	150	6	57 MW
Judith Gap Wind Farm Expansion	\$104 million	150	6	52 MW
Total	\$1.464 billion	1280	62	747 MW

The level of EPDD involvement in the aforementioned projects varies. For example, EPDD participated directly in early meetings related to the siting of the Mill Creek Station, while EPDD's involvement in the Basin Electric projects listed in Table 2 was limited. EPDD has played a crucial role in the development of the Montana Alberta Tie Line, work that indirectly benefits the Rim Rock Wind Farm because it will provide the wind farm needed transmission capacity. We have also worked directly on the Rim Rock Wind Farm; attempting to obtain a US Department of Energy loan guarantee for it. EPDD has also actively been conducting transmission meetings (with good participation by most Montana wind developers) for the past two years which is very important to all future Montana wind farm development. EPDD has worked with individual wind farm developers to obtain power purchase agreements, such as making contact with utilities

that would buy power and establishing a listing on the EPDD website for all western utility RFP's for power acquisition.

**Energy Promotion and Development Division
Performance Report Supplement
May 2010**

Below is a brief fiscal impact analysis of 3 other major projects on which the EPDD is working:

Montana Alberta Tie Line (MATL)

MATL is a 230 kV transmission line with a capacity of 600 MW. The line's capacity is contracted to wind farms and Naturener's 309 MW Rim Rock Wind Farm will be constructed to connect to the transmission line. The MATL project has all permits in hand, financing is in place and construction commencement from the Marias substation north to the Canadian border is scheduled for June / July 2010. It will be the first "merchant" transmission line developed in the Western Interconnection. **MATL is one of EPDD's greatest successes. MATL officials agree that this project came together under EPDD leadership.**

The following table provides estimates of the immense positive economic impact from construction of the MATL line:

MATL	Capital Investment in Montana	Construction Jobs	Permanent Jobs	Annual Property taxes
230 kV	\$110 million	55	10	\$730,000

Potential wind farm development resulting from construction of MATL will provide the following economic benefits:

MATL Associated Wind Farms	Capital Investment in Montana	Construction Jobs	Permanent Jobs	Annual Property taxes
300 – 800 MW	\$675 million - \$1.8 billion	530 -1400	25-80	\$2.3 - \$8.0 million

MOUNTAIN STATES TRANSMISSION INTERTIE (MSTI)

NorthWestern Energy (NWE) proposes to construct, operate and maintain the Mountain States Transmission Intertie (MSTI) 500 kilovolt (kV) transmission line to address the requests for transmission service from customers and to relieve constraints on the high-

voltage transmission system in the region. This project, now in advanced stages of permitting with a draft EIS due to be released in June 2010, would begin at a new substation, which would be constructed in southwestern Montana about five miles south of the town of Townsend. EPDD has worked promoting MSTI to west coast utilities, on siting issues, participated in public meetings and has developed the Montana Transmission for America document of which the MSTI project is an important component.

MSTI Transmission Line	Capital Investment in Montana	Construction Jobs	Permanent Jobs	Annual Property taxes
500 kV	\$600 million	336	42	\$12 - \$37 million

Keystone XL Pipeline

This 36" oil pipeline will cross 281 miles of Montana and is in permitting and could be under construction by 2011. Constraints on pipeline capacity have been the cause of Montana oil producers having to accept deeply discounted payments for their oil, as much as \$25 per barrel. Keystone XL will provide additional market access for oil produced in Montana thus assuring that our producers get maximum value for their product thus encouraging aggressive production goals. The draft EIS for the Keystone XL project was released in April 2010. **EPDD has worked closely with TransCanada on this major project particularly during the permitting / scoping process as well as facilitating meetings to explore the possibility of providing a Montana interconnection to the pipeline.**

Keystone XL Pipeline	Capital Investment in Montana	Construction Jobs	Permanent Jobs	Annual Property taxes
36" Pipeline	\$1 billion	790	10	\$60 million

The EPDD currently has some 66 active projects with which it is working. Current staffing consists of 5 full time positions and a part time administrator.

Highlights from EPDD's most recent activities include:

- Coordination of meetings related to a potential interconnection to the proposed TransCanada Keystone XL oil pipeline.
- Coordination of meetings among Montana transmission developers to publish a Montana transmission scenario document and to develop a proposal to submit to federal transmission entities to fund early stage project development.

- Participation in regional transmission planning meetings with the Western Electricity Coordinating Council, the Western Governors Association and the US Department of Energy.
- Travel to and meetings with Puget Sound Energy and Portland General Electric to discuss ways to expedite the upgrade of the Colstrip 500 kV high voltage transmission line which could result in 500 – 700 MW of additional transmission capacity.
- Coordination of meetings with several Montana wind developers and travel to Portland to attend a BPA rate case workshop related to a proposal to modify the Montana Intertie transmission tariff so as to reduce transmission wheeling costs for Montana wind energy.
- Organized and facilitated a Montana wind developer meeting with south west utilities in San Diego in December in conjunction with the winter meeting of the Western Governors Associations.
- Coordination of meetings related to the proposed Pursol solar manufacturing plant located on the Fort Peck Reservation.

Below is a partial list of other accomplishments of the EPDD:

- Developed the Montana – Saskatchewan Carbon Capture and Storage pilot project, a proposed \$250 million bi-national project that EPDD has been a leader in developing. The division assisted with the preparation of a \$100 million ARRA funding request and has been instrumental in the Big Sky Carbon Sequestration Partnership's preparation of a \$67 million grant application to the US DOE. The Province of Saskatchewan has submitted a \$150 million request to the Canadian federal government.
- Working closely on the Many Stars CTL project, \$7 billion investment, 4,000 construction jobs, and 1000 permanent jobs.
- Formed and facilitating an active Transmission Work Group that is leading transmission/generation development efforts in the state.
- **Wrote and were awarded a \$50,000 grant** in 2008 from the National Governor's Association to support renewable energy development including publication of the Montana Wind Report and Analysis publication.
- **Wrote and were awarded a grant for \$100,000 to the US DOE** in 2009 to carry out wind energy development activities.
- Funded a study of preliminary CO2 pipeline routes
- Funding a study of leading geothermal sites in the state

In the short period the EPDD has been in operation we have established the office as a key player in Montana energy development.