

March 16, 2018

Energy and Telecommunications Interim Committee

Absaroka Energy

In the Energy and Telecommunications Interim Committee's 2017-2018 work plan, the committee dedicated .1 FTE to reviewing the regulatory climate for energy generation. The review is to include a look at opportunities for developing Montana's energy resources and a discussion of regulations surrounding potential developments.

ETIC staff, as directed by the committee, worked with Representative Zolnikov to invite speakers to the March 15-16 meeting. Other energy industry representatives will be invited to future meetings. In consultation with Representative Zolnikov, a series of questions also were developed to be asked of the various energy industry representatives who participate in the committee's study. Absaroka Energy's responses are below.

ABSAROKA ENERGY

Please describe your company and the energy project you are developing or are interested in developing in Montana. Include potential project locations, proposed funding, and potential timelines for development.

Absaroka Energy is a privately funded independent power development company based in Bozeman. We are focused on developing new utility-scale energy storage and transmission projects in Montana and throughout the northwest power markets that will lay the foundation for the next generation of our state's energy economy.

Absaroka has focused its resources and efforts over the past 8 years on the development of the Gordon Butte Pumped Storage Hydro (PSH) Project. This will be a new 400-megawatt (MW) facility located in Meagher County; connecting in to the twin 500-kV Colstrip Transmission System. Gordon Butte PSH will be a large and fast-acting source of energy storage and flexible capacity, able to integrate thousands of MWs of new variable energy generation safely and reliably onto Montana's grid, optimize the existing transmission and generation infrastructure, and provide tools for the transmission grid to maintain stability and resiliency. Absaroka anticipates a commercial on-line date of early 2023 for this project.

In addition to Gordon Butte PSH, Absaroka is currently in the early phases of evaluating sites in Montana, and throughout the northwest and intermountain west regions for future advanced pumped storage hydro developments. We are also in the early stages of developing a new high-voltage 500 kV AC transmission line that would run south from Colstrip interconnecting with new transmission projects currently under development in Wyoming. This line will strengthen the regional transmission system and provide new opportunities for export, particularly in the counties surrounding Colstrip.

Have you reached out to or met with any executive agencies in Montana or elected officials about the project? What was your experience working with entities in Montana?

As a new hydroelectric facility, Absaroka was required to conduct a Federal Energy Regulatory Commission (FERC) led hydropower licensing process for the Gordon Butte Project.

Throughout this 3.5-year process, Absaroka engaged in extensive consultations with federal and state regulatory agencies, from department heads down through all the staff levels. Our experience was universally positive throughout our engagement. From the beginning of our efforts, we were able to establish solid working relationships with agency staff, this allowed us to identify potential issues early on and work toward solutions.

The result of this collaborative approach, by the time that we filed our Final License Application and participate in FERC's NEPA process, almost every issue had been resolved. Absaroka received an Original License for the project, complete with a NEPA Environmental Assessment with a Finding of No Significant Impact 3.5 years after initiating the licensing process. This is one of the fastest, most successful FERC hydropower licensing processes in that agency's history.

Do you have suggestions for how Montana could assist companies in finding out what agencies to work with within Montana state government in the early stages of project development?

In our experience, Absaroka has had good success working with the Department of Environmental Quality's Montana Energy Office and the Montana Department of Commerce's Office of Business Development for guidance on who and how to work within Montana's state government. Our recommendation would be to continue to support the Montana Energy Office in their efforts to coordinate/match energy development companies with state agencies. We would like ETIC to consider elevating this office in scope and allow the development of an independent, non-partisan council that can advise the state's political leadership (including ETIC), the utilities, the markets, current and future wholesale customers, and the Public Service Commission on issues related to the development of Montana's future energy economy, in what will certainly be a complicated and changing future energy landscape. (Note: This was contemplated recently as a kind of energy "Infrastructure Authority" by the Governor's KIN Energy Council).

Have you encountered any regulatory burdens to-date or are you concerned about any existing regulatory requirements in Montana? If so, please describe those regulations and your experiences or concerns.

If you look at state-level regulatory burdens in Montana compared to our neighboring states, it is our view that the Major Facilities Siting Act (MFSA) places our state at a disadvantage. Montana is a very transmission constrained state; outside of the Colstrip Transmission System, we have a very limited ability to export our high-quality energy resources. Absaroka believes that by strengthening our transmission system through utility-scale energy storage, flexible capacity and new transmission infrastructure, we will be able to realize the full potential of Montana's evolving energy economy. We would encourage the Legislature to revisit this decades-old law and update it to better fit the current needs of the state. This could include:

- a. Allow for more flexibility for project developers to discuss right-of-way option agreements with landowners early on in the development process.
- b. Keep the locus of final route selection with the project developers. This would allow project proponents to better fulfill their commitments to the landowners they have consulted/negotiated transmission routes with.
- c. Tighten review periods and allow the developer the opportunity to correct or address errors, before the application is rejected. It is our belief that an open dialogue works best for all parties.

Are there any particular tax incentives, other incentives, or policies in Montana that make it a particularly attractive place to pursue energy development? If so, what are those incentives or policies?

The incentives that make Montana attractive to energy development are twofold; high quality resources and a favorable development environment compared to our customer/market states to the west. Absaroka's project development is privately funded, and we do not rely upon or look to tax incentives to justify the economics of Gordon Butte PSH or our other pipeline of projects.

Are there additional incentives or policies that would make Montana a more attractive place for energy development? If so, please describe those policies or incentives.

This is a complex question that we would be happy to render testimony (and field questions) on at the March ETIC meeting.

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