

May 15-16, 2018

Energy and Telecommunications Interim Committee
Enbridge Inc.



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. 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. Enbridge's responses are below.

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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.

The Montana Alberta Tie Line (MATL) is a 230 kV merchant utility asset running from Great Falls, MT to Lethbridge, Alberta and is a wholly owned subsidiary of Enbridge Inc. MATL was developed to connect energy markets and to carry wind power in Montana, and potentially Alberta, to loads throughout the western continent as the grid allows. The company remains interested in connecting deeper into the grid to expand Montana's wind generation market potential and working with the incumbent to remove capacity constraints. As a merchant asset, all of the MATL's financing was from private capital and project development timelines were purely market driven. In other words, the capital costs associated with MATL have not been a burden to the ratepayers of Montana.

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?

Over the past several years, senior Enbridge/MATL executives and our Montana consultants have met with the Governor's office of Economic Development, Energy Promotion and Development office, Montana DEQ, individual legislators, and local elected officials. We have found receptive audiences at every request and hope to continue an open and productive dialogue with representatives at the various levels of government and regulatory agencies with interest and authority over energy generation and transmission issues in Montana.

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?

Based on our experience, there are ample state resources available to begin discussions in Montana, and the staff assigned to energy issues are knowledgeable of the industry and who/what projects are being contemplated at any given time.

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.

For those with any legislative history extending back to 2011, it will come as no surprise that the MATL project ran into significant barriers during construction due to a surprise court ruling and subsequent need for clarification of Montana's eminent domain statutes. Unfortunately, in

the case of MATL, the majority of the landowner issues stemmed from the manner in which the Major Facilities Siting Act was applied to the project. This could be a topic of exhaustive discussion if the committee wishes.

We have attempted over the years to engage the DEQ in discussions to update MFSA to provide greater clarity and predictability for these significant infrastructure projects, but staff time and political appetite have been lacking to take on this task.

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?

MATL has taken advantage of the “Clean and Green” tax incentive to improve the commercial viability of the asset.

Actively engaging in energy development and policy discussions, MATL has, over the years, participated in the Energy and Utilities Key Industry Network (KIN), the MT DEQ-led Montana Generation and Transmission Working Group, and the Montana Renewable Development Action Plan processes. While these groups have been beneficial in bringing stakeholders together, there may ultimately be additional ways to bring private investment for transmission to the state.

The single largest incentive is the excellent renewable resource. Montana is well positioned to export power to other states and markets in the region if and only if the system is well configured for exports. While historically, power has moved from east to west, in the future power could move out of Montana in all cardinal directions in significant amounts.

Investment partnerships could take many forms, but ultimately seek to solve one of the most intractable problems, the ‘chicken-or-egg’ conundrum, or when to make key investments in the transmission grid. As renewable investment has grown, key constraints on the existing system remain that limit the ability to move power into the state and out of some resource-rich areas. Furthermore, building out the grid could provide a dispatchable ‘capacity-like’ resource or improve resilience following extreme weather events, like drought or severe storms. I would encourage the committee to look at other states and regions that have developed processes to bring transmission investment to resource-rich zones and corridors for grid enhancement like Colorado, Texas, and New York.

Finally, we would like to underscore that as an operating asset, MATL is available to interconnect new generation at low cost and in quick timelines. Moreover, if sufficient interconnection customer demand was demonstrated, MATL would be open to reviewing expansion opportunities supported by a strong commercial justification.

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.

Currently, state policy action is one of the biggest drivers of renewable development. Re-examining the state’s renewable portfolio standard could increase the attractiveness of the state for energy development. In addition, creating a ‘carve-out’ for energy storage could stimulate development in an emerging sector.

Quite simply, a thorough but timely, efficient and predictable regulatory process.