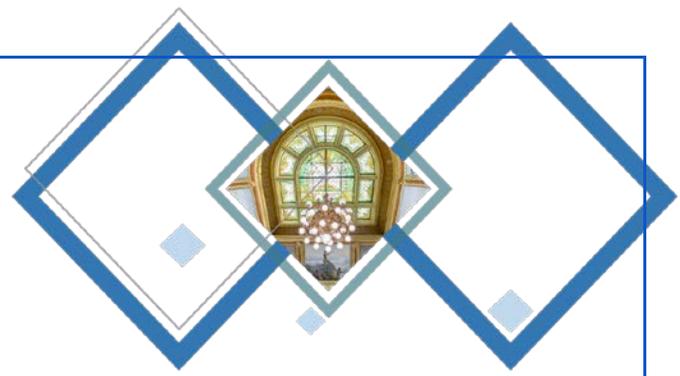


September 15, 2017

Energy and Telecommunications Interim Committee
Sonja Nowakowski



REGULATORY CLIMATE FOR ENERGY GENERATION

OVERVIEW

The State of Montana's energy policy goal statement directly addresses the promotion of Montana's energy resources. The energy policy includes direction to: "promote energy efficiency, conservation, production, and consumption of a reliable and efficient mix of energy sources that represent the least social, environmental, and economic costs and the greatest long-term benefits to Montana citizens." The policy goes on to provide further direction to "enhance existing energy development and create new diversified energy development from all of Montana's abundant energy resources." The policy also addresses specific industries including coal, oil and gas, biomass, wind generation, transmission, and advanced energy technologies.

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.

To begin its work, the ETIC will hear about existing efforts within the Department of Commerce to promote Montana's energy industry. In addition, ETIC staff, as directed by the committee, worked with Representative Zolnikov to invite the Montana Photonics Industry Alliance to the September 29 meeting. Other energy industry representatives will be invited to future meetings. In consultation with Representative Zolnikov, a series of questions were developed to be asked of the various energy industry representatives who participate in the committee's study. The first responses, provided by Larry Johnson, president of the Montana Photonics Industry Alliance, are attached.

EXECUTIVE AND OTHER EFFORTS

The Governor's Office of Economic Development is the lead state government entity in terms of marketing or promoting Montana's energy resources. The office notes on its website that "Montana is an energy powerhouse, with vast resources and incredible production capacity. Development opportunities are either in place or planned for bioenergy, coal, geothermal, hydro-electric, oil, natural gas, and wind - and Montana is rapidly strengthening the transportation infrastructure required to get our reserves to market. Montana is positioned to help strengthen our nation's energy independence and create our bridge to a cleaner, more sustainable energy future. Currently, six of the state's 10 largest generating plants are hydroelectric facilities, and significant opportunities exist in geothermal "hotspots" and biofuel stocks such as camelina and algae."

The office provides a business portal to assist businesses in finding the requirements and tools needed to own and operate a business in Montana. It provides a step-by-step process for businesses looking to plan, start, operate, or expand business. The office also has a network of economic development partners across the state. With offices in counties and cities that represent Montana's diverse demographics, these economic development professionals answer

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specific questions about what their area has to offer - and many of them have programs uniquely tailored to meet specific needs – including energy development opportunities. The Governor's Office of Economic Development has divided the state into 11 Economic Development Regions. Each region has a specific website at: <http://business.mt.gov/partners>. The sites contain regional and local partners, quick facts about the region, and the latest news and events in the region.

Montana's Department of Environmental Quality and Governor's Office of Economic Development also are involved in energy development issues. The Energy and Pollution Prevention Bureau in the DEQ works to "improve energy efficiency in buildings; increase the use of renewable energy; provide analysis of energy trends and issues; prepare for energy emergencies; and to prevent pollution of air, water, and land in order to sustain and improve a clean and healthful environment". There are also numerous other organizations including, but not limited to, the Montana Economic Developers Association and the Alternative Energy Resources Organization (AERO) that work on issues related to the marketing and development of energy resources in Montana.

MONTANA DEPARTMENT OF COMMERCE

The Montana Department of Commerce plays a significant role in the promotion or marketing of Montana's energy resources, although activities specific to energy development have changed over the years. Representatives from the department will review the department's current efforts and focus at the September 29 meeting.

In 2007 an Energy Promotion and Development Division was created by the Montana Legislature. The division was within the Montana Department of Commerce. The division was to work with energy developers and producers in the state and regionally to expedite the growth and development of new "clean and green" energy efforts and the further expansion of existing "clean and green" energy development. The division prepared and delivered written and oral communications intended to resolve conflicts and to achieve resolution to challenges effecting the development of energy projects. The staff worked to balance the interest of private developers and the public sector.

In the 2015 biennium, the Legislature eliminated the Energy Promotion and Development Division and related general fund, including personal services support of \$0.7 million over the biennium for 5 FTE and operating costs of \$0.3 million. The Legislature made a policy decision to instead provide personal services for 2 FTE and related operating costs to the Governor's Office of Economic Development, electing to have a single agency responsible for overseeing public policy related to the development of the energy economy within Montana.

The Department of Commerce includes an Industry Development Program that also conducts research of industry sectors to provide strategic information and analysis to facilitate economic development and foster growth in Montana's top industries – like the energy industry.

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Within the Department of Commerce there also is an Economic Development Advisory Council that is administratively attached to the Department of Commerce. The role of the council is defined by 2-15-1820, MCA. Members of the council are appointed by the Governor, and the council is charged with:

- advising the Department of Commerce concerning the distribution of funds to Certified Regional Development Corporations for business development purposes;
- advising the Department of Commerce regarding the creation, operation, and maintenance of the MicroBusiness Finance Program and the policies and operations affecting the Certified MicroBusiness Development Corporations;
- advising the Governor and Department of Commerce on significant matters concerning economic development in Montana;
- prescribing allowable administrative expenses for which economic development funds may be used by Certified Regional Development Corporations; and
- encouraging Certified Regional Development Corporations to promote economic development on Indian reservations in their regions.