

OFFICE OF THE GOVERNOR
STATE OF MONTANA

STEVE BULLOCK
GOVERNOR



ANGELA McLEAN
LT. GOVERNOR

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Fellow Montanans:

I take great pride in the use of our state's vast energy resources to provide good-paying jobs for Montanans, strengthen our rural communities and support local schools, while safeguarding our quality of life. Montana is an energy producing state, and we export electricity far beyond our borders. We are fortunate to have some of the nation's largest coal reserves, highest rated wind potential and a legacy of hydroelectric power.

Like so many other Montanans, I also expect that we will protect our environment, outdoor heritage, communities and farmers and ranchers. I am very concerned about the impacts of climate change on our state, our economy and our environment. Montanans see the effects on our air and water, agriculture and outdoor heritage. We all worry about the impacts on our kids and their kids.

Climate change is an international issue, and the United States will play an important role in any solution. Recently, the U.S. Environmental Protection Agency (EPA) issued proposed regulations to address air emissions – specifically carbon dioxide – from existing electric power plants. The EPA has concluded that overall, as part of the national effort to address climate change, this country's existing power plants must reduce their carbon dioxide emissions 30 percent by 2030. In Montana, EPA's proposed reduction for our affected power plants is 21 percent by 2030.

There are many opinions about the EPA rules, both for and against. I'm less interested in the rhetorical fights and more interested in knowing what the proposed rules could mean for Montanans if implemented.

The proposed rules focus on clean air, and if the rules become final it will be the responsibility of the Montana Department of Environmental Quality (MDEQ) to prepare a Montana plan to implement those rules within our state's borders.

While the proposed rules set forth basic assumptions about how our state can meet the preliminary target for carbon reduction, they also allow the state significant flexibility in choosing our own path to compliance, and there are many different ways we can choose to reduce our carbon impacts:

- We can make our homes and buildings more efficient, using less electricity and saving money;
- We can find new ways to harness the wind, sun, and water to generate power;
- We can make our use of coal cleaner.

I wanted to know what opportunities existed for Montana under the proposed rules, as well as what the challenges might be. Can we take the proposed rules and craft a Montana solution to make our state stronger? Can we further add to our strong economy with good paying, clean energy jobs? What would be the impacts to our existing coal plants and the associated jobs? What about the possible impacts to our electric rates?

As part of the answer to these questions, I asked MDEQ to look at the proposed rules and develop different scenarios that could shape the contours for a Montana compliance strategy, by focusing on lessening our carbon intensity rate.

Even though the rules are about air quality, and focus on carbon emissions on a state-by-state basis, how they are implemented in other states could directly impact Montanans. For example, our coal producers ship Montana coal to power plants in other states, and some Montana ratepayers pay electricity rates derived from the production of electricity in other states.

While those impacts are beyond the scope of the White Paper prepared by MDEQ, they are of concern to me. Also beyond the White Paper are the relative merits of following a regional path to compliance, working closely with other states to follow what could be a least cost regional effort that could ameliorate some of the impacts to Montana from the actions taken by other states.

I also asked MDEQ to specifically look at carbon sequestration as one of the alternative scenarios. Increasing demand – both domestic and international – ensures that we’ll need both carbon-based and cleaner, renewable sources of energy in the coming decades. Montana is leading the way in much of the clean energy research being done in this country. These emerging technologies being pioneered on our university and college campuses – including low-carbon coal research – will pave the way to a cleaner energy future and the good-paying jobs that come with it. Unfortunately, as a country, we have not prioritized this research enough. I will continue to pressure the President and policy makers in Washington to adequately invest in this crucial research.

What does the MDEQ analyses suggest about a future Montana strategy?

- Our existing coal plants do not need to shut down or curtail operations to meet the requirements of the proposed rules.
- We can add jobs to the economy by expanding our investments in energy efficiency and increasing opportunities for new renewables.
- Montana ratepayers will likely have minimal exposure to higher rates from the expansion of renewables as part of any compliance strategy.
- Improving energy efficiency and conservation should be a big part of the discussion, since Montanans can not only save electricity and money, but also boost the economy.

- Even the partial capture and sequestration of carbon emissions, in this case, 20 percent from Colstrip, could play a very significant role in any compliance strategy.

The power sector is amazingly complex, and we need to be thoughtful in how we go about bringing change to it. Before any Montana plan is prepared, we will need to work together to make sure that we capture the realities of today's power markets, and respond to concerns regarding grid reliability and costs to ratepayers and the economy.

The White Paper is not intended to – nor does it – provide all the answers. This paper is intended to generate meaningful thought and discussion and serve as a starting point for all Montanans to better understand the implications of these rules for our state. Per my request, MDEQ will be hosting several meetings, presenting more information about the proposed rules, and asking for input from Montanans.

These are proposed rules, and EPA is seeking comment from all of us. The dialogue that we have, as Montanans working together toward a common future, will help the state determine how it should address its comments on the pending proposal.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Steve Bullock', with a horizontal line above it.

STEVE BULLOCK
Governor