

DRAFT W2ASACT MEETING NOTES

Meeting on March 13, 2018, 9:30 am to 12 pm

Dept. of Natural Resources & Conservation, 1539 11th Ave, 2nd floor conf. room 225

Members and participants present:

Kari Smith	DEQ/WQD	Mike Abrahamson	DEQ/ENG/WRF
Mark Smith	DEQ/ENG	Julie Flynn	DOC/BOI
Anna Miller	DNRC/FDB	Brad Catron	DNRC/RDB
Lindsay Volpe	DNRC/RDB	Elisa Prescott	Great West Engineering
Denise Cook	DNRC/RDB	Craig Erickson	Great West Engineering
Sonja Hoeglund	DNRC/RDB	Rika Lashley	Morrison-Maierle
Alice Stanley	DNRC/RDB	Rick Duncan	DNRC/RDB/RW
Sonja Nowakoski	LSD	Barbara Burkland	EPA

Via Conf. Phone: Steve Troendle, USDA-RD and John Camden, MRWS. Joined during meeting by Tom Erskine, Interstate Engineering.

DEQ – Montana Department of Environmental Quality
 DRF – Drinking Water State Revolving Loan program
 WRF – Wastewater State Revolving Loan program
 FDB – Financial Development Bureau
 RDB – Resource Development Bureau
 MBOI – Montana Board of Investments
 MAP – Midwest Assistance Program
 MRWS – Montana Rural Water Systems

Call to Order, Sign-in Sheet, Agenda Changes

Chair Anna Miller called the scheduled meeting of the Water, Wastewater and Solid Waste Action Coordinating Team (W2ASACT) to order at 9:35am, on Tuesday, March 13, 2018. The sign-in sheet was routed and the meeting agenda and draft minutes from the December 12 meeting were distributed. Those present and those via telephone briefly introduced themselves. Anna asked if there were any revisions to the minutes from the December 12, 2018. Mike Abrahamson made a motion to accept the minutes and Mark Smith a second and the minutes were approved and adopted.

Guest Speaker:

Sonja Nowakowski – Research Director with the Office of Research and Policy Analysis at the Montana Legislative Services Division

Sonja began with the introduction of her “Coal in Montana” presentation. All present and those on phone had a copy of the handout. (A Power Point version is now on the WASCT website.) Sonja said that there are 6 coal mines in Montana and in 2015, Montana was the 6th largest coal producer in the US at 42 million tons of coal mined. Most of the coal mined

in Montana occurs in the Powder River Basin. Many things have contributed to the decline in coal production in Montana. These include weak economic markets, a decline in coal-fired power generation and stricter air quality regulations.

Sonja's handout lists the coal mines, 3 of which are in Big Horn County. They are Spring Creek Mine, Absaloka Mine and Decker Mine. The other mines are Rosebud Mine in Rosebud County, Signal Peak Mine in Musselshell County and Savage Mine in Richland County. Sonja went over the process of getting the coal from the mine to the generating station and on to the power company.

There are 4 coal-fired power plants in Montana – Colstrip Generating Station, Hardin Generating Station, Lewis and Clark Station and Rosebud Power Plant. Colstrip has been at the center of much controversy. The Colstrip Station is the second-largest coal-fired generating facility west of the Mississippi and it includes four separate coal-fired units, collectively owned by 6 power companies. Puget Sound Energy is the largest owner. The facility is next to the Rosebud coal mine, which supplies the coal. Colstrip Units 1 and 2 are scheduled to close by July 2022.

Taxes on coal are a significant source of revenue. Taxes are paid on property owned by mines or coal-fired generating units as well as land containing transmission lines and on some land used for business purposes. Sonja indicated page 6 of her handout, which lists the taxes paid by coal mines and the power plants in Montana. Her chart breaks down the tax type, coal total (FY 2016) amount, distribution entity, and percentage of total attributed to coal. Two of the taxes, the Electrical Energy Producer's License Tax and the Wholesale Energy Generation Tax contribute to the state's General Fund. The other taxes, including the Coal Severance Tax are split to more than one entity.

Montana coal generates electricity around the world and Montana has the nation's largest coal reserves. The planned closure of coal-fired electric plants around the U.S. will affect the industry and the revenue it generates. A university study looked at the impacts of the Colstrip closure upon total deactivation. In Sonja's Power Point presentation, slide 6 shows a flow chart of the hypothetical coal distribution if coal mining ended at the end of FY 2017. Along with the coal mines and generating stations, transmission lines are used to send power and the ownership of some transmission lines is shared.

Sonja handed out a spreadsheet showing the coal plants supplies by Montana, what power is produced, where coal goes and the outlook of the plant. From 2002 to 2016, 531 coal-fired power plants, or 59 gigawatts (GW), were retired according to U.S. Energy Information Administration (EIA). Lindsay asked the reasons for closures and Sonja replied that natural gas is cheaper, renewables are more desirable and there have been policy changes. The EIA's 2017 Annual Energy Outlook estimates nearly 90 total GW of U.S. coal capacity will be retired between 2017 and 2030. On page of 7 of Sonja's handout, there is a table showing how many million tons of coal were produced in each year, 2007 to 2016 in Montana.

In 2016 coal production was at an historic low, rebounding somewhat in 2017. Alice asked if Wyoming was experiencing a loss of customers and Sonja said yes. Alice asked what committee heads this up? Sonja said the Environmental Quality Council of the Legislature

is working on the study. The EQC's work has included tracking a carbon tax proposal in Washington. Anna asked how does it work and who pays? Sonja said the utility pays and passes it on to their customers. And it depends on who plants sell power to – not to customers, but to other companies. Anna asked where the energy goes from wind farms? Sonja said those are merchant facilities so some is sent out of Montana. The plants have contracts with utility companies.

At this point (10:18am), Steve Troendle left the conference call.

Anna asked if the Legislature looks at how to back-fill to make up for reductions. Sonja said her office is still reviewing. There is a group looking at tax revenue and they meet at 1 today.

In 2015, about half of Montana's coal production was sent by rail to other states. Since 2007 Michigan, Minnesota and Montana used about $\frac{3}{4}$ or more of all coal mined in Montana. See Figure 2 on page 8 of Sonja's handout. It shows the dispersion on Montana coal. The remainder of coal was likely exported to western Canada and much of it continued on to Asia, or it was exported through traders and brokers, who do not consistently report the final destination of coal exports.

10:35 - 10 minute break

Program Updates

Lindsay Volpe, DNRC – Lindsay reported that the last round of planning grants were awarded. If you hear of communities that need funding, let her know. The Watershed Management Grant program awards are in progress. The deadline is May 15th. There is a possible \$15,000 for Tech or PER and \$5,000 for Community Improvement Plan (CIP). DEQ may be able to help fund PER Tech. Lindsay said that the RDB Engineer position (Bob Fischer) at DNRC is still vacant. Lindsay is getting prepared for the next WASACT workshop. She is also ready to start the application process (for RRG?). TSEP may help fund Public Health and Safety related projects and RRGL can fund Resource Protection projects. Craig pointed out that Congress wants documentation of conversations regarding funding sources. Julie added that BOI requires proof of other funding commitments.

Julie Flynn, Dept. of Commerce BOI – Julie updated on the InterCap Application. 3.15% is the new interest rate. It had been 2.55%. BOI has cash, which may help since it is construction season and she would like to get the money out the door for projects.

Mark Smith, DEQ – Mark still acting as Bureau Chief. Regarding revenue funding, if Mark had a grant amount, he could accept applications. He is drafting up a priority list to have in place by July 1st. Mark's office is also gearing up for the 2018 EPA COP Grant. Winter did not slow projects down much.

Kari Smith, DEQ – There are communities waiting to see if they were successful. We are waiting to hear on TSEP funding. Kari is helping people meet their compliance deadlines. She has been attending meetings, which are only one per month. Alice asked if there was a way to get that message out? Due to the small community size and many staff members

being part time, this is always a challenge. Continual engagement helps – slow and steady. Anna asked if we were making progress and Kari said yes.

Barbara Burkland, EPA – Barb updated on Heart Butte project. There has been a series of calls. They did get a planning grant from RD and DNRC. The wells at Heart Butte have surface water. The problem is getting the school district's water supply to meet the DEQ standards. We are moving forward slowly.

John Camden with MRW – John congratulated Gus Byron and Mark Smith on awards they received and a successful WASACT meeting at MRW in February. The room that was booked helped and the conference was a good one. There were positive connections with the speakers. John's office is working on passing the Farm Bill. He added that they could lose the circuit writer program.

John said the Source Water Protection Program was funded and is set for March of 2019. They are waiting to hear about funding on EPA technical assistance and training. We are waiting on Congress. Anna asked if there was a date set for the next Montana Rural Water conference. John replied February 20, 21 and 22, 2019. The Heritage Inn in Great Falls is already booked out.

Anna Miller, DNRC – CARDD – Anna said the DNRC Rate Study has been updated to include 2015 rate vs. 2017. Anna reminded all that if they have things to post on the WASACT website, please get those to Lindsay.

Anna hopes to hear more on the Omnibus Bill in the Congressional Update.

Rick Duncan, DNRC Regional Water:

Fort Peck Tribes – Improvements to Missouri River raw water intake facility, to decrease suspended solids, are complete. Additionally, construction of pre-oxidation and pre-sedimentation basins/structures to remove more fine sediments at the regional water treatment plant (WTP), is scheduled during 2018. Branch main and service line installation continues across the southern tier of the Reservation. Construction on the north-south transmission main, the R-Y Road project, from U.S. 2 to the northern Reservation boundary, proceeded throughout 2017. Completion of that segment is anticipated in 2019.

Dry Prairie – East Medicine Lake Phase II and Valley County Area B segments were completed during 2017. Booster pump stations near Nashua and St. Marie, and a new water storage tank at St. Marie will all be completed in the 2018 season. Additional pipeline installation from Nashua west will also take place this year. Dry Prairie plans to build service mains to Flaxville in 2019 and to Scobey in 2020. Water will be delivered through the R-Y Road project mainline.

Chippewa-Cree Tribe – The Tribe seeks \$54 million in Federal funding to build the first phase of the WTP to provide 7 MGD (full build-out calls for up to 34 MGD).

North Central Montana Authority – The Shelby-to-Cut Bank segment, started in 2015, is finished. The northern half of the Shelby South project, including a Marias River crossing,

was complete in November. Shelby North, which will pipe water from Shelby's wellfield to Oilmont CWD and the new Nine Mile CWD by autumn 2019, is under review by DEQ. The project will be built in two phases; the Authority plans to complete these by the end of 2019.

Dry-Redwater - The East Yellowstone water main south of Sidney was completed in June 2017; a non-compliant public water supply which had been using Yellowstone River water was one of the users incorporated into this extension. Next up is Sidney Circle, which will add as many as 55 users to the Authority's customer base, with construction starting in 2018.

Central Montana - (Musselshell-Judith project): The Judith Basin water resources monitoring project continues, with the second of three annual monitoring periods now complete. Preliminary engineering for the Phase 1 pipeline segment, to provide water to Harlowton from the Ubet wellfield near Judith Gap, is continuing through environmental and cultural resources investigations, surveying, and rights-of-way and easement work.

In 2017, Senator Daines introduced the Clean Water for Rural Communities Act, to authorize the Musselshell-Judith and Dry-Redwater projects. Co-sponsored by Senator Tester, the bill was heard before the Sub-Committee on Water and Power in May 2017, and is currently under consideration for mark-up by the full Energy and Natural Resources Committee. Representative Gianforte introduced a companion bill in the House on February 21 of this year.

Steve Troendle with Rural Development – Steve announced that he has a new employee starting Monday, so there will be 2 people to answer 4 phone lines. He said that April 1st interest rates are going up ¼ %. He is waiting to hear on funding. Steve will be out March 27th through April 9th. He is trying to push projects through to the funding stage before he is out of the office on leave.

Congressional Update – No representatives in attendance.

End of Updates

Next meeting was set for Tuesday, July 17, from 9:30 to noon at DNRC. This will be after TSEP grant awards. Julie Flynn may be able to host at Board of Investments. The CM Russell room at DNRC will be booked at a backup.

Meeting adjourned at 12:02.

Minutes taken by Denise Cook