March 14, 2019

RE: Proposed Solar Project North of Dillon in Beaverhead County

To All Interested Parties,

The Montana Department of Natural Resources and Conservation (DNRC) has received a commercial lease proposal for a utility scale solar development on state trust land. The proposal has been reviewed by DNRC, and the Department is preparing to move forward on the project with a public open house on Wednesday, April 17, 2019, from 4:00-7:30 pm at the Dillon Unit Office, 840 North Montana St. in Dillon, MT.

Trust Lands Background
The DNRC Trust Lands Management Division, through the Montana Board of Land Commissioners (Land Board), administers approximately 5.2 million surface acres of the State of Montana’s trust land resources. Trust lands were granted to Montana by the United States in trust for the support of public schools and other institutions under the Enabling Act of the Montana Constitution. The Montana Constitution and the Enabling Act require the State to act with undivided loyalty in the interest of the trust beneficiaries in matters involving trust property, to carry out the intentions of the grantor of the trust, to make the trust economically productive, and to be accountable to the beneficiary. The DNRC has a fiduciary duty to generate revenue on trust lands for trust beneficiaries.

The DNRC generates revenue for trust beneficiaries through four primary programs: agriculture and grazing management, forest management, minerals management, and real estate management, including commercial leasing.

PROJECT SUMMARY:

Land Information
The 1,308 acres have two active grazing leases that together generated an annual revenue of $2,430 in fiscal year 2018. The land is also encumbered by an irrigation ditch, and water and power lines. It is bordered by an irrigation ditch, a ranch residence to the west, Birch Creek county road, Interstate 15, an active state gravel pit, and one rural subdivision with a single private residence.

Project History
Letter of Interest: In April 2018, DNRC received written interest from Clenera, LLC, an end-to-end utility-scale solar development and asset management service provider from Boise, Idaho. Clenera proposed to develop a 2,720 acre photovoltaic (PV) solar farm in Beaverhead County, north of Dillon, MT. DNRC performed due diligence, including a review of revenue potential, consideration of current land use and compatibility with adjacent land use, access, ditch rights, and existing encumbrances.
DNRC also contacted County Commissioners, local State Representatives, and adjacent land owners, as well as met with current lessees of the impacted ground.

**Request for Proposals (RFP):** In July 2018, DNRC released a 90-day RFP for a commercial lease of up to 1,308 acres (T5S R9W Part of Sections 28, 27, 33, and 34). The RFP was to solicit a detailed proposal from any party interested in leasing the property under a commercial lease rate. Upon release of the RFP, DNRC sent an email notification to existing lessees and to those adjacent landowners whose email address was on file. A legal notice announcing the RFP was also published in the Montana Standard, and the Dillon Tribune for three weeks. The minimum commercial lease fee for the 1,308 acres was posted in the RFP as $36,624, which is based on the land value. However, any proposal for a renewable energy project was required to pay higher fees including a one-time fee of $1,000/MW installed nameplate capacity, PLUS Annual rent at the greater of: 4% of land value; $36,624 OR $3,000/MW installed nameplate capacity OR 3% of gross annual revenues.

**Proposal:** In October 2018, DNRC received one proposal in response to the RFP. The proposal was from Clenera, LLC for a 160 megawatt (MW) solar development project, including a substation and one or two structures for housing spare parts and supplies. The proposed solar panel height is six feet tall, installed via steel driven piles with racking, and the project perimeter is proposed to be surrounded by an eight-foot tall chain-link fence. The proposal forecasts commercial operation by June 2021, assuming the securing of all necessary permitting. Upon receipt of the proposal, DNRC sent notice to lessees and adjacent landowners via email, or US mail if no email address was on file.

The proposed development is projected to generate $19 million in county taxes over 35 years, with $10 million generated in the first 15 years. Additionally, the project is expected to generate several hundred temporary jobs during an eight-month development period, and up to three permanent jobs. Clenera purported they are currently negotiating a power purchase agreement, and that interconnection studies are underway for connecting to the NorthWestern Energy system. The proposed point of interconnection is NorthWestern Energy’s 161 kV transmission line traveling North-South through the subject property. The proposal indicated that initial feasibility studies determined that only a few small upgrades would be required for NorthWestern Energy’s transmission network to have capacity for the project.

The proposed revenue to the Trust includes:

- $13,734 annual Option Fee for up to three years ($41,202 total)
- $320,000 one-time installation fee (upon operations date)
- $480,000 annual lease fee for first 15 years ($3,000 per MW for 160 MW)
- $450,000 in bonus payments paid in the first 15 years
- $520,000 annual lease fee for year 16 ($3,250 per MW for 160 MW), which then increases annually by 2% for remainder of lease term (four five-year renewal options).

**Option to Lease:** On February 28, 2019, the DNRC signed an Option to Lease with Apex Solar, LLC, the project company for the proposed development, managed by Clenera, LLC. A Lease Option does not allow development of the site. Additionally, the terms of the Option are contingent upon both Land Board approval of the Lease agreement, and upon completion of an environmental analysis conducted in compliance with the Montana Environmental Policy Act (MEPA) and its approval by the deciding officer for DNRC after reviewing all of the facts. Existing grazing leases would remain available during the Option period.
Upcoming Opportunities for Public Involvement:

DNRC Open House: DNRC will host an open house for the project on Wednesday, April 17, 2019, from 4:00-7:30 pm at the Dillon Unit Office, 840 North Montana St in Dillon, MT.

Land Board: The proposed solar development Lease will go before Land Board* for consideration on Monday, May 20, 2019 at 9:00 am in the Supreme Court Chambers, in the Mazeurek Justice Building at 215 N Sanders Street in Helena. The meeting agenda will be available at www.dnrc.mt.gov/landboard on May 10, 2019. The Land Board will receive public comment on any agenda item.

MEPA: The DNRC will pursue a contracted environmental analysis for the proposed project if it is approved by the Land Board at their May 20, 2019 meeting. Interested parties will be formally scoped for comments during the MEPA process which will include a public hearing (date and time TBD).

* Approval of the lease by the Land Board does not guarantee that the lease will be executed or that a solar development is immediate or inevitable. Approval of the lease by the Land Board allows the DNRC and the proponent to proceed with further due diligence for the proposed development prior to entering into the lease. This due diligence includes public meetings, scoping, and completion of an environmental analysis in compliance with MEPA. If the lease is approved by the Land Board, the proponent will proceed with finalizing other industry permits and power agreements. It is anticipated that any development of the site would not occur for one to two more years.

Public Notification to Date

- Prior to RFP release, DNRC met in person with impacted grazing lessees, and County Commissioners, and contacted adjacent land owners by phone. DNRC also contacted local legislators with general information about the proposed project.
- Upon RFP release, DNRC sent an email notification to lessees and those adjacent landowners whose email address was on file. A legal notice was published in the Montana Standard and the Dillon Tribune for a three-week period.
- Upon receipt of proposal, DNRC sent an email notice to lessees and an email or letter to adjacent landowners. DNRC also talked with the County Commissioners to let them know a proposal had been received.

More information, including ongoing updates, on the proposed solar development can be found online at www.dnrc.mt.gov/solar. This webpage also has a portal to sign up as an Interested Party to receive future notifications on this project via email.

For questions or to provide comments on the proposed solar project please email DNRCApexsolar@mt.gov.

Sincerely,

Jessica Hoag
Property Management Section Supervisor

Enclosure: Map of Proposed Solar Lease Area