Governor Brian Schweitzer

Clean & Green Energy Property Tax Incentives

for

Renewable Energy, New Technology Energy & Clean Coal Energy

- By developing our energy resources and providing incentives so that future development utilizes new technologies and produces clean & green energy, these incentives will allow Montana to play an important role on three levels:
    - Internationally – help address the challenges of global climate change
    - Nationally – help the nation achieve energy independence, especially related to liquid fuels
    - In Montana – help create economic growth and jobs in the areas of the state which have seen economic dislocation for decades

- These property tax incentives are targeted completely toward new clean & green energy production and its movement to market, as well as the capturing and sequestering of CO_2. The projects must be built with prevailing wage rates.

- Tax incentives support the development of new, clean & green:
    - Transmission lines, equipment & converter stations (including the 2-grid version)
    - CO_2 sequestration pipelines
    - Liquid fuel pipelines
    - Electrical power plants
    - Liquid fuel plants from coal
    - Coal gasification plants
    - Cellulosic (or other non-foodstuff) ethanol & biodiesel fuel plants
    - Biomass & biogas energy plants
    - Geothermal power plants
    - Solar power plants
    - Wind power (receives help via transmission line tax incentives)

- All parts of the bill are needed -- a fully integrated approach to new & clean energy development is essential:
    - No investment in generation/liquid fuel plants can occur without transmission lines and pipelines to move product.
    - No investment in transmission lines or pipelines can occur unless the energy is there from the generating/liquid fuel plants.
    - No investment in carbon sequestration can occur unless carbon is produced and captured by the plants and the pipelines are there to move it.

- Manufacturing plants and research & development equipment has an incentive if they are related to renewable energy or clean coal technology:
    - Wind, solar, geothermal, biomass, biogas power related manufacturing
    - Clean coal power related manufacturing
    - Hybrid/electrical vehicle manufacturing
    - Fuel cell manufacturing

- All existing tax base is protected. All property tax break incentives are prospective or forwarding looking:
    - Permanent property tax rate reductions:
        - Transmission lines, equipment & converter stations - breaks go down from 12% to 3% and are permanent
        - Two-grid converter station only at 2.25% permanent rate
        - Clean liquid and carbon sequestration pipelines go down from 12% to 3% and are permanent
        - IGCC, NGCC and geo-thermal power plants go down from 6% to 3% and are permanent
        - Carbon capture equipment on older power plants go down from 6% to 3% and are permanent
    - Property tax rate abatements (non-permanent incentives) that may be added to the above permanent incentives:
        - New clean transmission lines, equipment & converter go from 3% to 1½% for 15 to 19 years
        - Two-grid converter stations go from 2.25% to 1.125% for 15 to 19 years
        - Targeted manufacturing plants related to renewable energy and clean coal technology go from 3% to 1½% for 15 to 19 years
        - Research and development equipment related to renewable energy and clean coal technology goes from 3% to 1½% for 15 years
        - Coal gasification and coal-to-liquid plants go from 3% to 1½% for 15 to 19 years
        - IGCC and geo-thermal power plants go from 3% to 1½% for 15 to 19 years
        - Clean liquid and carbon sequestration pipelines go from 3% to 1½% for 15 to 19 years
        - Cellulosic (or other non-foodstuff) ethanol and biodiesel plants go from 3% to 1½% for 15 to 19 years
        - Biomass and biogas plants go from 3% to 1½% for 15 to 19 years
    - Property tax exemptions:
        - Agricultural land under new transmission lines

- Provides that all energy projects will be certified by the Department of Environmental Quality (DEQ). Upon certification the DEQ will notify the Department of Revenue that the energy project has been certified and can qualify for the property tax incentive.

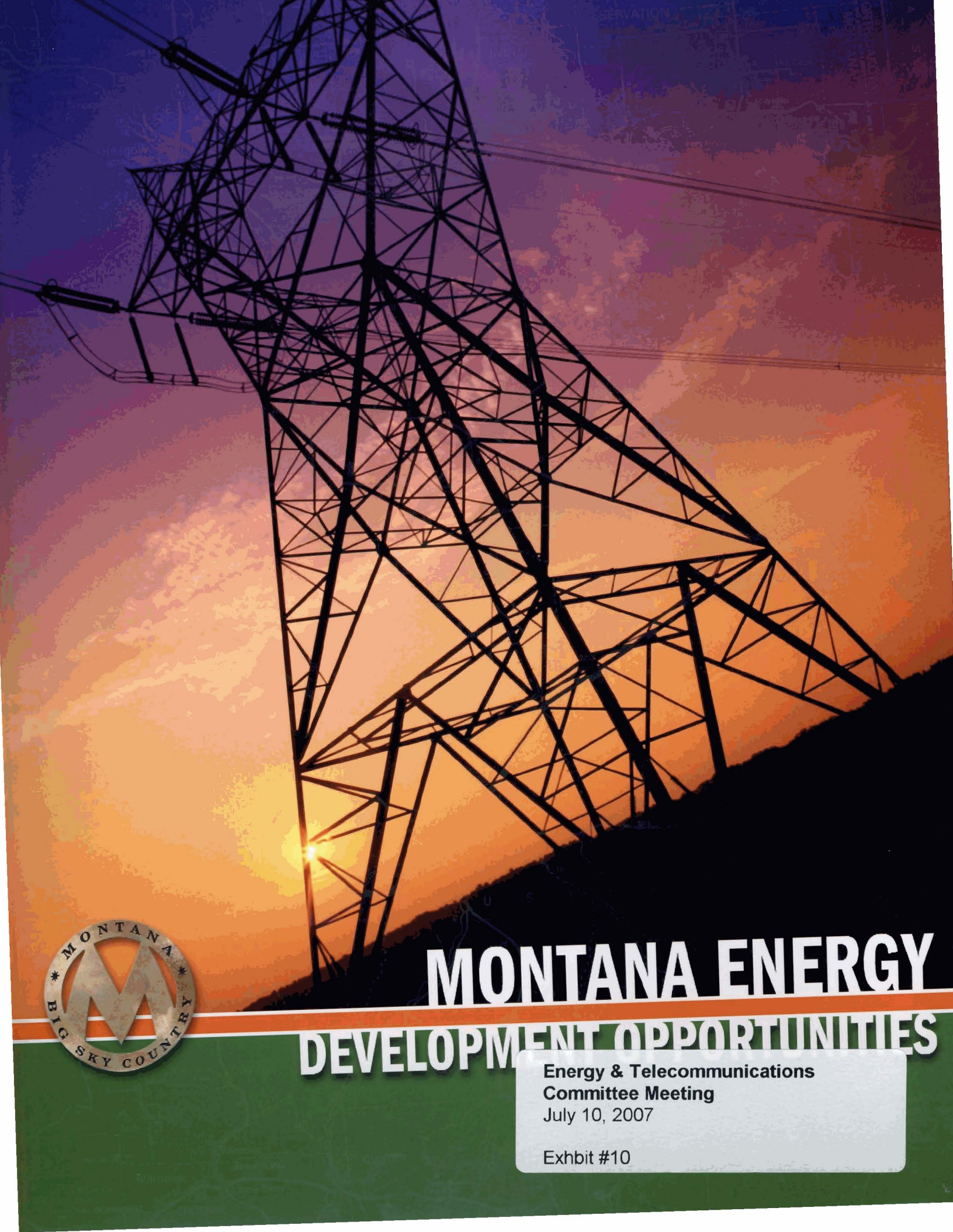
Property Tax Incentives for HB 3 "Jobs & Energy Development Incentives"
Rep. Llew Jones (as Passed by Legislature)

Category	Qualifications	Current Rate	New Permanent Rate	Abatement Rate	Abatement Period
Plants for production of liquid fuels, synthetic gas and electricity	Facilities & Equipment of : • Plants - cellulosic & non-foodstuff ethanol, biodiesel, biomass gasification & o Coal Gasification with carbon sequestration o Coal-to-Liquid (CTL) with carbon sequestration	3%	3%	1½%	15-19 Years**
	• IGCC, NGCC & geothermal (as "power plants" these would be 6% under current law, will be at a permanent 3% under this law; * an abatement to 1-1/2%for 15-19 years will apply only to the IGCC with carbon sequestration of at least 65% with 7 year window for permit application and NGCC w/ carbon offset.)	6%	3%	*	*
Renewable Energy Manufacturing	Manufacturing Plant & Equipment for manufacturing related to: • Wind, solar, geothermal power or clean bio-mass • Electrical or hybrid/electrical automobiles/trucks and Fuel Cells	3%	3%	1½%	15-19 Years**
Research & Development	Equipment only – solar power, wind power, geothermal, clean biomass, fuel cells, electrical or hybrid/electrical automobiles/trucks, clean/advanced coal	3%	3%	1½%	15 Years
Transmission Lines for eligible power	Power lines for carrying power from wind, clean biomass, geothermal, NGCC or IGCC power with carbon sequestration: • Electrical tie lines from power generation site to main transmission lines • Alternating Current (AC) Transmission Lines • High Voltage Direct Current (HVDC) lines & 2-grid Conversion Stations***	12%	3%	1½%	15-19 Years**
Pipelines - CO_2 Capture & Seq. - Equip.	Pipelines and equipment for carrying CO_2 from a plant to a sequestration or Enhanced Oil Recovery site (as well as the sequestration equipment)	12%	3%	1½%	15-19 Years**
	CO_2 capture equipment to retrofit an existing pulverized coal power plant	6%	3%	1½%	
Liquid Pipelines	Dedicated pipelines for ethanol, biodiesel & liquid fuel from clean coal technology with carbon sequestration where appropriate	12%	3%	1½%	15-19 Years**
Land Under Transmission Lines.	Agricultural land under transmission lines – 660' each side of center	3.07%	Exempt		

Must be a clean product with new investment, prevailing wage in construction, carbon sequestration when needed

** Abatement period of first 10 years of operation plus construction period of up to 4 years

*** 2-grid converter station only at rate of 2.25% with abatement at 1.125% for 15-19 years



MONTANA ENERGY DEVELOPMENT OPPORTUNITIES

Energy & Telecommunications Committee Meeting
July 10, 2007

Exhbit #10

A Message from Governor Brian Schweitzer about America's Energy Future

Throughout my life, I have been blessed with many opportunities. After graduating with a master's degree from Montana State University, my wife Nancy and I traveled to the Middle East where we developed large-scale agricultural and irrigation projects. Upon our return, we ran our ranch in Whitefish while raising our family. I now bring that businessman's experience to the Governor's Office.

I am committed to growing all sectors of Montana's diverse economy. One of our most exciting economic growth potentials is energy development. Our world class energy resources—wind, oil & gas, bio-fuels, bio-mass, significant amounts of coal and more—are second to none in the United States and provide us with the opportunity to help the nation to wean itself from foreign oil while creating economic growth opportunities here in Montana.


Lieutenant Governor John Bohlinger and Governor Brian Schweitzer

Our addiction to foreign oil is of grave concern to all Americans and Montana is positioned to be a leader in breaking that addiction. We can provide a good share of the energy resources America needs in a manner that respects and protects the wild places that make Montana so special.

As folks around the nation look to Montana as a place to relocate or expand their business, they are telling me their reasons: we have been rated in the top states for our low cost of doing business, our low state and local tax burden and overall business tax climate. We are prepared to host growth in the energy sector and I have dedicated my administration to smoothing the way for that kind of development.

People in Montana and around the nation are excited about my efforts to use Montana resources to help break our addiction to foreign oil. We can and we will lead the way, and we want you to join our efforts.

Sincerely,

BRIAN SCHWEITZER
Governor

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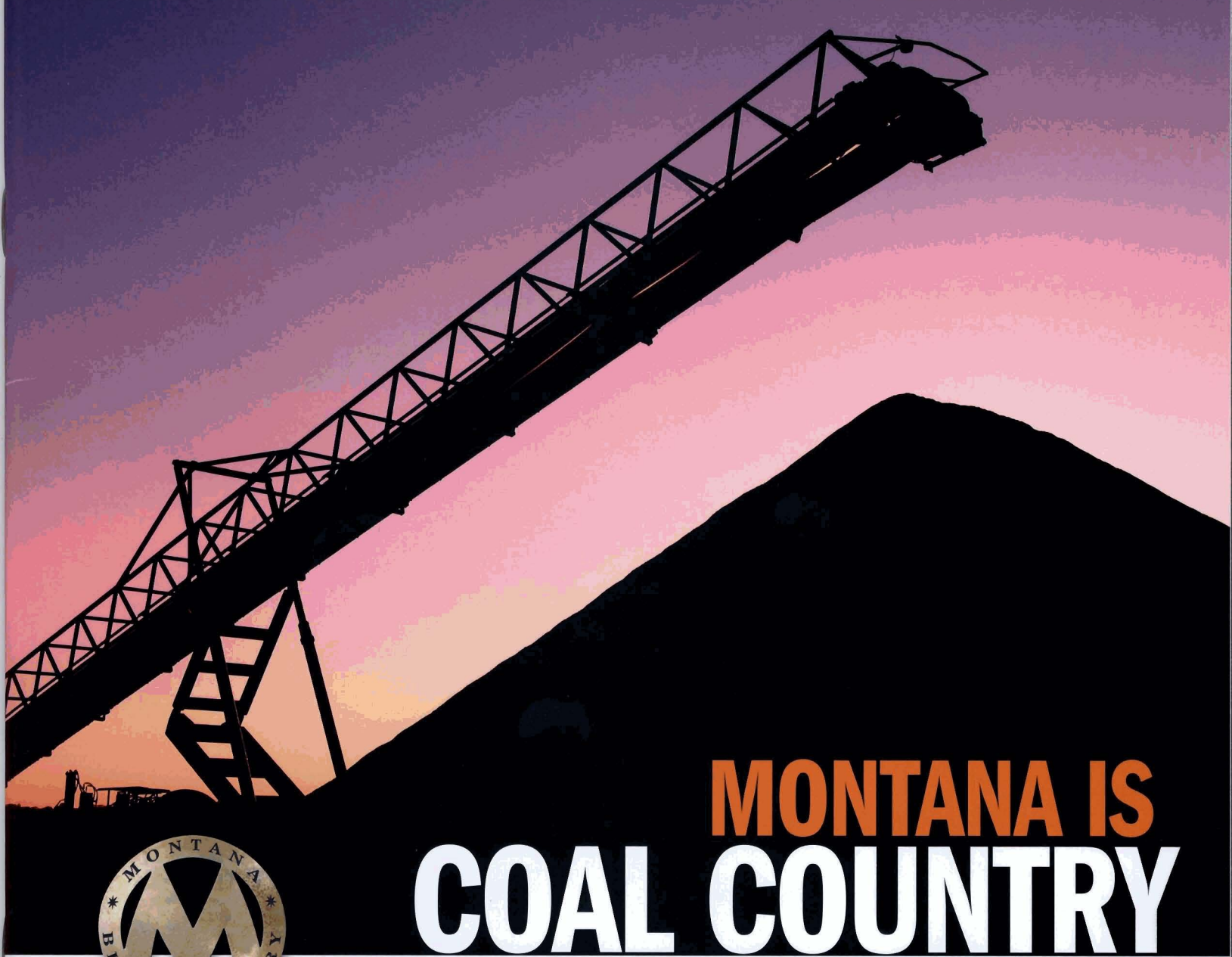
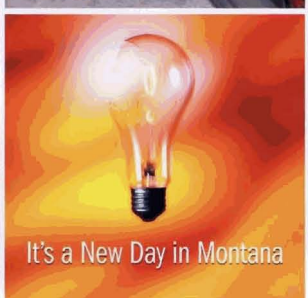


MONTANA IS COAL COUNTRY

SELECTED SITES FOR ADVANCED COAL DEVELOPMENT

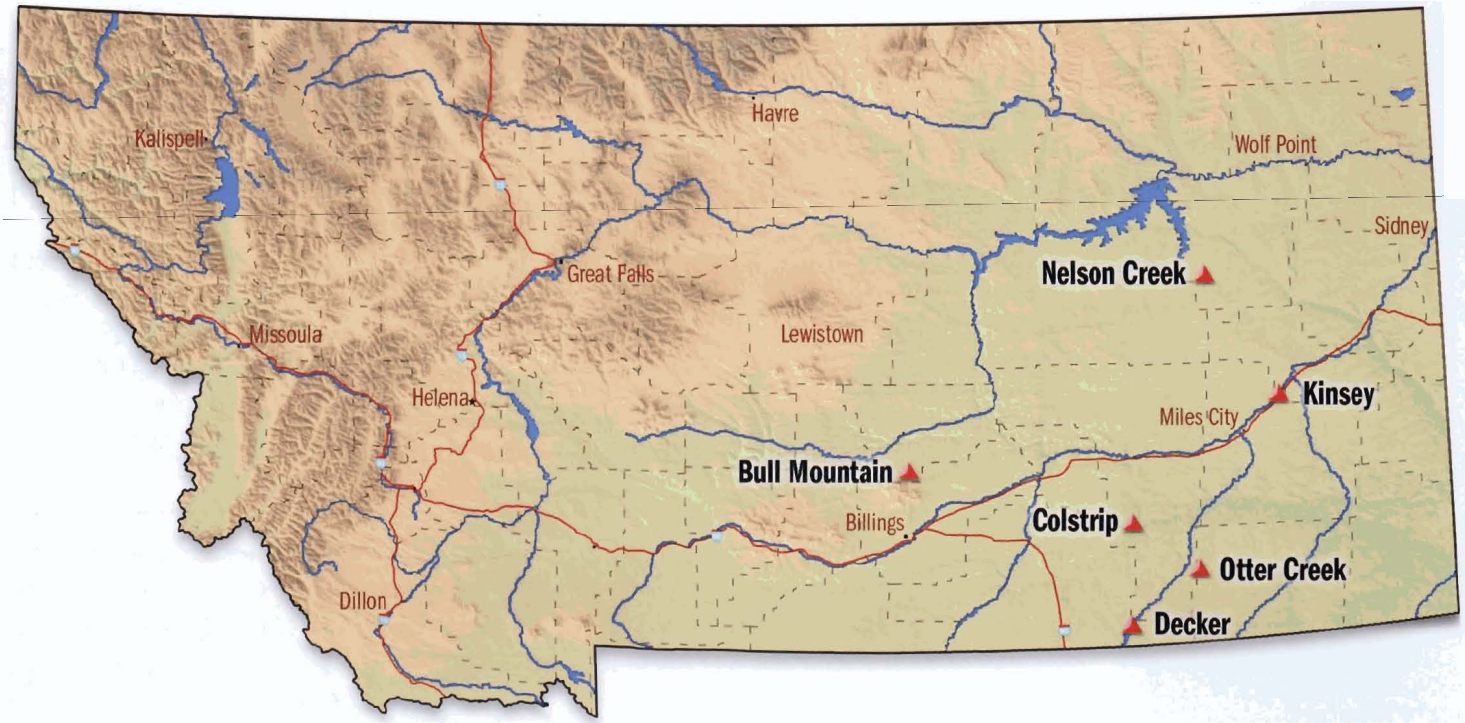
Montana is Coal Country

Montana wants to develop its massive coal reserves utilizing new advanced coal technology. We are promoting coal-derived synthetic fuels production that uses coal-to-liquids and gasification technologies that hold promise of achieving near zero emissions. Montana Governor Brain Schweitzer is aggressively encouraging the clean economic development of coal in Montana.



SELECTED SITES FOR ADVANCED COAL DEVELOPMENT

The sites discussed in this booklet are representative of coal areas around Montana . All are sites of existing or proposed mines and generating plants. With the right partnership arrangements, CTL, IGCC, CFB and Syn-gas facilities could be constructed at these coal mine sites.



MONTANA DEMOGRAPHICS: **AT-A-GLANCE**

Land area: 145,552 square miles
- Urban: 54%
- Rural: 46%

Population (2005): 935,670

Persons per square mile: 6.4

Major Cities:

Billings	96,977	Missoula	61,790
Great Falls	56,503	Bozeman	32,414
Butte	32,393	Helena	27,196

Gross state income (millions of current dollars): $27,701

Total State Tax (2005): $1,787,889,000 Rank: 47

Total Tax Per Capita: $1,910 Rank: 35

Total Montana Exports: $842.7 million

Wheat	$278.0 million
Industrial Machinery	$110.3 million
Inorganic Chemicals	$75.3 million
Paper and paperboard	$39.0 million
Wood and Wood Products	$33.4 million
Precious metals	$10.3 million

Civilian labor force: 483,043
- Employed: 461,746

Total households: 358,667
- Persons per household: 2.45

Per capita personal income (2005): $29,387

Median household income (2004): $35,201

Average wage per job: $27,721

BULL MOUNTAIN

SITE PROFILE: **BULL MOUNTAIN**

Nearest Town:	Roundup (approx. 15 miles north, pop. 1,931) Billings (approx. 35 miles south, pop. 100,000)
Elevation:	3,900 ft. at mine site; 4,000 ft. at plant site
Existing Mine:	Bull Mountain Mine - BMP Investments Inc. Underground (longwall) mine
Production:	2004– 208,755 tons 2005– 168,063 tons 2007 (est.)–4,250,000 tons
Expansion Permit(s) at DEQ:	Yes

The Bull Mountain properties are a prime location for multiple coal related development activities. It has an existing permitted operating high quality coal mine located by a U.S. primary highway; has 30 mile right-of-way corridor for railroad, pipeline and transmission line connections; has completed the needed environmental assessments for an air quality permit for a standard pulverized coal plant which should shorten time frame for future permitting.

Coal: **Sub-bituminous**

Parameter	BMPII (Underground)
Moisture	16.90%
Ash	12.04%
Sulfur	1.04%
Sodium	0.27%
BTU/lb	9,900
Avg. Overburden Thickness	0 to 800 FT
Minable Reserves (Includes Pending Amendments/Revisions)	23,200,000 Tons
Future Minable Reserves (Anticipated)	91,500,000 Tons
Total Reserves, Present and Future	114,700,000 Tons

WATER

Opportunities exist to obtain water from both surface and groundwater sources. For large-scale consumption (e.g., 25,000 acre-feet per year), a facility might be able to purchase water from the U.S. Bureau of Reclamation. In 1978, USBR received a water reservation with a priority for an off-stream, multipurpose reservoir with a useable volume of 68,700 acre-feet per year, in the proposed Buffalo Creek reservoir located approximately 40 miles southeast of the Bull Mountain site. This represents a potential high volume surface water source from the Yellowstone River basin. The Musselshell River basin, also near the site, is currently fully appropriated. Water might be available from the purchase of water from area ranches and the retirement of any irrigation rights they may possess. Ground water resources in the Madison Aquifer (>8,000 feet deep) and possible multiple wells in Cretaceous Age sandstone aquifers including the Fox Hills-Hell Creek and Eagle aquifers (2,000 – 4,000 feet deep) may support small-scale consumption (e.g., 250 acre-feet per year). Ground water quality and availability can be determined by drilling test wells. Bull Mountain Development Company #1 LLC currently holds a water right for 1,100 gpm (~1,800 acre-feet/yr) from the aquifer at 8,500 ft.

NEAREST RAILROAD

A BNSF branch line is located near Broadview about 25 miles to the southwest. The branch

line is active, with a 143-ton limit. BMP Investments obtained needed permits and has acquired needed right of way access across public and private lands in order to build a spur from the branch line to the existing mine. The company intends to start construction in 2006.

NEAREST HIGHWAY

U.S. Primary Highway 87 is located about 2 miles southwest of the mine site and is accessed by paved county road. In 2004, the average traffic volume on U.S. 87 was 3,240 vehicles per day. The road width is 32 ft. and can be expected to remain in excellent condition and be well maintained by the state. Although company plans are to rail the coal from the mine site, if any coal is to be hauled by road, the Montana Department of Transportation can assist by identifying any needed improvements that will enable efficient and safe product transportation.

TRANSMISSION

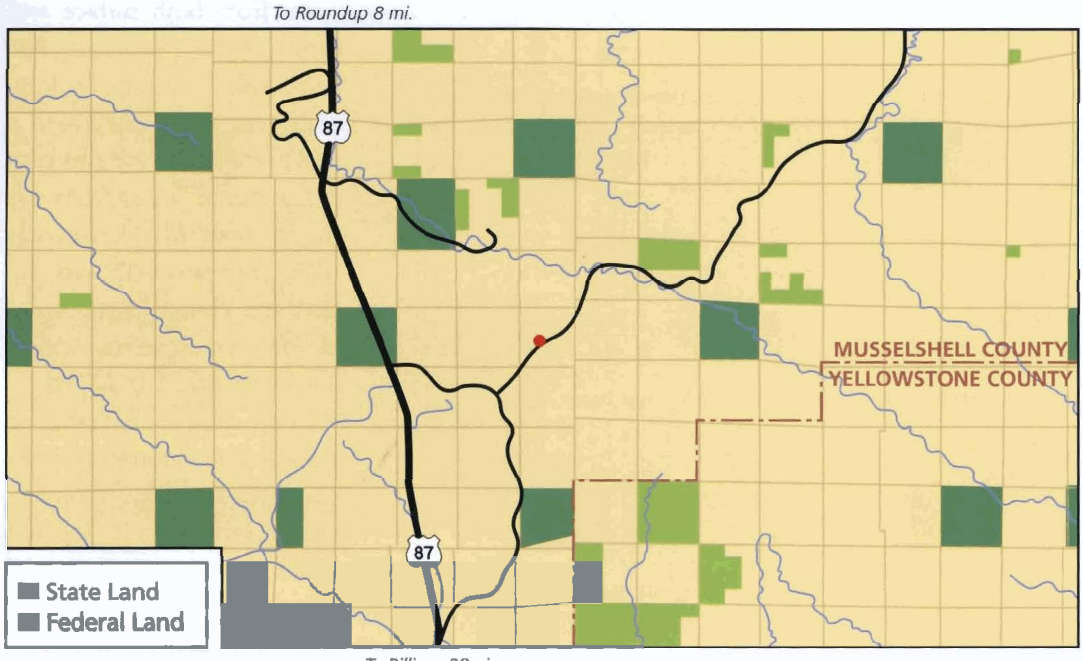
The existing mine site is served by two 100 kV lines that come from Roundup located about 15 miles north. The nearest large scale transmission interconnect point is Broadview located about 25 miles southwest, and consists of a major substation for 500, 230 and 100 kV lines. BMP Investments has air quality permits in place for a proposed 780 MW coal fired generating plant at this mine site and is in NorthWestern's generation interconnection queue, with a request for a 700 MW interconnect at the Broadview substation. Current on-line date is projected for 2008. Although no transmission reservations have been made, this project would require all of the available transmission capacity from Broadview, including the series capacitor upgrades identified in the Rocky Mountain Area Transmission Study (RMATS), (a separate planning document available upon request).

PRODUCT PIPELINES

Inspection of the attached pipeline map shows nearby pipelines. The Yellowstone pipeline (64,300 bbl/day) to Moses Lake, WA, the Seminoe pipeline (40,000 bbl/day) to Wyoming and south and the Cenex pipeline (38-40,000 bbl/day) to Fargo originate all in Billings, Montana's largest city located about 35 miles south. While all are running near capacity, opportunities may exist to utilize current rights of way for additional pipelines.

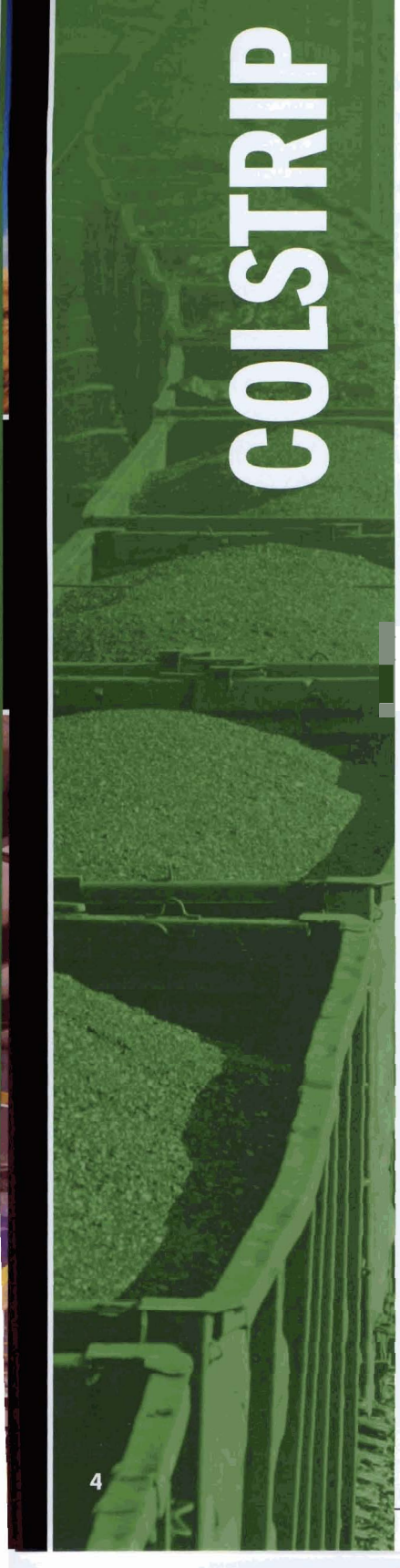
OTHER COMMENTS

BMP Investments announced in the spring of 2006 its intention to reconsider its original plan to construct a 780 MW coal fired generating plant at this site. The new plan proposes to build a 20,000 bbl/day coal to liquids plant utilizing Fisher Tropsch technology, which will also result in generating 50-100 MW's of net electrical power to be placed on the grid.



SURFACE OWNERSHIP

Note: Dot marks center of the case study area. Unmarked land is privately owned. Ownership of mineral rights could be different than surface ownership.



SITE PROFILE: **COLSTRIP**

Nearest Town:	Colstrip (approx. 1 mile, pop. 2,346) Billings (120 miles, pop. 100,000) Miles City (80 miles, pop. 8,487)
Elevation:	3,200 ft.
Existing Mine:	Rosebud Mine – Western Energy Company (now a subsidiary of Westmoreland). Surface mine.
Production:	2004– 12,413,482 tons 2005– 13,164,977 tons
Remaining Production (current permits for contracted coal):	Area C– 6.8 million tons/yr through 2020 Area D– 3.1 million tons/yr through 2012 Area E– In reclamation
Expansion Permit(s) at DEQ:	Yes

Coal: **Sub-bituminous**

Parameter	**(Surface)**
Area A Permit: 13 Million tons remaining minable reserves (everything leased; includes approved, pending revision, and some not yet submitted for mining approval)	
Strip Ratio	10.2 : 1
Moisture	25.5%
Ash	9%
Sulfur	0.7%
Sodium	0.5%
BTU/lb	8,700
Area B Permit: 36 Million tons remaining minable reserves (everything leased; includes approved and some not yet submitted for mining approval)	
Strip Ratio	9.5 : 1
Moisture	25.6%
Ash	8.2%
Sulfur	0.7%
Sodium	0.3%
BTU/lb	8,750
Future minable reserves: 127 Million tons (Area F, unpermitted)	
Strip Ratio	5.8 : 1
Moisture	25.7%
Ash	9%
Sulfur	0.9%
Sodium	1.2%
BTU/lb	8,550

Colstrip is home to an existing 2272 MW coal fired power plant complex supplied by a major active coal mine. All forms of industrial infrastructure and existing mining operations are highly developed at this site and represent great opportunities to serve a development consortium whose goal is to build advanced coal technologies in this area.

WATER

Opportunities exist to obtain water from both surface and groundwater sources. For large-scale consumption (e.g., 25,000 acre-feet per year), a facility might be able to purchase stored water from the U.S. Bureau of Reclamation (USBR), or from the Crow or the Northern Cheyenne tribes out of Yellowtail Reservoir on the Big Horn River. USBR has a 1978 off-stream, multipurpose storage reservation for the proposed Cedar Ridge reservoir. The reservation is located about 35 miles northwest of Colstrip on Starved to Death Creek, a tributary on the north

side of the Yellowstone River. This site could provide 121,800 acre-feet per year, once operational. A lesser but still substantial amount of water might be obtained from the Northern Cheyenne Tribe out of the Tongue River Reservoir, 50 miles to the south. The Tribe has a reserved water right there for up to 20,000 acre-feet. However, the availability of this water depends on first satisfying the existing State water contracts. Ground water resources in the Madison Aquifer (>6,000 feet deep) and possibly multiple wells in Cretaceous Age sandstone aquifers including the Fox Hills-Lance aquifer (2,000 – 4,000 feet deep) may support small-scale consumption (e.g., 250 acre-feet per year).

NEAREST RAILROAD

An active BNSF branch line serves this site, with a 144 ton limit.

NEAREST HIGHWAY

This site is served by MT-39, a high quality state highway that is located about 1 mile away by county road. In 2004, average traffic volume was 2,230 vehicles per day and the road width is 38 ft. and in excellent condition. If any coal is to be hauled by road, the Montana Department of Transportation can assist by identifying any needed improvements that will enable efficient and safe product transportation.

TRANSMISSION

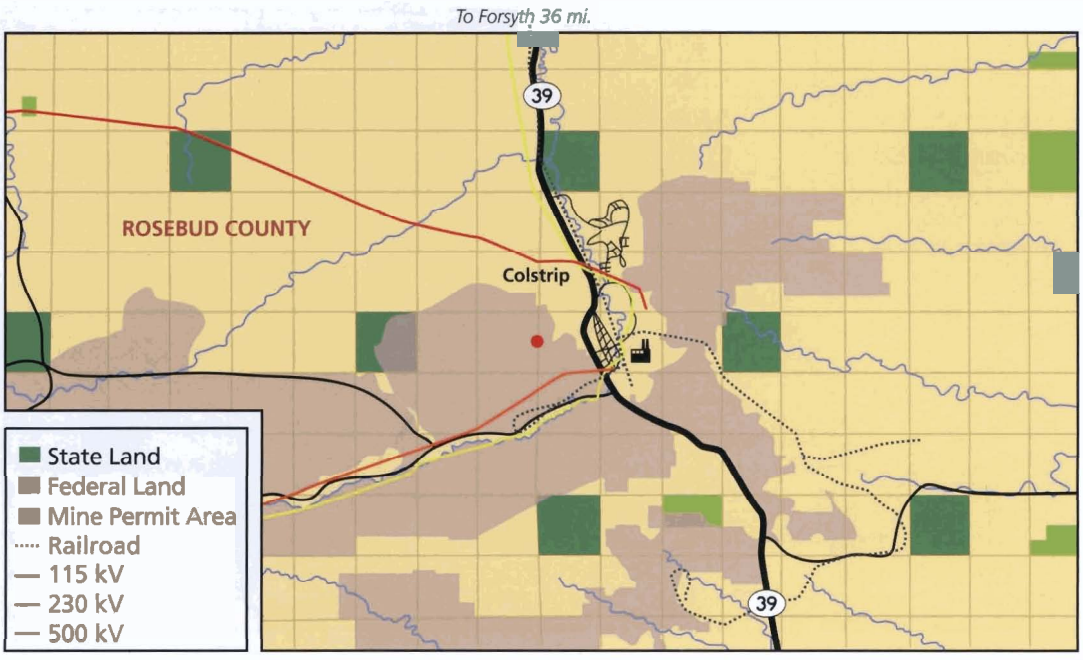
Dual-circuit 500 kV lines, a 230 kV line and two 115 kV lines originate at Colstrip. A proposed coal fired generating plant located about 120 miles to the northeast at Nelson Creek, near Circle, Montana, is in Northwestern's generation interconnection and transmission queues with a request for a 500 MW interconnect at Colstrip with 500 MW of transmission service beyond Colstrip. The proposed Nelson Creek project has a current on-line date of 2011. Firm transmission capacity may not be available for any additional interconnects at this point, even if the upgrades to the 500 kV lines proposed in the Rocky Mountain Area Transmission Study are implemented. However, the proposed Northern Lights high voltage DC power line that would connect Montana to loads in the southwestern U.S. may provide additional capacity at Colstrip.

PRODUCT PIPELINES

The Cenex pipeline to Fargo from the Cenex refinery at Laurel passes about 25 miles north. It currently runs at 80-90 percent of its 38-40,000 bbl/day capacity.

OTHER COMMENTS

Colstrip Electrical Generating Plants, Numbers 1-4 are mine-mouth pulverized coal generating plants with 2272 MW nameplate capacity. Montana 1 (also known as CELP), just north of Colstrip, has a 41.5 MW nameplate and burns waste coal.



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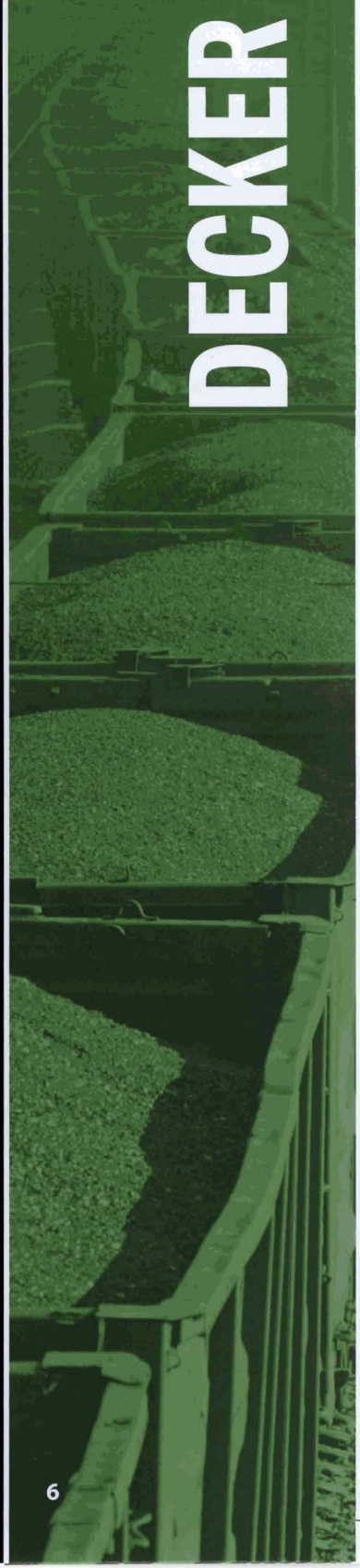


SITE PROFILE: **DECKER**

Nearest Town: Decker (1 mile south, pop. less than 100)
Sheridan, Wyoming (15 miles south, pop. 15,800)
Billings (120 miles, pop. 100,000)

Elevation: 3,500 ft.

Existing Mines: Decker West and Decker East (Kennecott Energy and KCP), Spring Creek (Kennecott Energy)—Surface mines

Production (Current Permits)

	Decker West	Decker East	Spring Creek
2004 (Tons)	7, 886,137	355,142	12,001,290
2005 (Est. Tons)	6,915,690	0	13,113,486
Remaining Production (Current permits)	50.2 million tons	3 million tons per year for 20 years	11 million tons per year through 2016
Expansion Permit(s) at DEQ	Yes	Yes	Yes

Coal: **Sub-bituminous**

Parameter	Decker West (Surface)	Decker East (Surface)	Spring Creek (Surface)
Moisture	24.34%	24.21%	25.20%
Ash	4.14%	4.62%	3.58%
Sulfur	0.38%	0.45%	0.32%
Sodium	6.75%	6.41%	7.95%
BTU/lb	9,508	9,391	9,395
Ave. Overburden Thickness	130 FT	150 FT	100 FT
Minable Reserves (Tons) (Includes Pending Amendments/Revisions)	50,200,000	70,000,000	171,000,000

Three coal mines are permitted in this area and a major petroleum pipeline is located only 15 miles southwest. The nearby Tongue River Reservoir represents a large scale surface water opportunity and the prospect of a nearby DC power line serving load centers in the southwestern U.S. make this a good advanced coal development site.

WATER

Supplies for large scale consumption (e.g., 25,000 acre-feet per year) may be difficult to obtain at this location, but substantial amounts of water might be available from the Northern Cheyenne Tribe out of the Tongue River Reservoir, which is adjacent to the existing Decker mines. Provided state water contracts are first satisfied, the Tribe has a reserved water right for up to

20,000 acre-feet available., Ground water resources in the Madison Aquifer (>6,000 feet deep) and possible multiple wells in Cretaceous Age sandstone aquifers, including the Fox Hills-Lance aquifer (2,000 – 4,000 feet deep), may support small scale consumption (e.g., 250 acre-feet per year). Ground water quality and availability can be determined by drilling test wells.

NEAREST RAILROAD

An active BNSF branch line serves this site, with a 144 ton limit.

NEAREST HIGHWAY

This site is served by Montana S-314, a high quality state highway that is located about 1 mile away by county road. In 2004, average traffic volume was 800 vehicles per day, and the road width is 31 ft. If any coal is to be hauled by road, the Montana Department of Transportation can assist by identifying any needed improvements that will enable efficient and safe product transportation.

TRANSMISSION

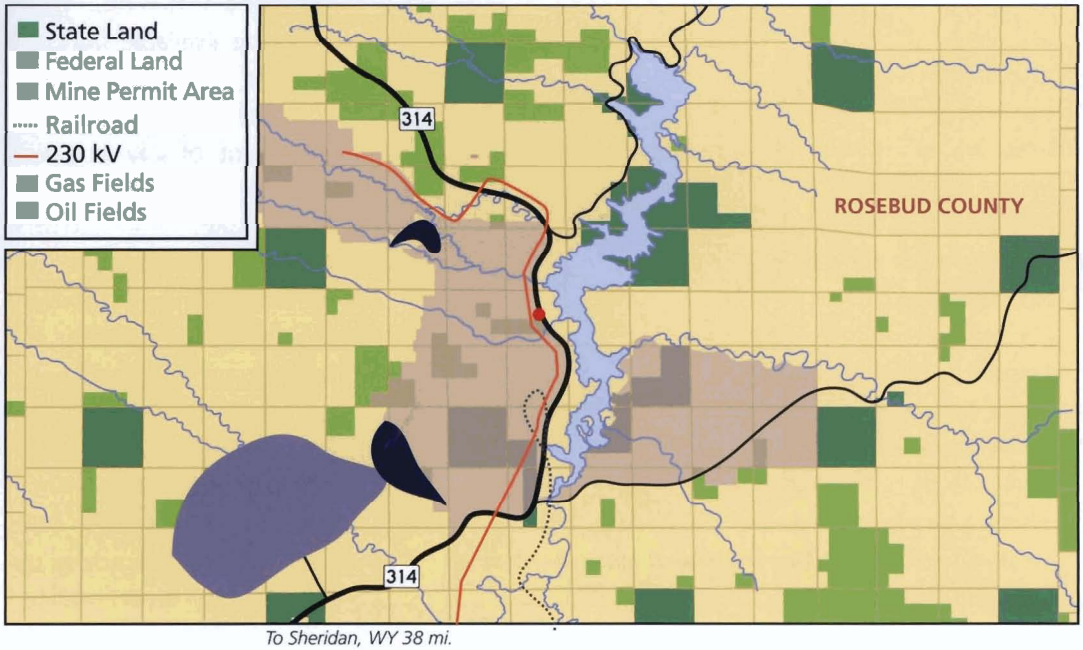
A 230 kV radial line originates north of Sheridan, Wyoming and serves the relatively small loads at the mines sites, but the transmission system in Wyoming currently reports has little available transmission capacity to load centers. However, the proposed Northern Lights high voltage DC power line that would connect Montana to loads in the southwestern U.S. may include a loop being built within 20 miles of this site.

PRODUCT PIPELINES

The Seminoe pipeline (40,000 bbl/day) from Billings to Wyoming and south has a terminal located in Sheridan, only 15 miles to the southwest, therefore some capacity may be available beyond this point.

OTHER COMMENTS

The Decker East mine is currently inactive. The dragline was moved to Decker West to replace a dragline that was sold to Spring Creek. Otherwise Decker East is intact.



SURFACE OWNERSHIP

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KINSEY

SITE PROFILE: **KINSEY**

Nearest Town: Kinsey (Approx. 10 miles south, pop. less than 100)
Miles City (25 miles, pop. 8,487)
Glendive (60 miles, pop. 4,729)
Billings (170 miles, pop. 100,000)

Elevation: 2,600 ft.

Existing Mines: None

Coal: **Lignite**

Parameter	(Surface)
Moisture	30%
Ash	18.5%
Sulfur	0.35%
Sodium	0.27%
BTU/lb	6,120
Average Strip Ratio	2.35 : 1
Reserves	450,000,000 Tons

Considered by many to be among the best sites in Montana for advanced coal development due to the presence in the area of excellent coal, water, transportation (rail and highway), power transmission capability to eastern and western grids and available workforce. The Cenex refined products pipeline to Fargo from the Cenex refinery at Laurel passes within a few miles east of the site. GNP is open to discuss any advanced coal development proposals that would utilize its major coal resources.

WATER

Opportunities exist to obtain water from both surface and groundwater sources. For large scale consumption (e.g., 25,000 acre-feet per year), an advanced coal facility has the potential to purchase water from the U.S. Bureau of Reclamation. The U.S. Bureau of Reclamation (USBR) holds a water reservation with a 1978 priority date for 539,000 acre-feet of water per year from the Yellowstone River for the proposed Sunday Creek reservoir on the north side of the river, near the Miles City airport. Use of this water would require construction of the proposed off-stream storage site. Ground water quality and availability can be determined by drilling test wells. Water might be available from the possible purchase of water from area ranches and the retirement of any irrigation rights they may possess.

NEAREST RAILROAD

The BNSF mainline is located 7 miles to the north across the Yellowstone River and has a 144 ton limit.

NEAREST HIGHWAY

This site is located 7 miles north of I-94 and across the Yellowstone River situated

near S-489, a state highway located about 10 miles southeast that can be accessed in part by county road. In 2004, average traffic volume was 140 vehicles per day and the road width is 28 ft. If any coal is to be hauled by road, the Montana Department of Transportation can assist by identifying any needed improvements that will enable efficient and safe product transportation.

TRANSMISSION

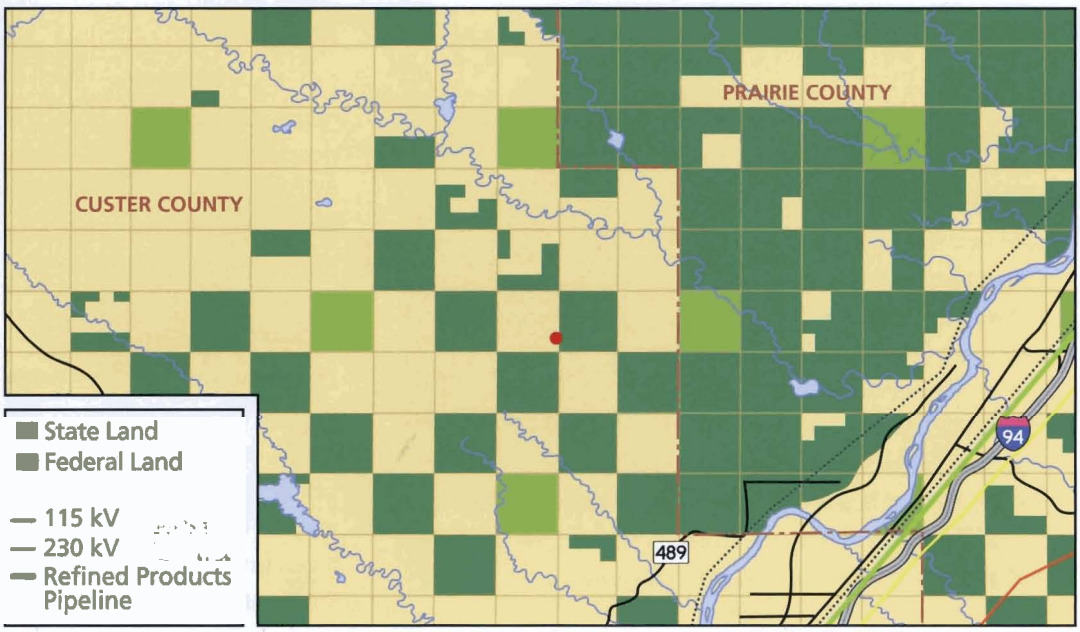
This site is located near the western edge of the eastern interconnection, which provides the advantage of being able to more easily transmit power to both the western and eastern power grids. This offers a significantly greater market opportunity for potential electrical power producers. A 230 kV line and a 115 kV line are about 10 miles from the proposed mine site. The possibility for transmitting to the eastern interconnection will require a more detailed analysis of transmission capacity. The closest possibility of transmitting to the western interconnection would be to connect at Colstrip, about 75 miles to the southwest. Dual-circuit 500 kV lines, a 230 kV line and two 115 kV lines originate at Colstrip. A proposed coal fired generating plant located at Nelson Creek, near Circle, Montana, is in NorthWestern's generation interconnection and transmission queues with a request for a 500 MW interconnect at Colstrip with 500 MW of transmission service beyond Colstrip. The proposed Nelson Creek project has a current on-line date of 2011. Firm transmission capacity may not be available for any additional interconnects at this point, even if the upgrades to the 500 kV lines proposed in the Rocky Mountain Area Transmission Study are implemented. However, the proposed Northern Lights high voltage DC power line that would connect Montana to loads in the southwestern U.S. may provide additional capacity for plants at Kinsey.

PRODUCT PIPELINES

The Cenex refined products pipeline to Fargo from the Cenex refinery at Laurel passes within a few miles east of the site. It currently runs at 80-90 percent of its 38-40,000 bbl/day capacity.

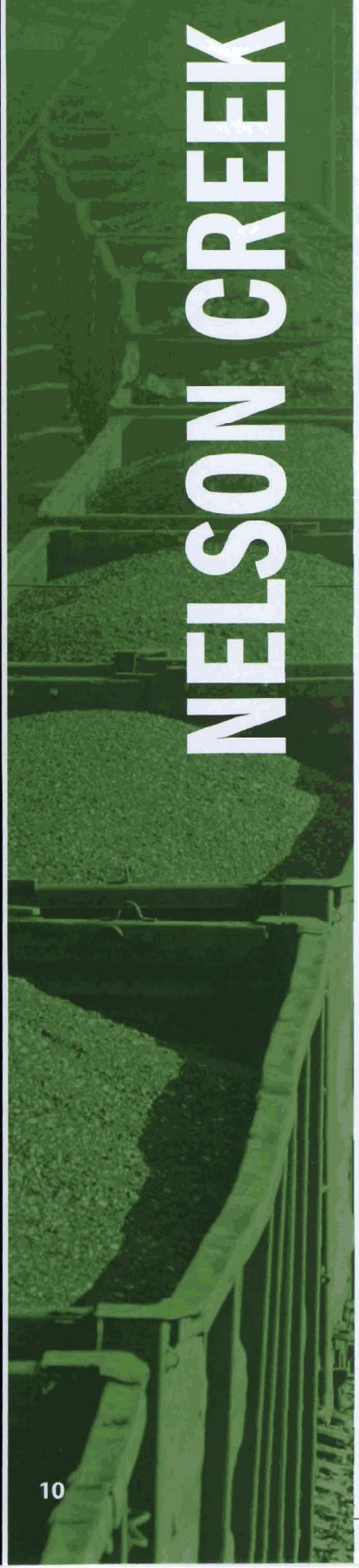
OTHER COMMENTS

Kiewit Mining Group has coal prospecting permits in this area for coal owned by Great Northern Properties. They are considering building a mine-mouth generating plant at this location.



SURFACE OWNERSHIP

Note: Dot marks center of the case study area. Unmarked land is privately owned. Ownership of mineral rights could be different than surface ownership.



SITE PROFILE: NELSON CREEK

Nearest Town: Circle (Approx. 20 miles southeast, pop. 644)
Glendive (70 miles, pop. 4,729)
Glasgow (80 miles, pop. 3,253)
Miles City (120 miles, pop. 8,487)

Elevation: 2,500 ft.

Existing Mines: None

Coal: Lignite

Parameter	(Strip)
Moisture	35%
Ash	7.5%
Sodium	5%
BTU/lb	6,700
Average Strip Ratio	4 : 1
Potential Recoverable Reserves	400,000,000 Tons
Projected Mine Rate	2,700,000 Tons per year

Great Northern Properties (GNP) owns the coal at this site and has plans in place to construct a coal fired power plant with reservations in interconnection and transmission queues. An abandoned but still intact rail line to Circle that terminated only 22 miles from the proposed Nelson Creek mine site represents a significant transportation opportunity. GNP is open to discuss any advanced coal development proposals that would utilize its major coal resources.

WATER

Opportunities exist to obtain water from both surface and groundwater sources. For large scale consumption (e.g., 25,000 acre-feet per year), a facility has the potential to obtain water from Fort Peck Reservoir, a Missouri River impoundment located 20 miles to the northwest. The Fort Peck, one of the largest reservoirs in the nation, is owned and operated by the U.S. Corps of Engineers. Water may also be obtained from the Fort Peck Reservoir through the Fort Peck Tribe. Ground water resources in the Fox Hills-Hell Creek Aquifer may support small scale consumption (e.g., 250 acre-feet per year). Ground water quality and availability should be determined by drilling test wells. Water might be available from the possible purchase of water from area ranches and the retirement of any irrigation rights they may possess.

NEAREST RAILROAD

The nearest active BNSF branch line is located 66 miles east of the Nelson Creek site and about 7 miles west of Glendive. This active line currently provides service to a sand and gravel oper-

ation and has a 134 ton limit. In addition, there is a rail line located only 22 miles from the Nelson Creek site extending from this terminal point west of Glendive, to the town of Circle. This line was abandoned in 2004; however, the tracks, bed, and right-of-way are still intact, with a 134 ton limit. The owner, BNSF Railroad is keeping the track and rail in place in the event that a mine and/or mine mouth plant advances and needs railroad service.

NEAREST HIGHWAY

The site is located about 5 miles from state highway MT-24. In 2004, average traffic volume was 160 vehicles per day and the road is 27 ft. wide. If any coal is to be hauled by road, the Montana Department of Transportation can assist by identifying any needed improvements that will enable efficient and safe product transportation.

TRANSMISSION

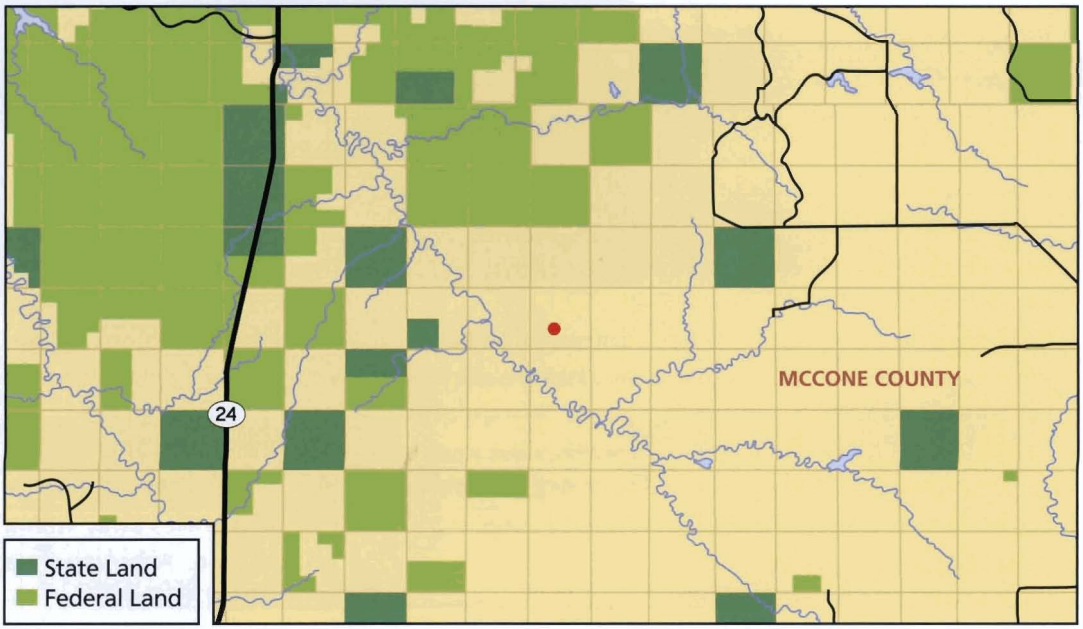
The site is near a Western Area Power Administration (WAPA) 230 kV line that at its nearest is about 20 miles northeast of the site, in the eastern interconnection. The possibility of transmitting to the eastern interconnection will require a more detailed analysis of transmission capacity. GNP's proposed generating plant is in Northwestern's generation and interconnection queues with a request for 500 MW interconnect at Colstrip and a current on-line date of 2011. Firm transmission capacity may not be available for any further interconnects at this point, even if the upgrades to the 500 kV lines proposed in the RMATS study can be implemented. GNP is proposing to construct two 230 kV lines to connect at Colstrip to access the western interconnection. The proposed Northern Lights high voltage DC power line that would connect Montana to loads in the southwestern U.S. may provide additional capacity for plants at Nelson Creek.

PRODUCT PIPELINES

The Cenex pipeline to Fargo from the Cenex refinery at Laurel runs about 60 miles southeast of the site. It currently operates at 80-90 percent of its 38-40,000 bbl/day capacity.

OTHER COMMENTS

Great Northern Properties controls the coal reserves at this location. Great Northern Power Development is developing a coal mine and a minemouth generating plant there. Circle West, a coal gasification, synthetic ammonia and generating facility, was proposed for this general area in the late 1970's.



SURFACE OWNERSHIP

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OTTER CREEK

SITE PROFILE: **OTTER CREEK**

Nearest Town: Ashland (10 miles, pop. 464)
Colstrip (62 miles, pop. 2,346)
Miles City (75 miles, pop. 8,487)

Elevation: 3,100 ft.

Existing Mines: None

Coal: **Sub-bituminous**

Parameter	(Strip)
Moisture	28%
Ash	5%
Sodium	7%
Sulfur	0.17%
BTU/lb	8,600
Average Strip Ratio	2.75 : 1
Potential Recoverable Reserves	1,400,000,000 Tons

The state of Montana owns 533 million tons of coal at Otter Creek and has spent over $300,000 studying the development potential of these reserves. This gives the state knowledge and flexibility in making coal available to prospective developers. The state's coal reserves are intermingled in checkerboard ownership with Great Northern Properties with whom Montana also has a co-development agreement in place. The proposed and partially permitted Tongue River Railroad, would provide market access to this coal, or it might be acceptable for a mine-mouth plant. A loop of the proposed Northern Lights HVDC transmission line may be located approximately 25 miles west of the site.

WATER

Opportunities exist to obtain water from both surface and groundwater sources. Supplies for large scale consumption (e.g., 25,000 acre-feet per year) may be difficult to obtain at this location, but substantial amounts of water might be available from the Northern Cheyenne Tribe out of the Tongue River Reservoir. The Tribe has a reserved water right there for up to 20,000 acre-feet, provided state water contracts are first satisfied. Ground water resources in the Madison Aquifer (>6,000 feet deep) and possible multiple wells in Cretaceous Age sandstone aquifers including the Fox Hills-Lance aquifer (2,000–4,000 feet deep) may support small scale consumption (e.g., 250 acre-feet per year). Ground water quality and availability should be determined by drilling test wells. Water might be available from the possible purchase of water from area ranches and the retirement of any irrigation rights they may possess.

NEAREST RAILROAD

The BNSF Colstrip line is located 31 miles away with a 144 ton limit. Alternatively, a spur could connect to the

proposed and partially permitted Tongue River Railroad. The spur would connect near Ashland and from there the Tongue River Railroad would run 90 miles north to the BNSF mainline at Miles City.

NEAREST HIGHWAY

Montana highway S-484 is located about one mile to the west. In 2004, average traffic volume was 130 vehicles per day and the road is 28 ft. wide. If any coal is to be hauled by road, the Montana Department of Transportation can assist by identifying any needed improvements that will enable efficient and safe product transportation.

TRANSMISSION

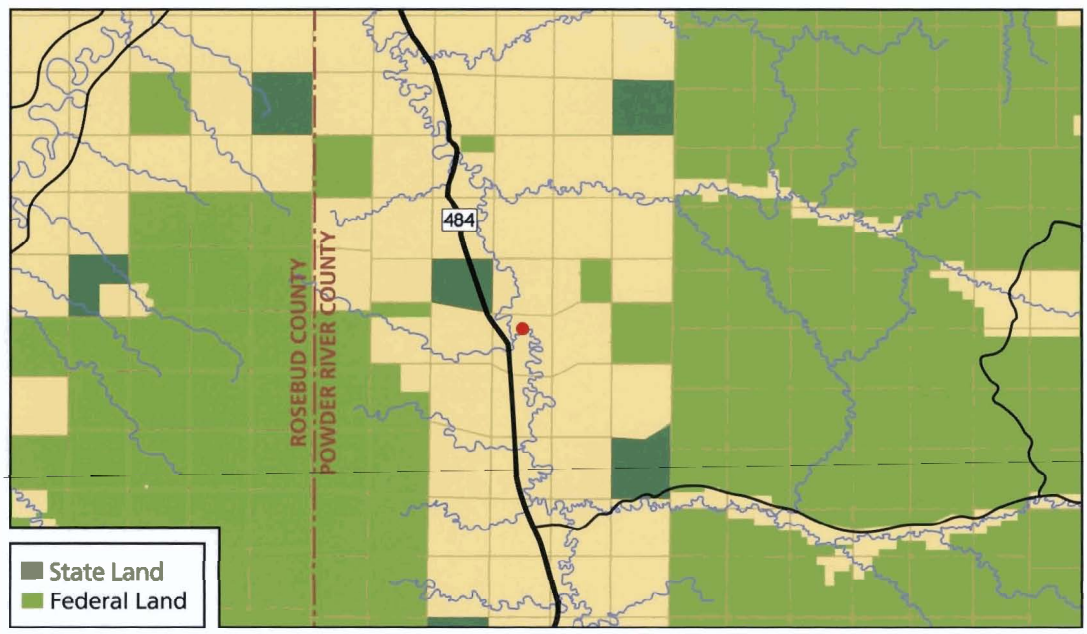
The nearest connection to the grid would be at Colstrip, about 40 miles to the northwest. Dual-circuit 500 kV lines, a 230 kV line and two 115 kV lines originate at Colstrip. A proposed coal fired generating plant located at Nelson Creek, near Circle, Montana, is in NorthWestern's generation interconnection and transmission queues with a request for a 500 MW interconnect at Colstrip with 500 MW of transmission service beyond Colstrip. The proposed Nelson Creek project has a current on-line date of 2011. Firm transmission capacity may not be available for any additional interconnects at this point, even if the upgrades to the 500 kV lines proposed in the Rocky Mountain Area Transmission Study are implemented. However, the proposed Northern Lights high voltage DC power line that would connect Montana to loads in the southwestern U.S. may provide additional capacity at Otter Creek.

PRODUCT PIPELINES

The Cenex pipeline to Fargo from the Cenex refinery at Laurel runs about 50 miles north of this site. It currently operates at 80-90 percent of its 38-40,000 bbl/day capacity.

OTHER COMMENTS

The area is in approximately 50/50 ownership between Great Northern Properties and the State of Montana. The state owns approximately 533 million tons of coal at this site.



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PO Box 200801

Helena, Montana 59620-0801

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TAPPING MONTANA'S POWER POTENTIAL

The Schweitzer Energy Policy

Background and Premises

In October 2005, Governor Schweitzer called the Montana Energy Symposium in Bozeman to highlight serious concerns about energy policy and to hear ideas from energy experts and Montana citizens. The symposium brought together over 700 people from across the state and country to discuss Montana and the nation's energy future. Attendees offered a broad range of concerns and opinions. Governor Schweitzer, Lt. Governor Bohlinger and representatives of their administration have continued to listen to Montana's citizens and business people following the Energy Symposium. The ideas that emerged from those opinions and meetings provide the context for the Schweitzer Energy Policy.

The Schweitzer energy policy is built upon these important premises:

- Montana has more potential for energy development from existing and untapped diversified sources than any state in the nation.
- Because of our existing energy development and our energy development potential, Montana can play a major role in reducing our nation's addiction to foreign oil.
- When done properly, energy development, including value adding, can create the high-quality, good-paying jobs essential for a strong economy.

  The locations of much of the energy development will stimulate economic growth in areas of Montana that have long suffered economic hardship.
- Montana citizens want energy development that primarily focuses on renewable energy sources and clean energy technologies that are compatible with our quality of life.
- New market demands for clean energy and newly developed technologies make possible energy development compatible with our quality of life and consistent with our Constitutional right to a "clean and healthful environment."
- While energy development must include development for export to external markets, Montana citizens want it done in a manner that provides for sustainable, affordable energy for Montana's businesses, industries and families.
- Through state and local tax revenues, proper energy development can help provide for education and other important governmental services, in addition to jobs and growth.
- While state government and its elected officials cannot dictate private market investment in Montana, they can play a central catalytic role in attracting needed energy development capital.

Energy Policy Themes

A number of broad themes emerged from the discussions at the Symposium about specific technologies and specific development projects. Taken together, these themes constitute the framework of an energy policy that contributes to the nation's needs while helping all Montanans by promoting:

- Diversified Energy Development
- Renewable Energy Development
- Cleaner Energy Development
- Development with Clean Coal Technologies
- Value-adding Energy Development
- Energy Efficiency and Conservation
- Energy Availability and Affordability
- Adherence to Environmental Laws and Community Acceptance
- Supportive Infrastructure Development

Energy Policy Specifics

Diversified Energy Development Montana is blessed with abundant energy resources. In addition to our great rivers and streams, we have the nation's largest reserves of coal and some of its best wind resources. Our farms, ranches and forests can support a strong bio-fuels industry. We have abundant oil, natural gas and coal bed methane opportunities. Montana needs to enhance existing and create new diversified energy development from these resources, compatible with our existing quality of life.

Renewable Energy Development In addition to being renewable, wind generation, hydro, ethanol, and bio-diesel reduce or eliminate carbon dioxide and other pollutants common to conventional energy projects. Developing these resources will play a vital role in helping the nation meet the target of 25% renewable energy by the year 2025. Our agricultural and other resource strengths mandate that the State of Montana aggressively promote the development of wind generation, ethanol, biodiesel, biomass and other renewable forms of energy.

Cleaner Energy Development The move toward clean energy is both market-driven and socially responsible. California, as one of the largest energy markets, has already set standards requiring that electricity delivered to its borders minimizes greenhouse gas emissions and includes a green power mix. Concern over climate change continues to grow and Montanans demand the high quality of life we now enjoy, including a "clean and healthful environment". Therefore, state government will focus substantial efforts and resources on promoting energy development projects that meet the rising national demand for cleaner energy.

Development with Clean Coal Technologies Coal-to-liquid fuels and integrated gasification combined cycle (IGCC) electrical generating plants allow more of the pollutants and greenhouse gases associated with conventional coal technologies to be captured and disposed. In particular, the

Montana has more potential for energy development from existing and potential new diversified sources than any state in the nation.

carbon dioxide capturing that is inherent in these processes allows sequestration of the CO_2, including methods that give the double benefit of enhanced oil recovery. The state will focus energy development of coal, including state-owned coal, on coal-to-liquids plants, IGCC electrical power plants, and other clean coal technologies.

Value-adding Energy Development Historically Montana has been a commodity exporting state. In agriculture, forest products and mining, the economic benefits of value-adding, and many quality jobs, have gone mostly out-of-state as a low-level commodity. The state of Montana will commit itself to adopting policies and practices that emphasize more value-adding in the energy field, whether the initial source is bio-based or carbon-based.

Energy Efficiency and Conservation Energy efficiency and conservation are the best homegrown defense against high-energy prices and produce the quickest results. Energy efficient houses keep us warmer while saving money, especially for those who are forced to choose between food and medicine or heat. Energy efficient cars make citizens less subject to the supply disruptions associated with hurricanes and international politics, and an energy efficient state has less need for costly environmental cleanups. State government will focus resources on energy efficiency and conservation, through both direct assistance to Montana's lower income families and support of industries, businesses, and practices that promote energy efficiency.

Energy Availability and Affordability Montana has suffered from the effects of electricity deregulation in the past decade. If that market can't be policed adequately and provide affordable energy for Montanans, we will consider creative ways to re-integrate Montana's electrical energy generation, transmission and distribution and the possible re-regulating of prices. We need to seek ways to insure that adequate amounts of the electric energy produced at the lowest cost in this state are reserved for Montana's businesses, industries and families.

Adherence to Environmental Laws and Community Acceptance Energy development in Montana will be expected to follow our environmental laws and respect our communities. We support the expansion of existing activities that already meet environmental standards. Looking ahead, the use of public resources to promote new energy projects will follow a high standard, concentrating on the cleanest projects proposed by industry and those that find community acceptance.

Supportive Infrastructure Development The transmission lines, pipelines, railroads and highways needed to move various energy products to market are vital if Montana is to compete in regional and global markets. We will commit state efforts to strengthening our energy delivery links internally and to the rest of the world.

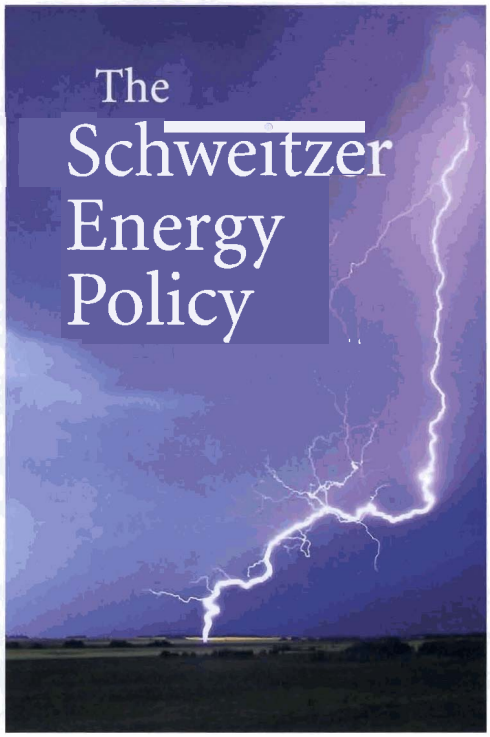
Conclusion

The primary energy concern of the Schweitzer-Bohlinger administration, is to secure a long-term, sustainable, reliable and affordable energy future for our citizens and businesses, and to secure economic growth from energy development in targeted areas of the state. In addition, we understand our obligation to the nation to help secure energy independence.

With our significant inventory of energy sources, Montana can play a leadership role in reducing the nation's reliance on foreign oil that often comes from unfriendly political regimes around the world. Proper development of Montana's existing and new diversified energy resources can also provide the electric power, gas, and liquid fuels needed to drive economic growth in our state and nation.

The state of Montana should strive to attain greater efficiencies and conservation as a means of reducing energy costs. Montana can and should focus its efforts on new clean energy technologies and renewable forms of energy by playing a catalytic role in bringing private and public resources together to create energy development projects.

We do not intend to "build a fence around Montana", nor will we accept the mentality of "rip and run" rapid developments of the past. We know, as do most Montanans, that we can have good quality jobs, a clean and healthful Montana, and fulfill our national obligations. Proper energy development following the principles outlined in this Schweitzer Energy Policy can provide solid economic development, quality job creation, and energy security and affordability for our state, and be done in a manner that protects the Montana quality way of life. ■



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MONTANA IS WIND COUNTRY

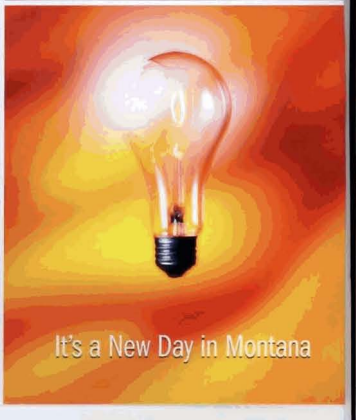
MONTANA BIG SKY COUNTRY

ROPING THE WIND FOR TODAY'S POWER AND TOMORROW'S ENERGY SOLUTION

Judith Gap Wind Farm photos courtesy John Bacon/Invenergy, LLC.

Montana is Wind Country

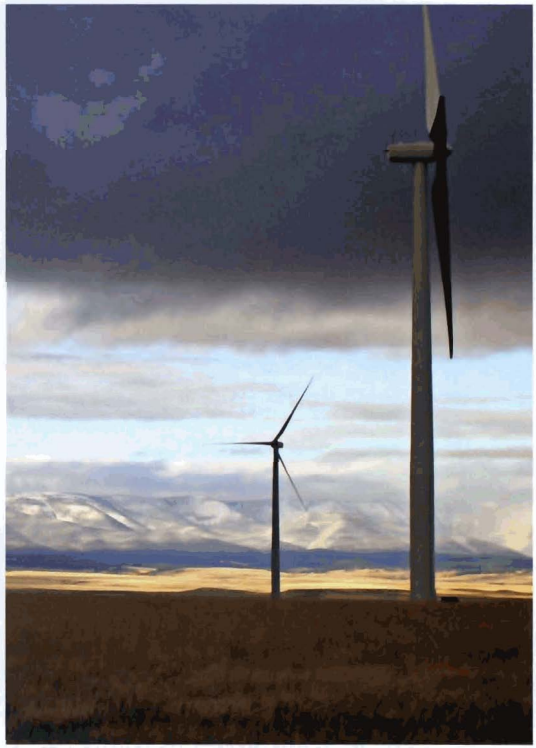
Montana leads the nation in wind energy power potential and the state is at the center of North America's wind heartland. Wind energy is clean and renewable and provides the "green" complement to Montana's world class reserves of coal as well as oil and natural gas. Much of Montana's wind has yet to be tapped and represents a great investment opportunity.



MONTANA'S WIND ENERGY OBJECTIVES

Support all types of wind development from large scale wind farms to distributed generation serving individual farms, businesses and homes.

- Combine clean renewable wind with conventional and advanced fossil power sources into a "green" energy package.
- Create a domestic energy production economy in America's heartland working toward the national goal of energy independence.
- Advance the construction of electric transmission lines connecting wind resources in Montana to load centers in the western and eastern electric grid interconnections.



MONTANA DEMOGRAPHICS: **AT-A-GLANCE**

Land area: 147,138 square miles

Population (2005): 935,670
- Urban: 54%
- Rural: 46%

Persons per square mile: 6.4

Major Cities:

Billings	96,977	Missoula	61,790
Great Falls	56,503	Bozeman	32,414
Butte	32,393	Helena	27,196

Gross state income (millions of current dollars): $27,701

Total State Tax (2005): $1,787,889,000 Rank: 47

Total Tax Per Capita: $1,910 Rank: 35

Total Montana Exports: $842.7 million

Wheat	$278.0 million
Industrial Machinery	$110.3 million
Inorganic Chemicals	$75.3 million
Paper and paperboard	$39.0 million
Wood and Wood Products	$33.4 million
Precious metals	$10.3 million

Civilian labor force: 483,043
- Employed: 461,746

Total households: 358,667
- Persons per household: 2.45

Per capita personal income (2005): $29,387

Median household income (2004): $35,201

Average wage per job: $27,721

WIND ENERGY ASSETS

- Montana's vast wind resource is rated number one in the nation for class 3 wind and above.
- Almost unlimited sites available on federal, state, and private lands.
- The Montana Department of Natural Resources and Conservation has programs for wind energy exploration and development on State School Trust Land.

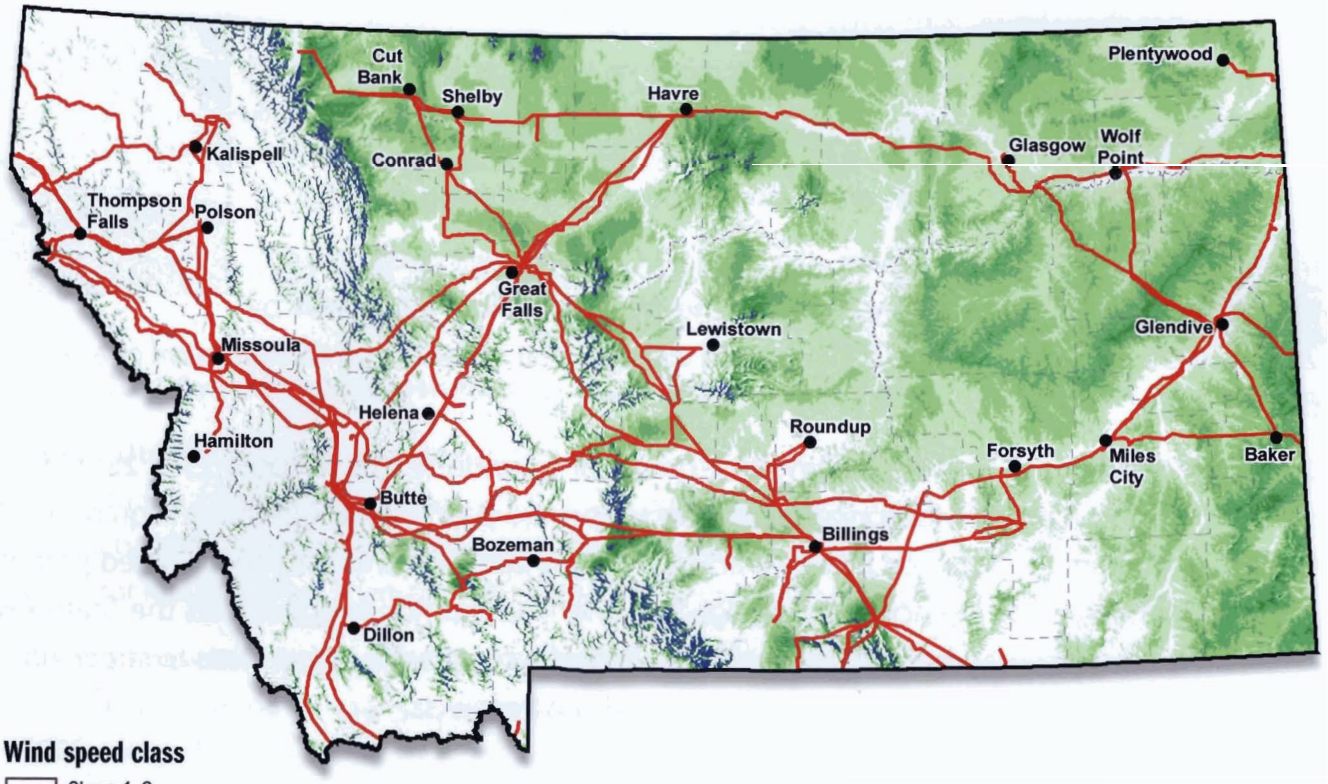
  Most wind sites are located in low population areas, where it's easier to avoid visual and other conflicts, where folks welcome wind energy projects and need economic development.
- Montana's Department of Environmental Quality has been gathering wind data and is an excellent source of wind data (visit www.energizemontana.com for wind info).
- Some counties such as Cascade County offer developers GIS based maps depicting the wind resource classes, roads, transmission lines, property ownership and topography. Their officials stand ready to make land owners introductions and to do what it takes to help developers turn prospects into projects.

WIND PROJECTS

Two wind projects have gone on line since 2005; the Horseshoe Bend project (9 MW in Cascade County) and the Judith Gap project (135 MW in Wheatland County) moved Montana from a ranking of 50th to 15th in the nation in wind energy out put. Numerous smaller distributed wind energy projects are dispersed across the state. Other big planned developments include:

Valley County: 500 MW
Glacier County: 175 MW
Jefferson County: 35 MW
Toole County: 120 MW
Stillwater County: 400-450 MW
Meagher/Wheatland Counties: 50-100 MW

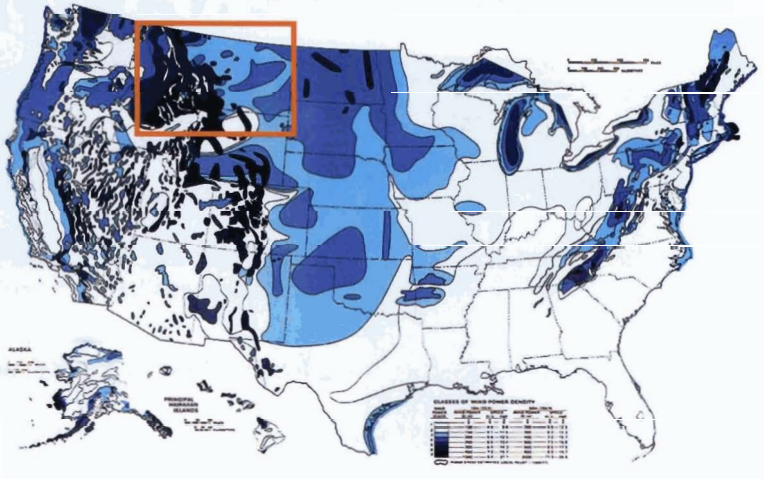
MONTANA WIND MAP



Wind speed class

- Class 1-2
- Class 3
- Class 4
- Class 5
- Class 6
- Class 7
- Major Electric Transmission Line

NATIONAL WIND MAP



Montana is the wind energy capital of the United States. The national map (right) shows that Montana has the highest concentration of wind power potential in the nation. The Montana map shows the best wind power locations the state has to offer while showing the proximity of electric transmission lines.

Wind speeds estimated by TrueWind Solutions (http://www.windpowermaps.org), 2002
Montana State Library: map #07deq0049, September 6, 2006

ENVIRONMENTAL CONSIDERATIONS

Avian studies show impacts to birds can be mitigated.

Visual objections? Not many. Wind resources are located where visual impacts are minimal due to the relatively small population nearby.

Wind energy is clean, renewable, and produces zero green house gases (GHG's).

Market demand for "green" power is growing—California will need an additional 21,000MW of electricity by 2025 and the West as a whole 30,000MW by 2015 and is legally demanding that imported electricity be "green" with the adoption of a GHG standard in 2005.

Governor Schweitzer was the nation's first governor to endorse the national 25 x '25 initiative; a grass roots effort gaining widespread bipartisan support to pass federal legislation requiring 25% of US energy demand be supplied by renewable energy by 2025. He endorses coordinated permitting processes among state agencies and designates one lead agency to spearhead the State review process. He also encourages multi-state and state/federal cooperative agreements to streamline permitting of multi-jurisdictional transmission lines and wind projects.

TRANSMISSION TO MARKET

- New export paths are being planned:

  NorthernLights HVDC line (3,000/6,000 MW)
  Frontier Project (3,000 MW)
  Montana/Idaho – WECC Path 18 (1,000 MW)
  Montana Alberta Tie (600 MW)

  Additional corridors on federal and private lands are currently being identified through federal processes.

  All existing transmission lines, from 69 kV to 500kV, are mapped and available.

- Transmission expansion serving wind can also serve other power needs.

  The Bonneville Power Administration is planning upgrades to its transmission lines from Montana to the Pacific Northwest that will add 750 MW of capacity.

FEDERAL INCENTIVES

Federal Production Tax Credit: The Wind Energy Production Tax Credit (PTC) is a per kilowatt-hour tax credit for wind-generated electricity. Available during the first 10 years of operation, it provides 1.5 cents per kWh credit adjusted annually for inflation. The adjusted credit amount for 2005 was 1.9 cents per kWh.

Depreciation: Double-declining balance, five-year depreciation schedule.

Jon Thompson

- **Farm Security and Rural Investment Act of 2002** (Farm Bill): has several provisions for renewable energy.
- **Public Utilities Regulatory Policy Act of 1978** (PURPA): was enacted as part of the National Energy Act of 1978, during a time of unprecedented energy supply instability in the United States. The law requires utilities to purchase energy from non-utility generators or small renewable energy producers that can produce electricity for less than what it would have cost for the utility to generate the power, or the "avoided cost."

Clean Renewable Energy Bonds: An incentive, sponsored by Senator Baucus, for governmental bodies (including tribal governments), municipal utilities and rural electric cooperatives was included in the 2005 energy bill.

STATE INCENTIVES

Montana adopted a state renewable energy portfolio standard in 2005 requiring 15% renewable power by 2015. Listed below are other incentives available from the state of of Montana:

15-6-201(4) MCA	Property tax exemption for buildings using renewable energy.
15-6-225 MCA	Property tax exemption for renewable generating facilities under 1 MW.
15-24-1401 MCA	Property tax reduction for renewable generating facilities 1 MW or more.
15-31-124 MCA	New or expanded industry tax credit.
15-32-201 MCA	Tax credits for individuals installing nonfossil forms of generation.
15-32-401 MCA	Alternative energy investment tax credit.
15-72-104 MCA	Exemption from wholesale energy transaction tax.

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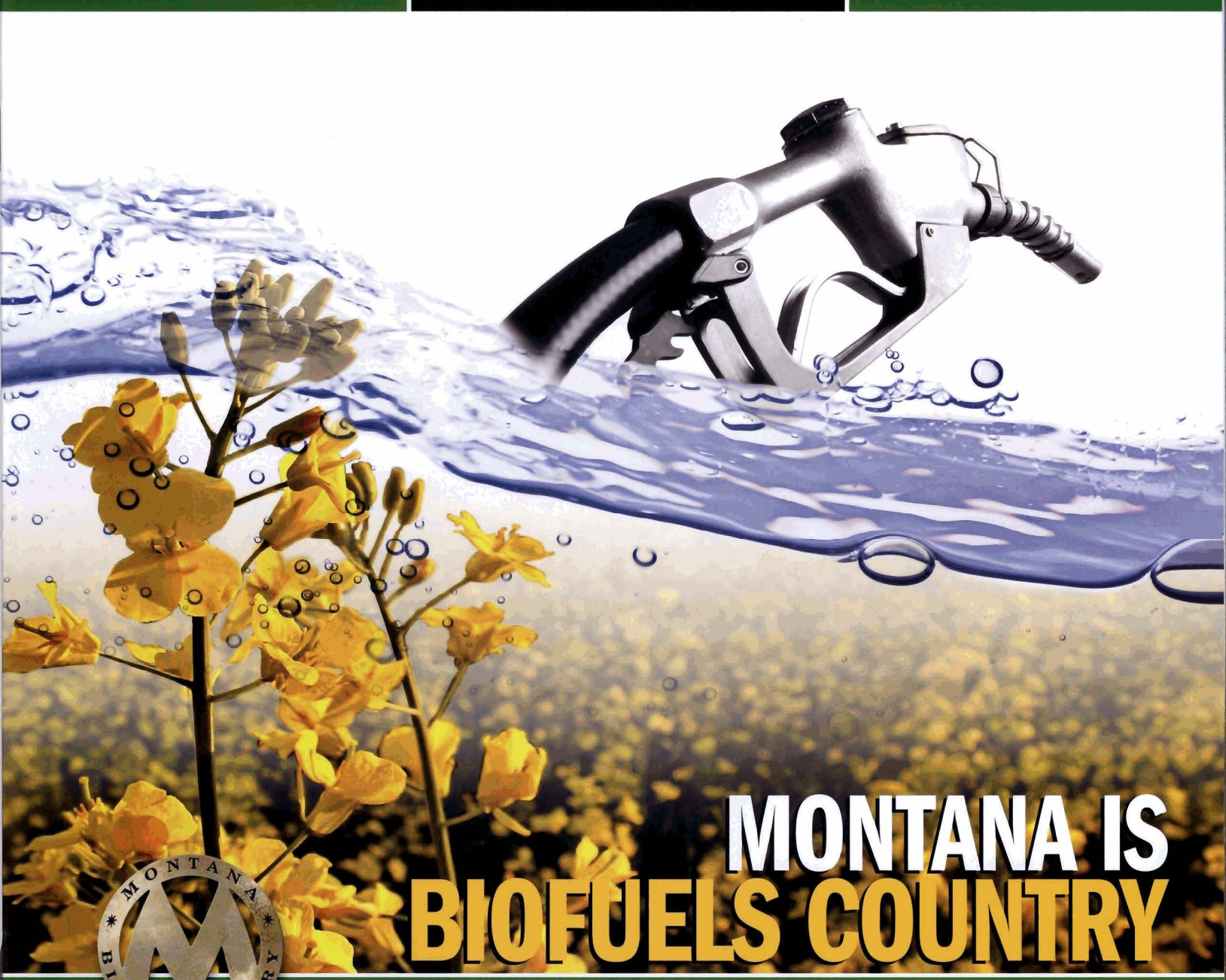
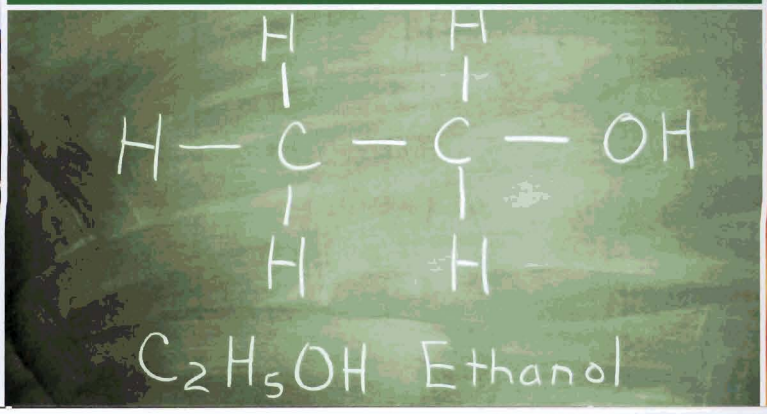


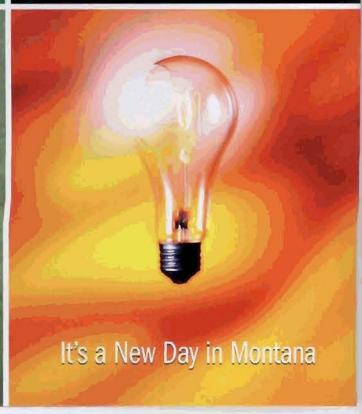
MONTANA IS BIOFUELS COUNTRY

DEVELOPING BIOMASS FUELS FOR TOMORROW'S ENERGY

Montana is Biofuels Country

Biofuels production is an important component of Governor Brian Schweitzer's energy policy. Biofuels production will create new markets for agricultural products, reduce our state and nation's dependence on imported oil, attract investment and create jobs in economically distressed rural Montana.





MONTANA'S OBJECTIVES

- Develop a Montana biofuels industry as a component of Governor Schweitzer's energy policy of developing diverse energy sources available in abundant supply in Montana.

  Utilizing the $15 million under a US Department of Labor WIRED grant, create a "biofuels" energy production economy in the region comprised of 32 eastern Montana counties that will boost one of the nation's most economically distressed regions.

- Advance the utilization of grain and oil seed crops that can be made into transportation fuels and biolubricants.

MONTANA'S ASSETS

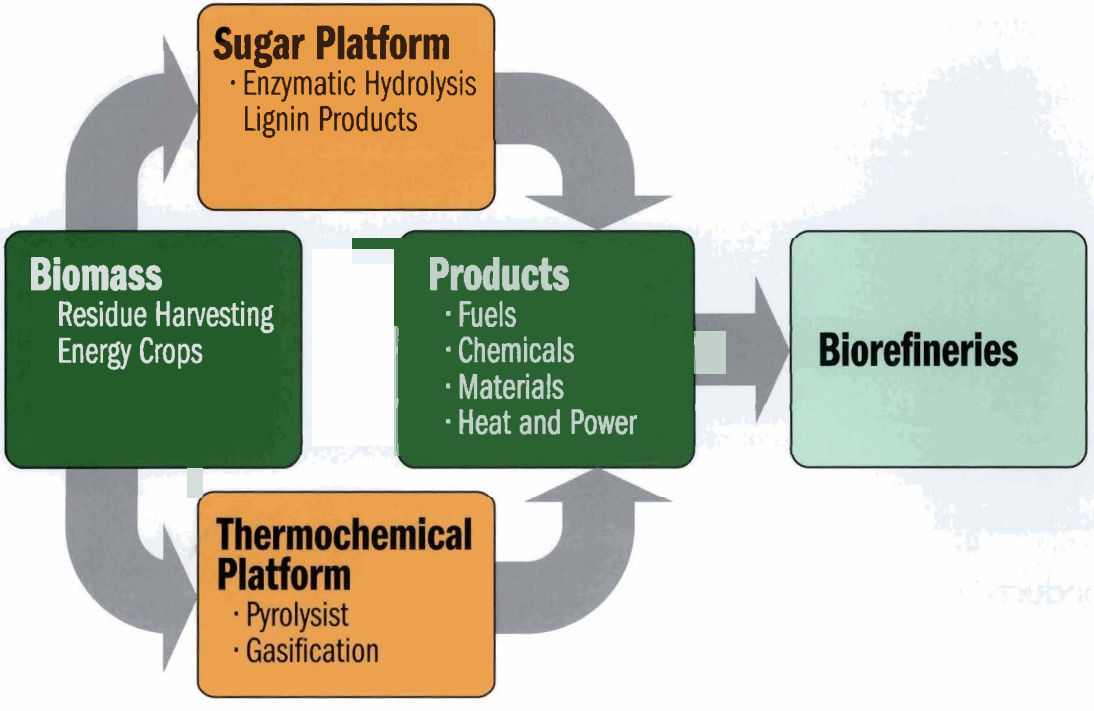
- Total land area of 145,000 square miles, the nation's 4th largest state.
- 16.5 million acres of crop land suitable for growing grain and/or oil seed crops for use in ethanol and biodiesel production.
- 19 million acres of non-reserved forest land in Montana available for production of cellulosic ethanol and other biofuels.

  The Montana Department of Environmental Quality (DEQ) conducts a DOE funded Biomass Energy Program that currently:
  - Assists in commercial development
  - Develops new bio-energy technology
  - Provides technical assistance to the industry
- DEQ conducts biodiesel production workshops for those interested in starting a business.

CONVERTING BIOMASS TO FUEL

The U.S. Department of Energy (DOE) Biomass Program develops technology for conversion of biomass (plant-derived material) to valuable fuels, chemicals, materials and power, so as to reduce dependence on foreign oil and foster growth of biorefineries. Biomass is one of our most important energy resources. The largest U.S. renewable energy source every year since 2000, it also provides the only renewable alternative for liquid transportation fuel. Biomass use strengthens rural economies, decreases America's dependence on imported oil, avoids use of highly toxic fuel additives, reduces air and water pollution, and reduces greenhouse gas emissions.

Today's biomass uses include ethanol, biodiesel, biomass power, and industrial process energy. Tomorrow, biorefineries or cluster companies will use advanced technology such as hydrolysis of cellulosic biomass to sugars and lignin and thermochemical conversion of biomass to synthesis gas for fermentation and catalysis of these platform chemicals to produce slates of biopolymers and fuels.



BIOFUEL PLANTS PROPOSED AND EXISTING

- Proposed ethanol plants:

Billings	Butte	Box Elder	Glasgow-Ft. Peck	Great Falls
Hardin	Harlem	Miles City	Shelby	

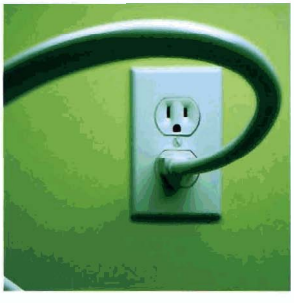
- Proposed biodiesel plants:

Billings	Bozeman	Chester	Culbertson	Gallatin County
Hardin	Havre	Livingston	Kalispell	Malta

- Limited biodiesel production is on-going in Florence, Great Falls, Helena, Livingston, and Simms.
- Montana Microbial Products LLC is a leader in enzymes for cellulose and barley-based reduced energy ethanol production. They are operating a pilot plant in Butte to demonstrate this process with select cellulosic feedstocks.

ENVIRONMENTAL CONSIDERATIONS

- Biodiesel:
  - Safer
  - Renewable
  - Biodegradable
  - Positive Energy Balance
  - Cleaner Burning
- Ethanol:
  - Domestic
  - Renewable
  - Cleaner Burning
  - Good for your car
  - Environmentally Friendly



- Governor Schweitzer is the nation's first governor to endorse the national 25 x '25 initiative; a nationwide grass roots effort gainingwidespread bipartisan support to pass federal legislation requiring 25%of US energy demand be supplied by renewable energy by 2025.

FEDERAL INCENTIVES

Biodiesel/Alternative Fuels: Small producer biodiesel and ethanol credit. This credit will benefit small agri-biodiesel producers by giving them a 10 cent per gallon tax credit for up to 15 million gallons of agri-biodiesel produced. In addition, the limit on production capacity for small ethanol producers increased from 30 million to 60 million gallons. This is effective until the end of 2008.

Credit for installing alternative fuel refueling property: Fueling stations are eligible to claim a 30% credit for the cost of installing clean-fuel vehicle refueling equipment, (e.g. E85 ethanol pumping stations). Under the provision, a clean fuel is any fuel that consists of at least 85% ethanol, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, or hydrogen and any mixture of diesel fuel and biodiesel containing at least 20% biodiesel. This is effective through December 31, 2010.

STATE INCENTIVES

- Grant and loan assistance for biofuels
  - Alternate Energy Revolving Loan Fund, Montana Department of Environmental Quality
  - Montana Growth Through Agriculture Program, Montana Department of Agriculture
  - Montana Alternate and Renewable Resource Program, Montana Department of Natural Resources and Conservation

  Montana Ethanol Incentives
  - 10% ethanol blending requirement when Montana production reaches 40 million gallons per year
  - Ethanol production tax credit (up to $0.20 per gallon)
  - Ethanol-blend fuel tax reduction (15% until blend requirement is in place)
  - Distribution and storage equipment (retail and distribution) tax incentive
- Montana Biodiesel Incentives
  - Biodiesel tax credits for production ($0.10 per new gallon)
  - Biodiesel distributor and retailer tax credit (up to $0.02 per gallon sold)
  - Production (and oilseed crushing) Facility tax incentive (up to 15%)
  - Distribution and storage equipment (retail and distribution) tax incentive

Governor's Office
of Economic Development

PO Box 200801

Helena, Montana 59620-0801

1-866-442-4968

www.business.mt.gov

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ALTERNATIVE ENERGY FROM MONTANA COA

MONTANA BIG SKY COUNTRY

Montana's Clean and Abundant Alternative
to Conventional Power and Liquid Fuels

Montana's New Energy Source for America

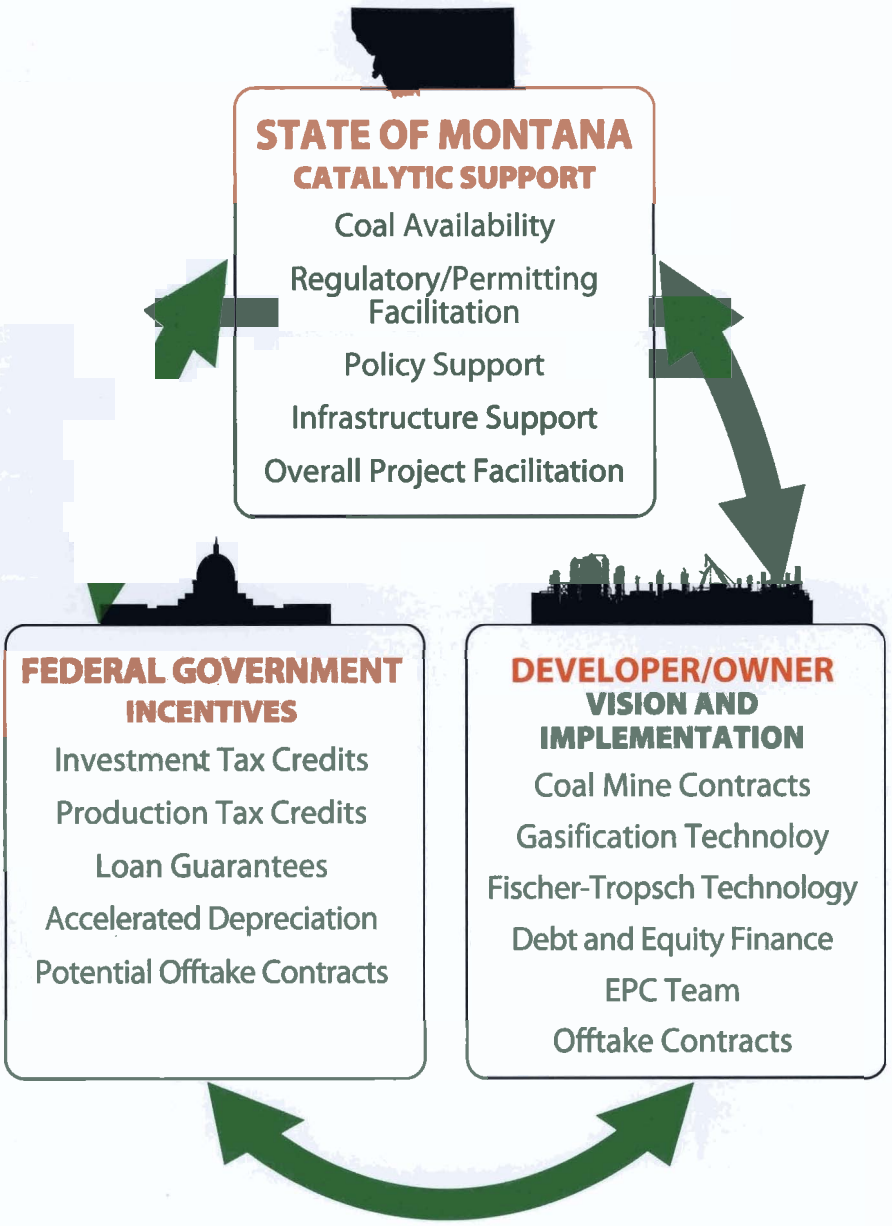
Montana intends to take advantage of its status as holder of the nation's greatest coal reserves to:

- Break America's addiction to foreign oil and move to energy independence
- Utilize coal gasification to produce clean-burning transportation fuels and low-emissions power
- Create a domestic energy production economy in America's heartland
- Advance CO_2 sequestration technology
- Produce sulfur-free and particulate-free liquid fuels while reducing environmental contaminants

◀ Governor Brian Schweitzer tours the Great Plains Synfuels Plant in central North Dakota.

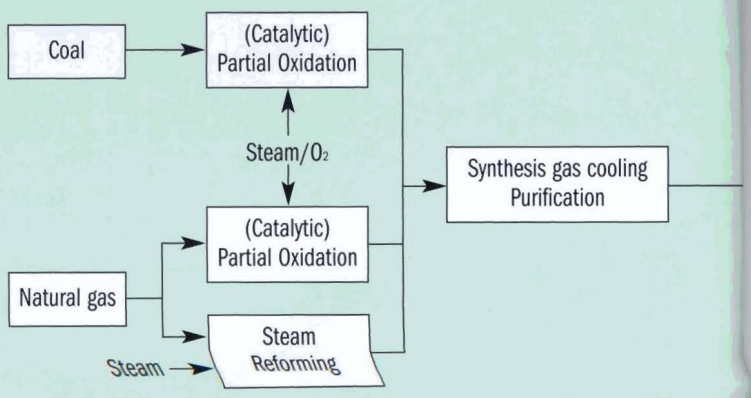
Montana's Catalytic Approach to Coal-To-Liquids

The State of Montana is taking on a catalytic role to bring together developers, industry representatives and the federal government, while providing permitting facilitation and coal feedstock for technology development, financing, engineering, infrastructure and product offtake.



▲ Aerial view of the Great Plains Synfuels Plant. This plant represents an example of engineers using innovative technologies to produce energy resources.

SYN GAS PRODUCTION

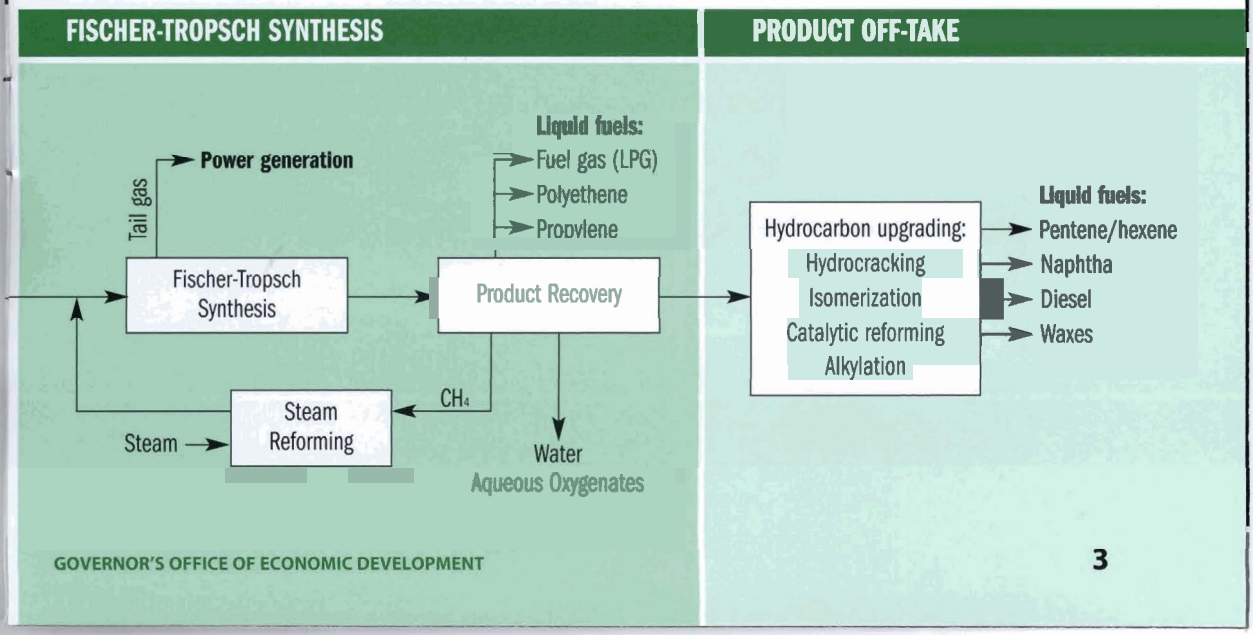


Gasification and Fischer-Tropsch (F-T) Technologies

F-T motor fuel is made from syn-gas (hydrogen and carbon monoxide) produced by coal gasification.

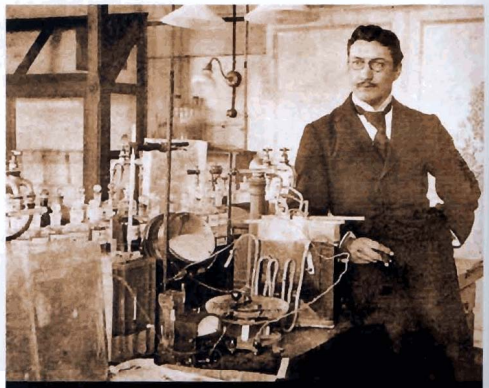
In the 1800s, lamplighters once made their rounds down the streets of many of America's largest cities lighting street lights fueled by "town gas," the product of early and relatively crude forms of coal gasification. Town gas was replaced when large natural gas reserves were developed. *Source:* Department of Energy

- In the 1970s, interest in coal gasification revived, due largely to concerns that the U.S's supply of natural gas was waning. When government price controls on natural gas were subsequently lifted, large quantities of natural gas became available and development of coal gasification in American stalled. *Source:* Department of Energy
- Recently, prices of natural gas have risen sharply while America obtains 60% of its oil from foreign supplies. *Source:* Department of Energy
- Because F-T diesel can be made for about $40/bbl (about $1/gal.), the time is right to revive coal gasification and make our fuels in America. *Source:* Rentech



A Brief History of the Fischer-Tropsch Process

- **America, 1910s:** U.S. Bureau of Mines experimentation turns coal into liquid fuels.
- **Germany, 1920s:** Fischer Tropsch (F-T) process first creates "syngas" for liquid fuel production.
- **Germany, 1940s:** Germany makes 90% of its aviation fuel and the majority of its petroleum from coal during World War II.



▲ Franz Fischer in his laboratory, 1918.

America, 1940s: Congress appropriates $100 million in Synthetic Liquid Fuels Act for studying coal-to-liquids. By 1953, U.S. test plants are producing 5,000 BPD of unleaded gasoline using F-T process.

- **America, 1953:** U.S. research is abandoned.
- **South Africa, 1950s:** Heavy government investment in F-T infrastructure.
- **South Africa, Today:** 300,000 BPD production of gasoline and diesel from F-T process.

Source: Department of Energy

Fischer-Tropsch and Gasification Technology Today

- **Over 100 gasification plants exist worldwide,** mostly for chemical production. **Sasol, Ltd.** of South Africa currently produces 250,000 BPD of gasoline and 50,000 BPD of diesel, as well as numerous usable industrial chemicals utilizing gasification and F-T technology.

  The **Dakota Gasification Company** plant located in Beulah, North Dakota, was built in the 1980's with federal DOE assistance and produces synthetic natural gas, CO_2 and other usable chemicals.

- The **Polk Power Station** near Mulberry, Florida, is the nation's first "greenfield" (built as a brand new plant) commercial gasification combined cycle power station.

  The **Wabash River Coal Gasification Repowering Project** was the first full-size commercial gasification-combined cycle plant built in the United States. Located outside West Terre Haute, Indiana, the plant started full operations in November, 1995.

▲ Tampa Electric's Polk Power Station

▲ Wabash River Coal Gasification Plant

Products of Gasification/ F-T Process

High octane, clean-burning motor fuels that run in existing engines

A **base fuel (JP-8)** that the U.S. military is now testing as a single, universal battlefield fuel

Marketable synthetic **natural gas**

- **CO_2** (a highly sought commodity for enhanced oil recovery - EOR)

Electric power created by waste heat

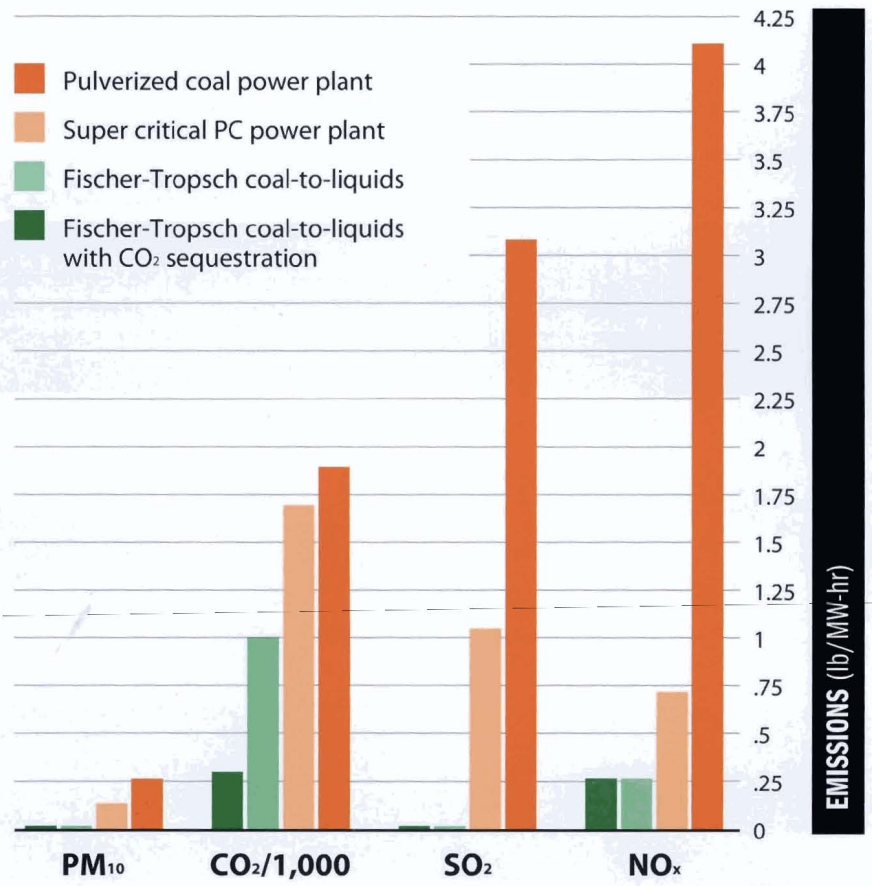
Hydrogen for various purposes

Sulfur, ammonia, phenols, naptha and numerous other usable industrial chemicals

Environmental Profile of Gasification/F-T Process

- Fuels that meet the highest clean air standards in the world
- Removal of particulates, sulfur, mercury, and other pollutants
- Potential for electricity production with near-zero emissions
- Coal plants that are CO_2 capture-ready
- Exportation of advanced technology to coal-utilizing developing nations to address global environmental concerns

Emissions Comparison of F-T Fuels Plants with 535MW Power Plants (national figures, Rentech)



▲ JP-8 fuel is the DOD's desired fuel to power all military vehicles and planes. It has been estimated that approximately 60 billion gallons are used worldwide each year, with 4.5 billion used by the U.S. Air Force, the U.S. Army, and NATO. JP-8 is also used to fuel heaters, stoves, tanks, and other vehicles in military service; and used as coolant for engines and other aircraft components.

Federal Government Market Opportunities

U.S. Military can drive offtake:

- Department of Defense (DOD) is the largest consumer of foreign oil in America

  Currently testing JP-8 as a single battlefield fuel for all vehicles and planes (fuel is 20% lighter than petroleum based fuel)

- National Security: Concentration of coastal refineries creates vulnerability to hurricanes and terrorism

- F-T fuels would enable DOD's European bases to meet 2012 European Union clean air requirements

- New DOD authority for long-term buying

Private Market Opportunities

- Major Railroads
- Trucking Companies
- Truckstop Chains
- Airlines
- Refineries

Federal Incentives

- Loan guarantees of up to 80% of project cost for coal liquefaction

  Fifty cents per gallon diesel production tax credits

- Accelerated refining expense deduction allows depreciation of 50% of liquefaction facility in first year

- Industrial gasification tax credits available

  Energy Bill grants Department of Defense authority to enter into long-term fuel off-take contracts

Industry Players

Gasification Technologies

GE, Lurgi, Shell, KBR, Future Energy, Conoco-Phillips, Alchemix

Liquefaction Technologies

- Sasol, Lurgi, GE, Rentech, Syntroleum

Engineering, Procurement and Construction

- Bechtel, Halliburton, Black and Veatch, Fluor-Daniel, Uhde

Coal-to-Liquid Fuels Basics

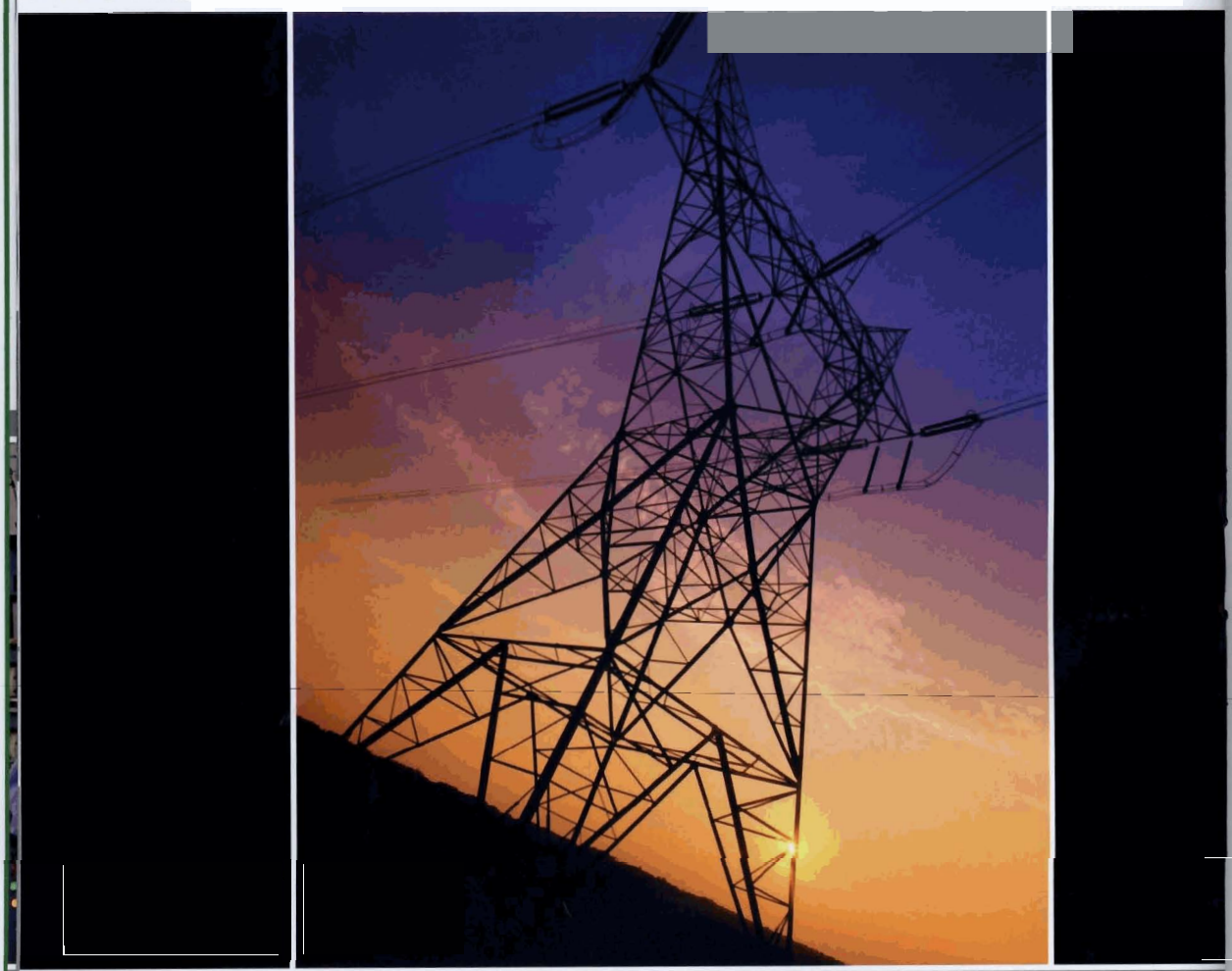
(10,200 BPD plant estimate)

EPC Capital	$0.75 billion (based on 2004 cost data)
Coal feed	7,650 TPD
Net Power	95MW
Total Fuel Production	10,200 BPD
F-T Diesel Production	8,560 BPD
F-T Diesel Production Cost	$40 BBL
CO_2 Production	1,950 TPD
CO_2 Netback	$7.50/ton

The source of the above information is Rentech Inc. These numbers will differ depending on the company involved and the technology applied, but all representations indicate the cost to produce diesel is approximately $40 /BBL. The EPC costs will be driven by both the technology utilized and the size of the project.

Considerations for F-T Development

- Few full-scale commercial operations currently in existence
- $40 per barrel oil price needed for F-T profitability
- High capital cost required—10,200 BPD plant costing at least $750 million
- Long term offtake agreements required to protect against oil market fluctuations
- Government, business and technology team required



Montana's Assets for Gasification and F-T Development

- Governor Schweitzer is the leading national proponent of Coal-To-Liquid (CTL) technology
- Over one-fourth of America's coal reserves, totaling 120 billion tons of estimated demonstrated reserve base.
- One billion tons of **state-owned** coal in eastern plains, where low over-burden allows for highly economical (and safe) surface mining

  Strong refining infrastructure in Billings and available quality workforce throughout coal region
- One of the most productive and best-educated workforces in America

  Proximity to premium Mountain and West Coast markets seeking clean fuel and power

Governor Brian Schweitzer tours the Syntroleum synfuel plant with Syntroleum CEO Ken Agee.

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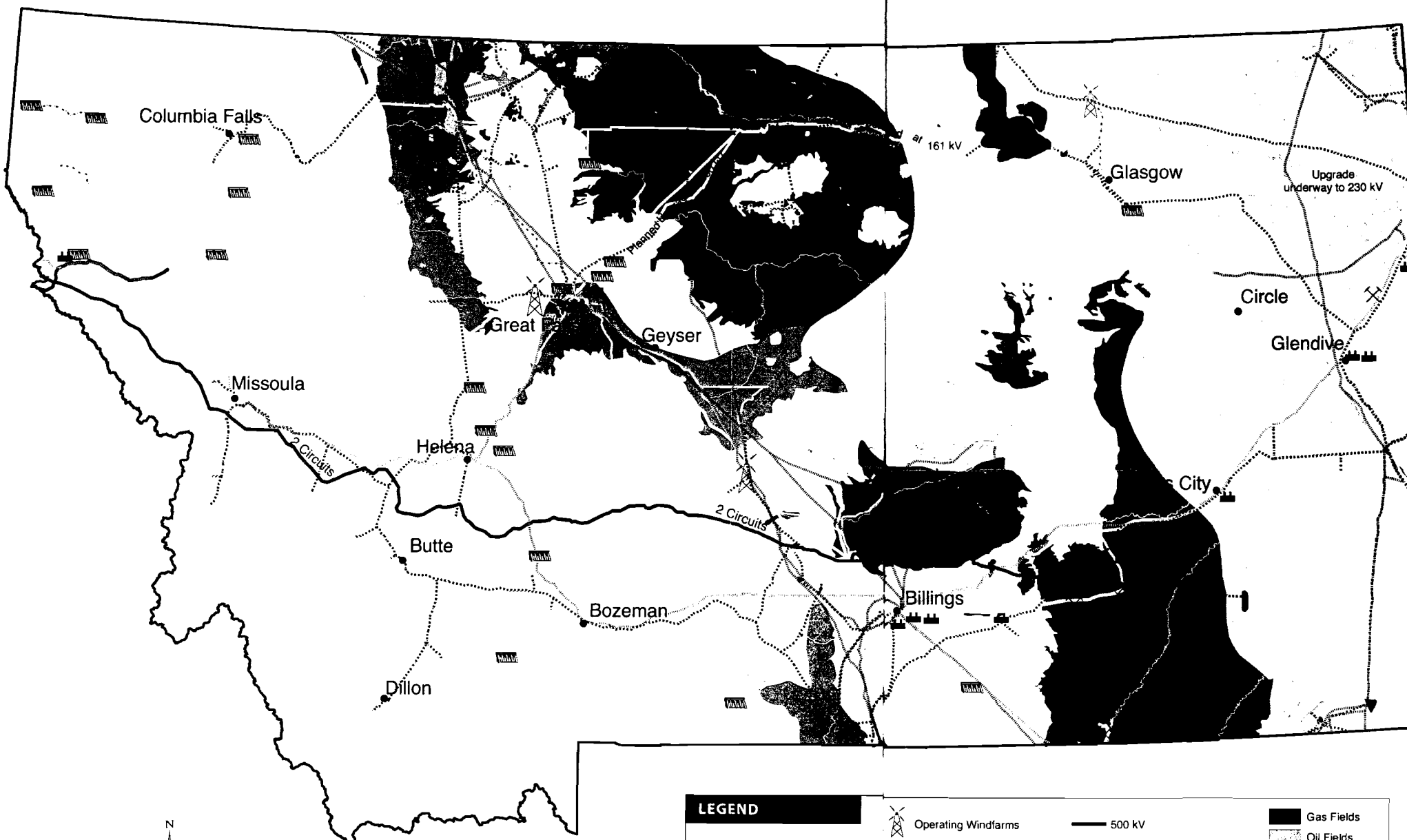
Energy Resources, Major Pipelines and Transmission Lines



Energy Resources and Transportation Facilities