

Nowakowski, Sonja

From: Robert Eddleman <nukauboi@icloud.com>
Sent: Tuesday, June 12, 2018 6:53 PM
To: Nowakowski, Sonja
Subject: SJ5

The state should do everything possible to increase coal production in Montana as soon as possible.

Thank you.

Sent from my iPhone



June 29, 2018

Environmental Quality Council
Legislative Services Division
Attn: Sonja Nowakowski
PO Box 201704
Helena, MT 59620.

EQC Committee,

Mr. Chairman and members of the Environmental Quality Council, thank you for allowing comment on the final study product of **Senate Joint Resolution 5, "Coal in Montana, Changing Times, Challenging Times"**. Please consider the following comments on behalf of Cloud Peak Energy.

Cloud Peak Energy (CPE) is one of the largest coal producers in the United States, operating exclusively within the Powder River Basin states of Montana and Wyoming. A publicly traded company on the New York Stock Exchange, CPE is headquartered in Gillette Wyoming.

CPE owns and operates two mines in Wyoming and one in Montana, the Spring Creek Mine, which is also Montana's largest operating coal mine. In total, CPE employs about 1300 people and has a full time workforce of about 250 at our Spring Creek Mine. CPE also recently exercised an option agreement with the Crow Tribe of Indians to begin the long and expensive process of permitting and developing a mine on the Crow Reservation near our Spring Creek Mine.

Overall, CPE considers the draft report to be factual and consistent with what the company is experiencing--declining domestic demand and growing demand overseas, mostly in Asia.

While recognizing the purpose and limitations of the study, we feel it is important to expand on a few points that touch on the overall importance of coal in Montana. First, the final draft acknowledges the number of individuals directly employed by individual mines in Montana. According to the Montana Coal Council, total employment for operating mines, not including the power plant employees, is 1147. Those 1147 mine employees average approximately \$85,800 per year in salary, not including benefits such as health care, retirement, bonus and other employee benefits.

Clearly, these are good paying jobs by any standard in Montana. As policymakers, you often hear of the need for more "living wage" jobs or "family wage" jobs in

Montana; jobs that afford a person the ability to have a home, raise a family and have disposable income to enjoy the many gifts Montana has to offer. The coal mining industry has a long history of providing the kinds of jobs you endeavor to support for the State of Montana.

It is also important to consider that these jobs are primarily located in rural Montana-in communities that do not enjoy the various opportunities provided by fast growing communities like Bozeman, Missoula or the Flathead Valley. Acknowledging the disparity in the Montana economy along a rural vs. urban divide or west vs. east, it is important to appreciate the value coal mining jobs are providing in the regions of our state that needs the economic boost the most.

Coal mining jobs bring economic diversity to regions of our state and underpin regional economies, creating both anchor jobs and substantial affiliated economic activity and jobs. Moreover, while we can all support increasing economic diversity to not only to specific regions of our state, but also to the state in general, you can only accomplish that industry/job diversity by **adding** different jobs and industries, not by subtracting from the existing base.

The quality of coal mining jobs will not easily be replaced regardless of federal grants, job training, additional education and other “feel good” efforts by policymakers. Even in economically thriving communities such as Bozeman, Missoula and Billings, the number of available \$85,000-per-year jobs, plus benefits, will come nowhere near the nearly 1100 coal mining jobs that exist today. By comparison, according to *Recruiter.com*, the national average annual wage for a solar panel installer falls between \$32,000 and \$48,000 depending on skill level. So, turning \$85,000-per-year jobs into \$40,000-per-year jobs via taxpayer funded subsidies, for example, probably isn't good economic policy.

Policymakers need to support meaningful efforts that protect the existing coal jobs provided today.

Second, with regard to the sizeable tax generated by the coal industry, policymakers understand that the current tax structure does not allow for a replacement revenue source to the State of Montana. The final SJ 5 report outlines the various taxes paid by the industry and touches on the government services Montana citizens need, desire and have come to demand resulting from those taxes. It is easy to gloss over the various programs impacted by coal tax dollars until you evaluate some of the programs individually and consider how those programs would be affected if you zeroed out coal tax dollars. How would policymaker's backfill lower or no coal tax revenue to certain programs that the public demands, desires and has come to expect?

Consider just a few of the programs identified in the August 3, 2017 Legislative Fiscal Division report (attached).

- **Long-range Building Program Account** – Through HB 5, the legislature uses coal severance tax dollars to finance building projects at Montana universities, vocational education institutions and state buildings to name a few. Lower coal severance tax revenue undoubtedly will affect the state’s ability to fund future needs at our institutions of learning and state buildings unless the legislature raises or creates new taxes on other sources. As of July 1, 2017, FY 2017 coal severance tax dollars contributed just **over \$7 million** to the long-range building program.
- **Conservation Districts** – The Department of Natural Resources and Conservation distributes dollars in this account to conservation districts throughout the state. Funds help conserve and protect natural resources such as water and soil.
- **Basic Library Services** – In 2016, libraries across the state curtailed access to research databases due to declining coal severance tax revenues. According to a June 6, 2016, AP story reported in the Flathead Beacon, State Librarian Jennie Stapp said the state library had about \$943,000 in coal severance tax revenue budgeted for 2016-17 financial years out of a two-year budget of about \$12 million. <http://flatheadbeacon.com/2016/06/06/reductions-coal-severance-taxes-hurting-libraries/>
- **Growth Through Agriculture** – Grants and loans through the Department of Agriculture are used to strengthen and diversify Montana’s agricultural industry by supporting new processes and products.
 - As of July 1, 2017, Conservation Districts, Basic Library Services and Growth Through Agriculture, received over \$3 million in FY 2017
- **State Parks Trust** – Coal severance tax dollars and the interest from the Parks Trust purchase, develop, operate and maintain state parks, public campgrounds, historic sites and monuments. Coal severance dollars are an important revenue stream to protecting and creating public access.

While these are just a few of the many specific programs that benefit from the coal industry, they underscore the problem of continued funding if coal revenues continue to decline---how and/or who will pick up the difference?

Critics of the coal industry often point to renewable energy as the “new economy” and suggest substantial placement of wind turbines and solar panels will offset immediate negative impacts associated with a declining coal industry.

Yet today, existing Montana tax structure does not treat renewable energy the same as coal or fossil fuels. There is no severance tax on wind; no gross proceeds on solar panels; no royalty share with the State for either. In short, large-scale renewable development in Montana will not generate the revenue stream that funds the current attributes Montanan’s need, desire and have come to expect nor will it

replace the real family wage jobs in the industry or anchor the affiliated economic activity and jobs it creates. Increased solar panel manufacturing in China will neither fund programs in Havre nor sell truck tires in Billings. And there are no employee car parks at a wind farm. Lower coal production and increased renewable energy production will force policymakers to cut programs or raise taxes and/or create new tax regimes.

Lastly, in the conclusion section of the Final Report, coal is said to be impacted by *“Low natural gas prices coupled with cheaper renewables mean that natural gas, wind and solar also are producing more and more electricity.”*

Prolonged low natural gas prices, continue to displace coal fired electrical generation. Natural gas electrical generating facilities once used primarily as source of on demand power to meet fluctuating peaks in electricity consumption are now running well beyond their intended design.

Additionally, utilities once leery of investing in natural gas fired electrical generating units due to gas' erratic swings in price, have grown more confident in what appears to be sustainable natural gas supplies and have increasingly added natural gas to their generating portfolio.

Couple inexpensive natural gas markets with the legal uncertainty created by NGO's in the permitting of new coal fired electrical generating facilities and market and political forces have certainly affected coal.

Renewable energy however, enjoys special treatment that is not shared among the other sources of electricity production. Forcing renewable energy onto the electrical grid, regardless of price, in the form of mandates such as Renewable Portfolio Standards, distorts electricity markets by demanding usage regardless of price or need.

Additionally, renewable energy is heavily subsidized with more than \$12 Billion dollars annually in direct federal subsidies alone. If renewable energy is indeed cheaper than coal fired electrical generation, then either U.S. taxpayers should be issued a \$12 Billion refund next April, or those resources should be diverted to fund other federal priorities.

With those facts in mind, the sentence noted earlier should be clarified thusly: *“Low natural gas prices coupled with renewable energy **that is both subsidized and mandated** mean that natural gas, wind and solar also are producing more and more electricity.*

Noting the subsidization and legal mandates of renewable energy more accurately describes the increase in renewable energy production, which, despite 45 years of policy promotion, mandates, and more than \$100 billion in federal subsidies, alone

that still does not deliver 10% of US electricity. While low natural gas prices have had the largest impact on coal demand, that result has largely been the result of market forces—mandates and direct subsidies were not necessary to stimulate gas fired electrical generation.

The increase in renewable energy on the other hand, has been purely a political force unguided by market conditions. And, according to United Nations Intergovernmental Panel on Climate Change Environmental Economist Richard Tol, these renewables policies have been a failure “that have made most of us a little bit poorer and a very few of us a little bit richer”. Tol notes that renewables subsidies have been about “rewarding allies with rents and subsidies rather than emissions reduction.”

It is an important clarification as policymakers evaluate accurate causes of the current state of the coal industry and consider accurate options in response.

Cloud Peak Energy Recommendations for EQC

As previously noted, CPE views the overall report to be accurate and factual. It is true that the domestic coal market has declined from its peak a few years ago. Domestic coal sales will likely be challenging in the near term as market and political forces displace coal.

It is also true that the overseas market, particularly in Asian markets, will continue to grow at a rapid clip for the near future. Global coal demand grew again in 2017 and according to the U.S. Energy Information Administration September 14, 2017 “*International Energy Outlook 2017*”, world coal production is projected to increase 3% from 2015 – 2040—reaching well over 9 billion tons consumed annually.

CPE is currently shipping 4 – 5 million tons per year to utility customers in East Asia, predominantly South Korea, and recently secured a contract to supply a new coal fired electrical generating station in Japan (shipments to begin in 2019). There are nearly 50 new coal fired generation units under construction or with planning approval in these two countries alone. Indeed, Japan, South Korea, China, Vietnam, Indonesia, Malaysia, and Burma to name but a few countries continue to build coal fired electrical units, driven by expensive natural gas, concerns about nuclear generation and limited space for renewable energy installations.

While Asian appetite for coal is projected to increase, U.S. coal’s access to those markets is constricted, forcing consuming countries to rely on Australia, Indonesia, and Russia, mainly.

Restricting access to growing overseas markets is organized and well-funded opposition in States like Washington and Oregon to construction of new commodity export facilities. Absent new transportation hubs for commodity exports on the west coast, Montana coal and other commodities will largely remain stranded assets. The

result? Asian countries will burn more, higher sulfur, lower quality coal mined under far more dangerous conditions by lower paid labor at the expense of jobs and tax revenue in Montana.

As a land-locked, commodity rich state, Montana's potential rests on accessing a diverse marketplace. States like Washington and Oregon, if allowed to dictate what constitutes suitable or politically favorable trade, will also dictate Montana's future.

Montana policymakers should aggressively protect Montana's right to access all markets.

Policymakers in neighboring states should not be granted pre-eminent rights over issues of trade; silence from Montana lawmakers on these issues is tacit approval of determining "appropriate trade" by other states.

While access to Asian markets is a growth opportunity for Montana coal, it is not sufficient to replace lost domestic tonnage given distance to Asian markets and with large coal suppliers like Indonesia and China influencing Asian seaborne market prices.

Protecting the remaining domestic fleet should be a priority for Montana legislators. The SJ5 final report highlights the significant tax revenue implications to Montana of a declining coal industry due to a smaller domestic fleet.

Concerns regarding climate change and CO2 emissions must be acknowledged. Individual states and communities will likely continue to take steps to discourage coal as an electricity source, even if those actions have no effect on overall climate change. Changing Administrations can quickly reinsert policies that deprive confidence in coal development and usage or that once again punitively manipulate energy markets while "providing rents and subsidies to allies".

While critics of the coal industry have celebrated the recent U.S. decline of coal consumption, the victory is both hollow and shallow if climate change is the central point of the argument. Hollow, because as noted previously, global coal consumption continues to climb with new coal fired electrical generating units under construction around the world, eradicating CO2 reductions in the U.S. by the minute. Shallow because science speaks to the overall problem of anthropogenic CO2, not just CO2 produced from the consumption of coal. Transportation, agriculture, housing and manufacturing all contribute to CO2 production. Closing coal fired electrical generating units in the United States and restricting access of Montana coal to Asian markets has virtually no impact on global CO2 levels, but does cause substantial harm to Montana's economy.

Reducing or eliminating coal usage in the United States will not tangibly impact global CO2 emissions. In fact, if the Obama administration's Clean Power Plan that was stayed by the Supreme Court had been implemented effectively, by the EPA's

own admission, while it would have all but destroyed coal powered electricity generation in the US, its impact on climate would have been “symbolic”. Solutions to climate change must be focused on technological advancements and their widespread adoption that actually reduce CO₂ emissions.

The Intergovernmental Panel on Climate Change (IPCC) is the world body of scientists that is the oft cited as the “final say” on the issue of climate change. The IPCC findings on climate change are deemed the “overwhelming scientific consensus on climate change”.

However, IPCC findings are not just relegated to the global consequences of climate change. The IPCC has also spent considerable time researching pathways to lower CO₂ emissions that would it claims would avoid consequential climate change. And the IPCC has determined that Carbon Capture Utilization and Storage (CCUS) must be part of the solution. In fact, the IPCC has determined that meeting the goals of climate stabilization by such as the 2C or 450ppm CO₂ metrics may not be possible without widespread deployment of CCUS. According to the same “overwhelming scientific consensus” on which action on climate is based, achieving those goals without the widespread deployment of CCUS will be 138% more expensive. To put that in context, that would equate to 5% of global GDP through the end of this century more cost.¹

Montana policymakers should aggressively promote significant federal investment of commercial CCUS on the remaining coal fired generation fleet.

Subsidizing and holding harmless utilities for adoption of CCUS technologies on the existing coal fleet will drive down the technology costs and make widespread adoption feasible. Technological advancements could then be adopted globally and across CO₂ emission sources, thereby making tangible CO₂ emissions reductions possible.

A serious federal investment in CCUS technology should be a policy position acceptable as a way to not only protect the critical revenue stream and good paying jobs resulting from responsible coal development, but also make meaningful reductions in CO₂ emissions globally.

Bipartisan support from Montana’s legislature and Governor, in cooperation with the owners of the Colstrip generating units, could create significant leverage on Montana’s Congressional Delegation and encourage the Trump Administration to begin significant investment of CCUS at the Colstrip facility. Colstrip generating units 3 & 4 representing the size and age of a large portion of the U.S. fleet and located in proximity to significant oil assets and other geologic opportunities and has

¹ UN IPCC: “Climate Change 2014, Summary for Policy Makers” – contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. Section 4.2.2 p. 21.

the potential to be a groundbreaking advancement in bending the technological cost curve.

U.S. taxpayers have subsidized renewable energy in the tens of billions of dollars in a dedicated effort to drive technological advancements. Renewable advocates tell us that investment has paid off and renewable energy is now as cheap, if not cheaper than, fossil based energy. Then renewable energy subsidies are no longer necessary and shifting similar resources to CCUS should generate similar technological efficiencies and positively impact a major source of US CO2 emissions. Diverting those resources would not only vastly reduce CO2 emissions from the 32% of US electricity generation currently produced by coal, but would save Montana hundreds of millions in tax revenue, some 1200 direct family wage jobs in the state, as well as the affiliated economic activity tied to coal in the state.

Include CCUS in Montana's Renewable Portfolio Standard

Montana established a Renewable Portfolio Standard (RPS) in 2005 as a way to force low CO2 energy production into the energy mix for climate change and rural economic development purposes. Including CCUS as an "eligible technology" in Montana's current RPS 15% mandate accomplishes both by accepting any technology that truly lowers CO2 production and by supporting economic development in rural communities where coal fired electrical generating units are located.

If the goal is to drive toward lower to no emission electrical generating production, ostensibly for climate change concerns, then how it is accomplished is of little concern. Those genuinely concerned about climate change will be agnostic on the methods to generate electricity as long as the generation generates less CO2 and other climate influencing emissions.

Changing Montana's RPS statute to include electricity derived from a facility or unit that captures and utilizes or stores a portion of CO2 emissions would add to electricity diversity, allow for any technologies that truly lead to lower CO2 emissions and include a reliable, baseload source of electricity to offset the intermittent power of traditional renewable energy sources.

Thank you again for considering these comments. Please feel to contact me with questions or discuss further the position of Cloud Peak Energy.

Sincerely,



Todd O'Hair
Senior Manager, Government Affairs
Cloud Peak Energy



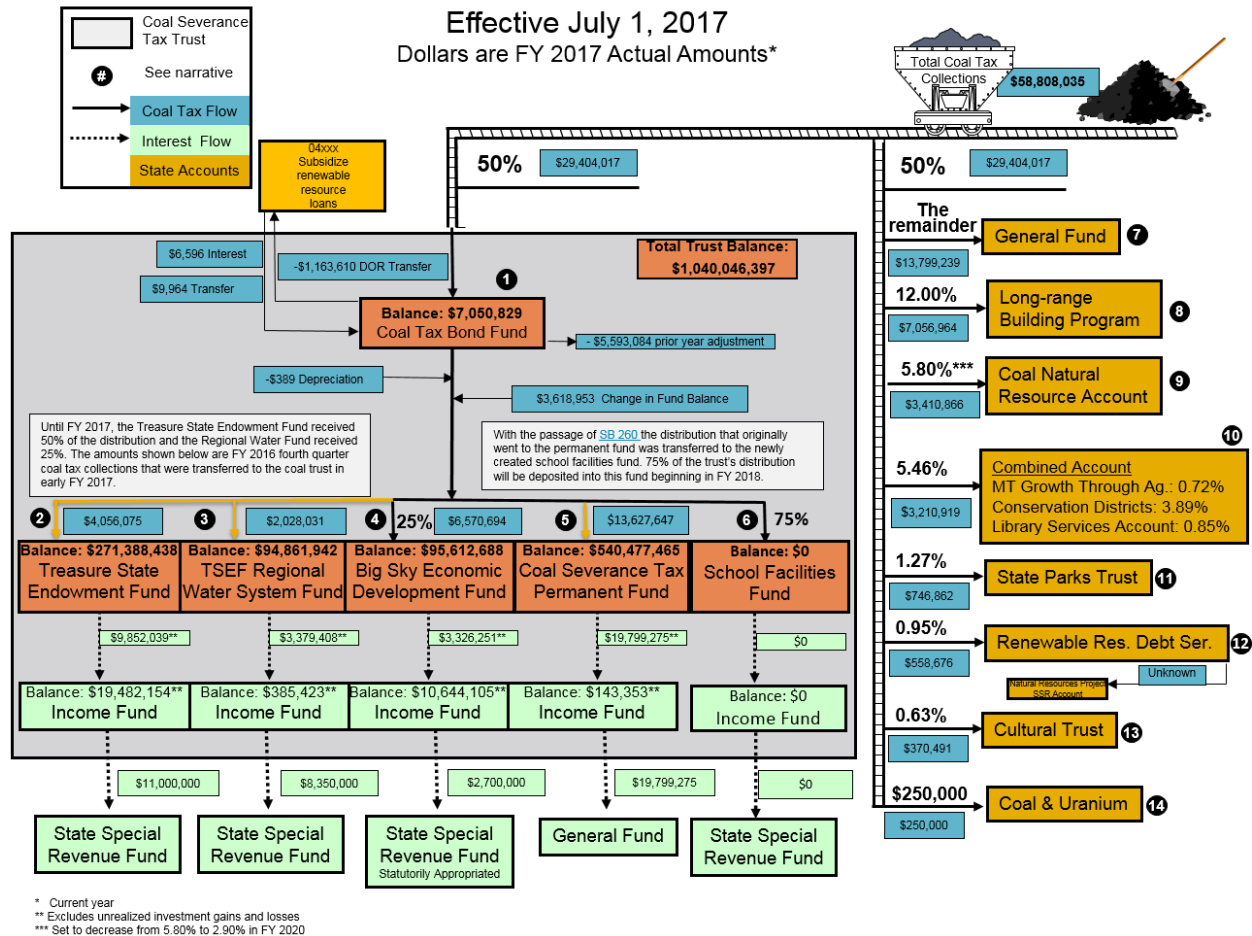
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Director
AMY CARLSON

COAL SEVERANCE TAX TRUST FUND



As directed by [Article IX, Section 5](#) of the Montana Constitution, the coal severance tax trust fund receives 50% of total coal severance tax collections. The money flows through sub-trust funds within the trust. These sub-trusts are:

1) Coal Tax Bond Fund ([Title 17, Chapter 5, Part 7](#))

The legislature authorizes the sale of coal severance tax bonds to finance renewable resource projects ([Title 85, Chapter 1, Part 6](#)) and local government infrastructure projects ([Title 90, Chapter 6, Part 7](#)). A maximum of \$250 million in bonds is authorized as loans for renewable resource projects ([17-5-719, MCA](#)) to provide:

- a healthy economy;
- alleviation of social and economic impacts created by coal development; and
- a clean and healthful environment

The total amount of outstanding principal of renewable resource bonds at any time cannot exceed \$30 million ([85-1-624, MCA](#)). An amount equal to the following year's principal and interest payments is maintained in the fund. Money in the fund is pledged to pay the debt service on the bonds if interest and principal payments by the loan recipients are insufficient to fully pay the debt service. Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to the Department of Natural Resources and Conservation (DNRC) in HB 8.

2) Treasure State Endowment Fund ([Title 90, Chapter 6, Part 7](#))

In June 1992, the voters approved a legislative referendum establishing the treasure state endowment program. Initially funded with \$10 million from the permanent fund, the fund received 75% (37.5% of the total) of the remaining coal severance tax revenue after deposits (if any) to the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund) through the 2003 biennium. From then through FY 2016, the fund received 50% (25% of the total). Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016.

3) Treasure State Endowment Regional Water System Fund

The treasure state endowment program was established in [SB 220 \(1999 Session\)](#) to fund regional water system projects. Projects are restricted to drinking water systems that provide water for domestic, industrial, and stock water use for communities and rural residences that lie in specific north central and northeastern geographic areas. Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in HB 11 as grants for local government infrastructure projects. Until the end of FY 2016, the fund received 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016, and the fund terminates at the end of FY 2031.

4) Big Sky Economic Development Fund

The big sky economic development program was established by [HB 249 \(2005 Session\)](#) to fund qualified economic development projects. The fund receives 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. The deposit of coal severance tax revenue to this fund terminates the end of FY 2025.

Grants and loans are available to local governments for economic development projects and to certified regional development corporations for the purposes of:

- 1) creating good-paying jobs for Montana residents;
- 2) promoting long-term, stable economic growth;
- 3) encouraging local economic development organizations; and
- 4) retaining or expanding existing businesses

Interest earnings are deposited to a state special revenue fund and are statutorily appropriated to the Department of Commerce to pay administrative expenses with the remainder for:

- 75% to local governments to be used for job creation; and
- 25% to certified regional development corporations and economic development organizations

5) Permanent Fund

Prior to the establishment of the previous four funds, all the coal severance tax revenue distributed to the trust fund was deposited to the permanent fund. From FY 2006 to FY 2016 no coal severance tax revenue was deposited to the fund. In FY 2017, the permanent fund received 75% of the remaining coal severance tax revenue after deposits in the coal tax bond fund. Interest earnings from the fund, audit revenue, and interest and penalties are deposited to the general fund. After a \$1.275 million general fund transfer to the research and commercialization account created in [90-3-1002](#), the remaining interest income from the permanent fund deposited into the general fund is statutorily appropriated as follows:

- \$65,000 to the cooperative development center;
- \$625,000 for the growth through agriculture program provided for in [Title 90, chapter 9](#);
- to the Department of Commerce for specific projects:
 - \$125,000 for a small business development center;
 - \$50,000 for a small business innovative research program;
 - \$425,000 for certified regional development corporations;
 - \$200,000 for the Montana manufacturing extension center at MSU-Bozeman; and
 - \$300,000 for export trade enhancement
- After the above payments, the remainder is deposited into the state general fund.

6) School Facilities Fund

The school facilities fund was created with the passage of [SB 260 \(2017 Session\)](#). Interest from the fund may be used only for school facility projects authorized by the legislature. Beginning in FY 2018, the school facilities fund will receive 75% of the coal tax allocation to the coal trust fund.

Coal Severance Tax Related Funds

The other 50% of the coal severance tax revenue is distributed to the following funds outside of the coal severance tax trust fund ([15-35-108, MCA](#))

7) General Fund (the remainder after all other allocations)

After allocations are made to the coal trust and state special funds, the remaining coal severance tax collections are distributed to the state general fund.

8) Long-range Building Program Account (12.00%)

Coal severance tax revenue in this account can be used for long-range building projects or for general obligation bond debt service. The legislature appropriates the money in HB 5 to finance building projects at universities, vocational education institutions, state buildings and state institutions. Debt service payments are statutorily appropriated and are currently servicing debt for capitol restoration, the UM pharmacy and psychology, and chemistry buildings, MSU central heating plant and underground utilities, Montana state prison expansion, and regional correctional facilities.

9) Coal Natural Resource Account (2.90% increased to 5.8% in FY 2018 and FY 2019)

Created in [HB 758 \(2005 Session\)](#) and amended by [SB 23 \(2009 Session\)](#), the account receives a portion of the coal severance tax revenue. Money in the account is appropriated to the coal board in HB 2 for local impact grants and administrative costs. Due to [SB 100 \(2009 Session\)](#), the coal tax allocation was doubled to 5.80% beginning FY 2010. After September 2013, the allocation decreased to 2.9%. The allocation was increased to 5.8% for FY 2016 and FY 2017, and again for FY 2018 and FY 2019 with the passage of [HB 209 \(2017 Session\)](#).

10) Combined Account (5.46%)

The money is distributed to the conservation districts program within the Department of Natural Resources and Conservation on the basis of need. It is also distributed to the Montana Growth through Agriculture program and the State Library Commission. Beginning in FY 2018 there is no longer a combined account. Instead, separate funds were created for the three programs in the old combined account with set distribution percentages as follows:

- Conservation Districts Fund (3.89%)
- Basic Library Services Fund (0.85%)
- Growth through Agriculture Fund (0.72%)

11) State Parks Trust (1.27%)

The distribution to this trust is for the purpose of parks acquisition or management. Interest earnings from the trust is appropriated to the Department of Fish, Wildlife, and Parks (FWP) by the legislature in HB 2 and HB 5 for the acquisition, development, operation, and maintenance of state parks, recreational areas, public camping grounds, historic sites, and monuments.

12) Renewable Resource Debt Service Fund (0.95%)

Money in this fund is used to service debt on coal severance tax bonds used to finance renewable resource projects. This is in addition to any coal tax paid from the Coal Tax Bond Fund (1 above). Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to DNRC in HB 8.

13) Cultural Trust (0.63%)

The distribution to this trust is for the purpose of protecting works of art in the capitol and for other cultural and aesthetic projects. Interest earnings from the trust are appropriated to the Montana Arts Council by the legislature in HB 9 for these purposes.

14) Coal and Uranium Mine Permitting and Reclamation Program (\$250,000)

Enacted by [HB 688 \(2007 Session\)](#), coal severance tax revenue is deposited to the state special revenue account and appropriated in HB 2 to the Department of Environmental Quality (DEQ) to administer and enforce coal and uranium mine reclamation ([82-4-244, MCA](#)).

For more information on the Coal Trust Fund, please contact Sam Schaefer at 406-444-1787.



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WE MEAN BUSINESS

Legislative Services Division
Attn. Sonja Nowakowski
P.O. Box 201704 Helena, MT 59620

9 July 2018

Dear Environmental Quality Council:

On behalf of the business entities and employees that drive economic growth in our state, I offer comments on the scope of the Senate Joint Resolution 5 report on *Coal in Montana, Changing Times, Challenging Times*. During your meeting of January 17, 2018, The Montana Chamber of Commerce asked you to fully consider the numbers when weighing impacts of SJ 5, especially the tax collections and jobs that Montana coal support.

We are pleased to announce the release of a Colstrip economic impact study conducted by the Bureau of Business and Economic Research at the University of Montana. The full report can be found at <https://www.montanachamber.com/colstrip-study-2018/>. Specifically, the report examines the consequences for jobs, income, population, economic output and other measures of economic activity to the state economy if Colstrip Units 3 and 4 were to shut down in 2027. We urge you examine these findings in conjunction with the thorough research compiled in SJ 5. They include the following:

- Estimated statewide loss of 3,300 jobs, wages considerably above the state average;
- Anticipated income loss of between \$250 and \$350 million per year or \$5.2 billion over the 16-year period covered by the research;
- Decline in annual gross sales and economic output of between \$700 and \$800 million or \$12.5 billion over the same 16-year period;
- Expected loss of \$80 million in state tax and non-tax revenues per year, or \$1.2 billion over the same 16-year period.

Page 33 of the SJ 5 report states that "Montana has the nation's largest estimated recoverable coal reserves and holds one-fourth of the nation's demonstrated coal reserve base." This indicates to me that coal is and should remain a significant part of Montana's baseload, affordable energy offering to consumers at home and abroad.

Responsible natural resource development, in addition to renewable sources as they become economically viable, will achieve a balanced energy mix for Montana. This is a core principle of the Montana Energy Reliability Coalition, a growing group of diverse stakeholders dedicated to utilizing an all-of-the-above approach to secure a robust energy future for our state.

Envision 2026, the Montana Chamber's 10-year strategic plan for Montana's future, prioritizes a prosperous business climate and reducing the cost of doing business.

Thank you for your consideration and for your service to Montana.

Sincerely,

Webb Scott Brown
President & CEO