

### Increase In Coal-Related Activity

*"The interior West is witnessing the biggest resurgence in coal-fired power plants in a generation." – Washington Post, October 29, 2004*

Coal currently fuels over 50% of electricity generation in the U.S. In Montana, current and proposed coal-related projects include:

- As of November 2004, construction was 40% complete on MDU Resources' **Rocky Mountain Power** 116-megawatt coal-fired generating plant at Hardin. MDU has signed an agreement to sell all the power to Powerex Corporation, a subsidiary of BC Hydro in Vancouver, B.C.
- A coal-fired electric and wood co-generation plant, **Thompson River Co-Gen**, is under construction in Thompson Falls that would burn 550 rail car loads of coal from the Bull Mountain Mine near Roundup annually. The plant was granted an air quality permit by DEQ in November 2004. Construction of the plant was approximately 85% complete in November 2004.
- **Great Northern Power Development** of Denver and Kiewit Mining Group of Omaha have proposed a \$1 billion 500-megawatt coal-fired generating plant near Nelson Creek west of Circle, along with an adjacent coal mine, and related infrastructure. As of August 2004, Great Northern had spent \$2.5 million in preliminary work on the project. Great Northern has also spent \$2.2 million to reserve transmission capacity on the Colstrip to Hot Springs 500-KV line. The project would construct a 130-mile transmission line to connect to the Colstrip line. The project will be submitting its applications for state required permits in 2005. The project would be just east of Highway 24 and north of Montana 200 and would go on line in 2009. Circle, Jordan, Glasgow, Glendive, and Wolf Point would be the communities most likely impacted by the project. Direct and in-direct employment is estimated at 1,200 jobs.
- **Bull Mountain Power** has proposed two 350-megawatt coal-fired generators using 2.7 million tons of coal per year from the Bull Mountain Mine at Roundup. The Montana Environmental Information Center has appealed the air quality permit issued by the Montana DEQ for the project. As of August, the Bull Mountain Mine was producing from 2,000 to 3,000 tons per day and employed 39 miners.
- The **Southern Montana Electric Generation and Transmission Cooperative** has announced plans to build a \$515 million 250-megawatt coal-fired generating plant at Great Falls. The plant would serve the City of Great Falls and 100,000 members of five rural electric co-ops including Beartooth, Fergus, Mid-Yellowstone, Tongue River, and Yellowstone Valley. The plant is proposed to be in operation in 2010 and would provide 65-75 permanent jobs. In addition, the project would provide 400-500 jobs during construction with total wages estimated at \$75 million.
- The **Otter Creek Tracts 1,2, and 3** coal deposits with its over 533 million tons of estimated super-compliant coal reserves have been proposed as the site for a 3,500 megawatt coal generation plant by Kennecott, Bechtel, and Wesco.

The list of projects above does not include the four other existing Montana coal mines that mine sub-bituminous coal including the following:

- Decker Coal Company at Decker,
- Western Energy Company's Rosebud Mine at Colstrip (the state's largest, which mined 10.1 million tons in 2003),
- Westmoreland Resources' Absaloka Mine at Hardin, and
- Westmoreland Resources has a lignite mine at Savage that produced 300,000 tons of coal last year.

In September 2004, the Rocky Mountain Area Transmission Study, commissioned by the western governors, recommended a Montana System Upgrade of the Montana 500-kilovolt Colstrip to Hot Springs transmission system at a cost of \$72 million. The upgrade is considered an economical means of sending more power to the Pacific Northwest without adding new power lines.

### **Proposed Coal Board Funding for 2006 - 2007**

The Coal Board is funded from the coal severance tax Shared State Special Revenue Account. This account receives its revenues from a portion of coal severance tax collections. During the August 2002 special session, the Legislature set the amount of the shared account at 7.75 percent of the amount of coal severance tax collections for fiscal 2004 and beyond. In addition to funding the Coal Board, the shared account funds Conservation Districts, a portion of the Growth Through Agriculture program, and State Library Services through the State Library Commission.

The Legislature appropriated \$1,500,000 for Coal Board grants in the 2004 - 2005 Biennium; while the 2002 - 2003 Biennium was appropriated \$1,976,784 for Coal Board grants; a reduction of \$467,784.

Due to increased activity in "Coal Country", the Department requested that the Coal Board's 2007 Biennium grants appropriation be restored to 2003 Biennium levels or \$1,967,784. This request was \$467,784 over the 2005 Biennium level and was the Department's #1 budget priority. However, the Governor's Office of Budget and Program Planning did not approve that request.

The current request in Governor Martz' proposed budget is for an increase of \$927,093 over the Coal Board's \$319,992 FY 2004 base budget expenditures for impact grants. This would provide a total of \$1,567,077 for impact grants during the FY 2006-2007 biennium. The Department is requesting that the appropriation be designated biennial so that funds not awarded in FY 2006 can be carried forward to FY 2007. Any funds not awarded in FY 2007 would revert to the general fund.