

**Statement of PPL Montana
Before the Environmental Quality Council
Of the Montana Legislature
January 14, 2008**

**Mark Lambrecht, Manager, Regulatory Affairs
PPL Montana, LLC
825 Great Northern Blvd.
Helena, Montana 59601
(406)457-5300**

Mr. Chairman and members of the Committee:

I'm Mark Lambrecht, Manager of Regulatory Affairs for PPL Montana—a wholesale generator of electricity in Montana with 1,200 megawatts of generating capacity from coal-fired and hydroelectric facilities located throughout Montana.

I was one of three industry members of the Montana Climate Change Advisory Committee, along with Tim Gregori of Southern Montana Electric and Shane Mogensen of Nance Petroleum. I'd like to share my perspective on some of the panel's final recommendations that were approved last July and reported last November.

I was honored to be appointed to this Committee and thoroughly enjoyed getting to know the other members and learning more about this important issue.

My role on the Committee was a bit unique. I represented my employer in helping to develop sound recommendations that could be turned into policy, law and voluntary practices that would address Montana's role in global climate change. However, I also felt as if I was representing the interests of many other Montana industries that did not have a seat at the table. The recommendations we ultimately approved affect many industrial sectors, including electricity generation and distribution, agriculture, forestry, mining, transportation and petroleum refining. I regularly sought input from these and other industries and did my best to make sure their ideas and concerns were addressed by the Committee.

One of the results of their input was a letter the three industry members of the Committee sent to Governor Schweitzer on November 19. I understand you were all provided a copy of this letter. The purpose of the letter was to identify certain recommendations from the final Committee report that we believe require further analysis before being considered for legislation or policy implementation.

I think it's important that two legislative interim committees decided to spend a significant amount of time studying climate change, carbon sequestration and the Climate Change Committee's recommendations. Many of these recommendations require scrutiny from these panels.

Overall Reduction Goal

As you know, one of the Climate Change Committee's first recommendations is to reduce greenhouse gas emissions in Montana to 1990 levels by 2020 and an additional 80 percent by 2050. This is one of the most aggressive greenhouse gas reduction plans in the nation. While the Committee believes reductions of this magnitude are required to make significant environmental improvement, the Committee's industry members maintain that a thorough economic impact

assessment should be required before embarking on such a plan. Setting such a high goal is admirable, but the Committee completed no economic or technological assessment of its validity or consequences.

Reporting Protocol

The Committee recommended that the State of Montana develop its own greenhouse gas reporting protocol. The industry members believe Montana should first study current protocols already in use and implement the best one. This will increase the probability that the protocol will be consistent with expected federal regulations and international programs. It will also help minimize administrative and regulatory costs.

Climate Registry

Montana recently joined the Climate Registry, a ~~30~~⁴⁰-state organization to track and encourage greenhouse gas reductions. The Climate Committee strongly endorsed membership in this organization. Industries are concerned that Montana's membership will require industries to hire third party consultants to verify emissions—most of which would likely be accurately reported just like those that are currently regulated. I also recently learned there is a strong likelihood the State of California will prevent its industries from hiring consultants that already do other environmental work for them. That would be problematic in Montana, given the relatively small number of qualified environmental consultants in the state. It would also be inefficient not to employ the services of the consultants who know a particular industry or plant.

Renewable Portfolio Standard

The Committee recommended that Montana ramp up its renewable energy requirement from 15 percent by 2015 to 20 percent by 2020 and 25 percent by 2025. The panel's industry representatives are concerned that ramping up this standard to this degree may not be technologically or economically possible. Even if utilities are able to meet the standard, renewable generation sources will still require reliable back-up power—something that has proven to be difficult to develop in recent years.

One component of this recommendation, however, would offer immediate benefit. The Committee recommends allowing increased electricity production at existing hydroelectric facilities to be considered eligible for the renewable standard. For example, PPL MT recently installed a new, more efficient runner at Kerr Dam and now has the capacity to generate an additional 12 megawatts of electricity. Those additional megawatts should be eligible for the renewable standard.

Carbon Capture and Storage

Many in the Committee wanted an outright ban on development of coal-fired power plants unless they could capture 90 percent of their carbon dioxide emissions. Fortunately, a compromise of sorts was reached. The panel recommended a capture goal of 0.5 tCO₂/MWh. That's about a 50% capture rate—still a significant challenge, but better than an outright ban. Still, it's important to remember there is no commercially available technology to reliably and economically capture any amount of CO₂ from an existing coal-fired power plant at this time. Capturing significant amounts of CO₂ from a new plant may be less challenging, yet still difficult and very expensive. More importantly, capturing CO₂ does not accomplish anything unless there are safe and effective ways to sequester it. Unfortunately, many questions about sequestration remain unanswered. Will sequestration itself become an environmental liability? How will liability for stored CO₂ be handled? Who will handle the regulation of geologic sequestration?

However, this compromise deserves further consideration because of its flexibility. The standard could be achieved through a combination of strategies, including carbon capture and storage, terrestrial sequestration or offsets, fuel switching and emission allowance trading.

Carbon Tax/Cap and Trade

The Committee debated at great length suggestions to implement a carbon tax or emissions trading program. The industry representatives believe a carbon tax would encourage behavior that would lead to emissions reductions, but it must be implemented nationally and economy wide to be effective. We maintain that a national cap and trade program would be more feasible since the electric power industry already has successful experiences with a sulfur dioxide and nitrogen oxides cap and trade program. Implementing a state or regional program could place Montana at a huge competitive disadvantage. Such a program may also require Congressional action to reach agreement between states that import and export power between each other but don't both participate in the program.

Generation Performance Standards

The recommendation that concerns PPL Montana the most is the Committee's generation performance standard. This recommendation would require utilities to acquire electricity only from generation sources that capture and sequester CO₂ to a level equivalent to that accomplished by a natural gas combined cycle plant. This would require capture and sequestration of about 50 percent of the CO₂ emissions at a new coal-fired power plant. This recommendation would simply prevent load serving entities from using reliable, affordable electricity produced from Montana's coal-fired power plants and threaten the competitiveness of Montana's utilities, industries and small businesses. Requiring load serving entities to purchase power only from generation sources that can capture and sequester CO₂ at a level that is neither technologically nor economically feasible would place them in competition with California and Washington for hydroelectric power contracts that will be available only at the highest possible price—if at all.

As you review the remainder of the Climate Change Advisory Committee recommendations, you will find a number of ideas that encourage energy conservation and best practices. You will also find others that provide incentives for programs that would decrease greenhouse gas emissions from a variety of sources among all of the sectors we studied. Many of these recommendations deserve serious consideration. I encourage you to seek comment directly from the industries that would be affected by them.

In closing, I'd like to thank Governor Schweitzer and Richard Opper for giving me the opportunity to serve on this panel. I'd also like to thank my colleagues on the Committee for their dedication to this challenging, yet rewarding process.

Thank you for the opportunity to comment.