Montana Coal Board
Draft Meeting Minutes
June 20, 2014
Little Big Horn College Culture Center, Crow Agency, Mt

Board Members Present
Chairman John Williams, Vice-Chairman Loren Acton, Dan Miles, Tom Towe, Marcia Brown, Ralph Lenhart, and CJ Stewart.

Montana Department of Commerce Staff Present
Andy Fjeseth, Coal Board Administrative Officer, and Amy Alton, Community Development Division Administrative Assistant.

Public present:

Jim Atchison	SE Montana Development
Doug Parrott	Chairman of Airport Board
Larry Lekse	Musselshell Co Commissioner
Bill Hodges	Big Horn Hospital Association
Dan Miller	Yellowstone Co Public Works
Rose Hanser	Mayor of Colstrip
Karen Sweeney	Snowy Mtn Dev Corporation
Brian Swan	Colstrip Public Works Director
Carl Jackson	KLJ Engineering
Jeff McDowell	Two Rivers Authority

Welcome – Call to order
Chairman Williams called to order the meeting of the Montana Coal Board at 8:36 am. He thanked the Crow Agency and George Real Bird for the tour the Crow Agency Arbor. A thank you was given to John Doyle for the tour of the wastewater lagoon and also to Jesse ~~Knowle~~ Noel for the tour at the Westmoreland Resources/Absalooka Mine. Also, a special thank you was given to Andy Fjeseth for his efforts on behalf of the Coal Board.

Roll call:
Mr. Fjeseth called the Roll for Board members. The following board members were present: Chairman John Williams, Vice-Chairman Loren Acton, Dan Miles, Tom Towe, Marcia Brown, and Ralph Lenhart, and CJ Stewart.

Opportunity for Public Comment
The following individuals provided comments:

- Dan Miller – Thank you for funding for 21 Mile Road. It should be complete by next spring. Pictures were handed out to the Board.
- Jim Atchison – Personally inviting the Board to the 11th annual Energy Open Conference in August. Also brought a current Priority List publication.
- Rose Hanser – Mayor of Colstrip, Thank you for the new ADA ramp and foundation to the City offices. Pictures were handed out.
- Larry Lekse – Musselshell County is in process to complete Majerus Road. Currently taking bids for crushing and for trucking. Hoping to complete by fall 2014. If not completed with just the awarded coal board funds, will seek more money from the Board or other sources.

Approval of Minutes (March 21, 2014)

Action: Mr. Lenhart made a motion to approve the minutes. CJ Stewart seconded. Vice-chairman Acton pointed out two typos and requested they be corrected. With those changes, meeting minutes were approved.

Budget & Financial Report

- Money appropriated for the 2015 Biennia: $ 3,918,811
- Coal Board funds awarded thus far: $ 3,680,982
- Balance of available funds: **$ 248,729**

- Mr. Fjeseth presented two revisions – one from Broadus for $1900 and also from Northern Cheyenne Utilities Commission for $9000. Both are included in the balance of available funds.

Action: Mr. Stewart made a motion to accept the report. Vice-chairman Acton seconded. Motion passed.

Project Updates

- Number of projects awarded **31**
- There are currently 37 open contracts, most of which are 100% drawn-down and pending closeout.
- Mr. Fjeseth read letter from Roundup Public Schools regarding the bond election scheduled for September 9, 2014. The school district will let the Board know the outcome.

Questions and comments from the Board

- On the open contracts one states there are only 10 days left, what is the status of that?
- Have these open contracts been checked in with?
- Board would like another column to the spreadsheet that shows implementation date-when a project is scheduled to start as well as the date contract awarded. It is difficult to remember down the road.
- Why do so many contracts show 0% of dollars expended?
- Why do some contracts show no expiration dates?

Staff Comments

- Mr. Fjeseth: Contracts are checked weekly, monthly, and quarterly where each project stands. I am working with David Small to closeout #0706 for Big Horn County as there were some questions as to what were eligible expenses etc. and this will be finalized any time. Also, sometimes a contract is awaiting other funding before they can submit receipts on the Coal Board portion of the project so that would be one reason why a contract shows 0% expended. Only some may have yet to actually expend money. As for no expiration date, that is not added until the contract is fully executed.

Summary from 5/14/14 application feedback session

- Mr. Fjeseth: In summary, the call went well. It was a very well attended call and lots of positive ideas expressed especially on the Grants Administration Manual, a How To for after receiving an award. Comments were also received regarding the redundancy in the application process. So the next step will be to draft potential changes. The Board will then decide on the changes at a future meeting. At that time, another public feedback session will be held and then a potential Rules Hearing.

Questions and Comments from the Board

- The Board would like the public to be aware of these sessions, that your feedback is important and that

the Board will not be offended by comments. Also, comments made by the Board during the meeting may be in order to share information amongst ourselves as this is the first opportunity to discuss the matter. We may also make comment for other members of the public besides the applicant. So, please participate in any feedback session.

- What was the general feeling of the session?
- As to the comment regarding counties being debt free, please read the statute about indebtedness of applicants. It may be required. Local effort holds lots of weight and helps lead to success of project.
- Since local effort comes up quite frequently, is there anything in the application where local effort has been addressed?
- Participation by companies was better in the past and less so now.
- General consensus is that companies have been helping applicants? That the Board shouldn't ask further about participation?

Staff Comments

- Mr. Fjeseth: As to local effort being addressed, some applicants do ask other funding sources before approaching the Board and do address this in their applications.
- More applicants need to utilize the Department of Commerce's technical assistance.

Public Comments

- Larry Lekse – Signal Peak set up a foundation that is open to a county or individual project to provide help with projects. They always step forward. Musselshell and Signal Peak have always worked well together.
- Mayor Hanser: To address the question by Mr. Miles, the legislative process and the funding is limited. Unless impact is right in your community it can be difficult to receive help from other sources. Colstrip is lucky and also unique but again, getting funding elsewhere is so difficult and that's why many communities and projects rely on the Coal Board.

New Business

Application #0758 Musselshell County – Lighting project for Airport

- The applicant is requesting funds to replace the lighting system and construct a new electrical vault to house airfield lighting controls.
- Doug Parrot – There is a 5000 foot runway with lights every 100 feet. Currently the transformers take up so much room. The new ones will last longer and use less space. .
- **Questions and comments from the Board** – When you say numerous, what does that mean? How many don't work?
- Doug Parrott – Enough don't work that at times ambulance planes couldn't land in poor weather. It is a safety issue. The FAA has funds available to use for the repairs but if they aren't used in Montana, they will be used elsewhere. Usually the FAA offers $150,000 per year but this year we can get extra funds.
- **Questions and comments from the Board** – Do these funds need to be expended this year? Are you sure you can get the funds? Can funds from other sources be moved to help with this project like Gross Proceeds fund? What makes up the airport traffic? What is the traffic level annually? How many hangars are at the airport and what is charged for those? Since the FAA funding is $270,000 why is that not sufficient for the project? Is the $300,000 just the engineering estimate? Would the Board get the surplus if lower than that? Can the county meet half way on the request?
- Larry Lekse – Yes we could other funds to make this project happen but then something else suffers. We have so many projects to do and we are trying to make the funds stretch as much as possible.

- Doug Parrot – The traffic comes from the Mine, the hospital and emergency services, from flood and fire control, as well as, private pilots. Approximately 15% is commercial. Since there is no fixed base operator, all we can give are estimates and there is no way to tell what is local traffic and what is transient traffic like emergency disaster response. Estimates would come from fuel sales. The hanger rent charge is 25 cents per square foot per year which is about $120 – 150.00 per year. There are 12 hangars total. The airport makes more money on fuel sales.
- Karen Sweeney – The good news is that this money from the FAA has come available much sooner than expected but it has left the county with having to scramble for funding from a very tight budget. The timing of this is the issue. There has been no time to apply for other funding or to figure out how other local effort could be utilized. This is an opportunity not to be missed.
- Larry Lekse – Usually the engineering estimates are right on.

Action: Mr. Towe moved to approve the request at the full amount. Vice-Chairman Acton seconded. Motion passed to fund full amount of $30,000.

Application #0759 City of Colstrip – Phase I of Wastewater Project

- The applicant is requesting funds to install a mechanical grinder and screen in the existing headworks channel/building, construct a new secondary clarifier and rehabilitate the existing clarifier, and install new aerators in the sludge lagoon.
- Mr. Brian Swan – Gives a brief summary of the background of the Colstrip plant. He states that Colstrip is contributing two-thirds of the project. Most of the population of Colstrip is there because of coal. Most of them are also on fixed incomes.
- Mr. Carl Jackson – The firm, KLJ in Billings, is conservative and thoughtful and so the projects are well thought out. This situation has been on-going for quite some time. KLJ has been working with the city since 2007 and also with DEQ regarding permitting etc. It is now imperative to fund this application. Thank you for the Board's consideration.
- Mr. Jim Atchison – Colstrip is one of the most impacted communities. The city inherited lots of problems. The 37 workers furloughed by Unit 4's shut down were brought back by the end of 2013. 15 more were put on hold but they have been hired back as well, with an additional 15 more employees added. Now over 750 employees are directly related to coal. Perception of coal's negativity has led to some families leaving. The stability in Colstrip is up and down. The needs of the city have been identified in numerous publications for wastewater infrastructure. There are very few options available to Colstrip currently.
- Mayor Hanser – The city is very thankful for past coal board awards. Colstrip historically completes their projects in a very timely manner. We are ready to do this project. We are showing as much local effort as we can; we have increased water rates 26% and sewer rates over 5%. We have refinanced current bonds. According to Target Rates from Montana Department of Commerce, we are at about ½ and therefore would need to charge twice as much as now to hit the Target Rate to be able to apply for CDBG and or TSEP grants. We know the Board does not currently have the funds available but request that they consider this application as soon as more funds are appropriated or returned.
- **Questions and comments from the Board** – How does Colstrip's mill levies compare to other communities? The Statute for Coal Board states that a degree of severity from coal impact needs to be established. Is Colstrip's impact up or down? Is the city asking for a portion now or to table the application? To what extend does Western Energy/PPL contribute to your system? PPL is a stress on the system but do they pay in like any homeowner?
- Chairman Williams – Though I currently live in Colstrip and hesitated to speak on this, it was noted by legal that we as individuals were chosen for the Board because we live in coal impacted areas and

therefore, should comment on local projects. The priority way back was to energy maintenance not the city's future infrastructure so therefore when Montana Power left, the city inherited an aging system and enormous debt as systems needed immediate help. This is a very good report given by the city and the review by staff has been very helpful.

- Mayor Hanser – the city's mills are at maximum level. Tabling the application now seems better but we are willing to accept what the Board can give. We will then come back next biennium for additional funding. Colstrip has never done that before. Also, PPL has a large grant program to help communities but this project is not eligible. Also, I received a courtesy call from PPL stating that funds are decreasing.
- Jim Atchison – Currently the impact numbers are going down in terms of population because employment is unstable.
- **Questions and comments from the Board** – Coal from Colstrip is being shipped elsewhere. Coal fired plants are a casualty of the Obama Administration. Protested taxes by companies and granted by the Department of Revenue, have also impacted this community. Governor Bullock has decreased the Revolving Fund to 2.5%. Might this lower interest rate help the city?
- Mayor Hanser – the city cannot apply for the Revolving Funds until the project has been started.
- **Questions and comments from the Board** - There is a possibility that Roundup's bond will not pass and therefore $500,000 will revert to the board. If we table this today, we could take it off the table to award. What happens to this project if it is delayed any further? Why is that the city is at maximum mill levy but not at the Target Rate?
- Mayor Hanser – We would like to start next spring but would like to have all funding in place. We can first use funds we have now to move on this project and would be willing to take coal board funds as available.
- Mr. Jackson – This project has been delayed since 2007. There is no way of knowing how long this system will hold out.
- Mr. Fjeseth – Jennifer Olson knows the complete picture regarding the Target Rate and can address that issue for the Board.

Action: Vice Chairman Acton moved to table this application until sufficient funds are available. Mr. Miles seconded. Motion passed to table application.

Board Matters:

The next meeting was currently scheduled for September 12, 2014 but due to scheduling conflicts the Board has changed the meeting date to September 26, 2014 with a tour of Signal Peak mine to be held September 25, 2014 in Roundup, MT.

Other Matters:

Mr. Fjeseth: Kelly Lynch would like to conduct an informative webinar session regarding how Coal Board applicants may be affected or more likely, exempt from MEPA regulations.

Questions and comments from the Board – Thank you to Andy Fjeseth for all his hard work as he leaves the Department of Commerce for a position with Carroll College.

Adjournment:
With no other business, the meeting was adjourned by Chairman Williams at 10:59 a.m. The next meeting is scheduled for September 26, 2014. Location to be determined.

Respectfully submitted,

John Williams, Board Chair

Aaron Pratt, Administrative Officer

Date

10-6-14
Date