



SURFACE TRANSPORTATION BOARD

Office of Environmental Analysis

Tongue River Railroad Project

Environmental Impact Statement

COMMENT FORM

How Do I Submit Comments?

- **Written Comments:** Complete and submit this form at a public meeting, or mail your comments to the Surface Transportation Board's address at the bottom of this page.
- **Recorded Comments:** Provide your comments to a court reporter at a public meeting.
- **Electronic Comments:** Submit electronic comments by visiting the Surface Transportation Board's website, www.stb.dot.gov, and clicking on the "E-Filing" link.

Please refer to Docket No. FD 30186 in all correspondence addressed to the Surface Transportation Board. The comment deadline is December 6, 2012.

Thank you for this opportunity to submit comments.

I support the building of the Tongue River Railroad project. I believe it could & will provide good paying jobs for hundreds of families & be a great supporter of our communities, schools, & contribute much needed taxes to several rural Montana counties. Please also included the Economic Contribution report for Colstrip Steam Electric Units 1-4 as a reliable source of financial contribution the Tongue River Railroad could provide

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Comments may be submitted today or mailed to:

Ken Blodgett
Surface Transportation Board
ATTN: Environmental Filing, Docket No. FD 30186
395 E Street, SW
Washington, D.C. 20423-0001

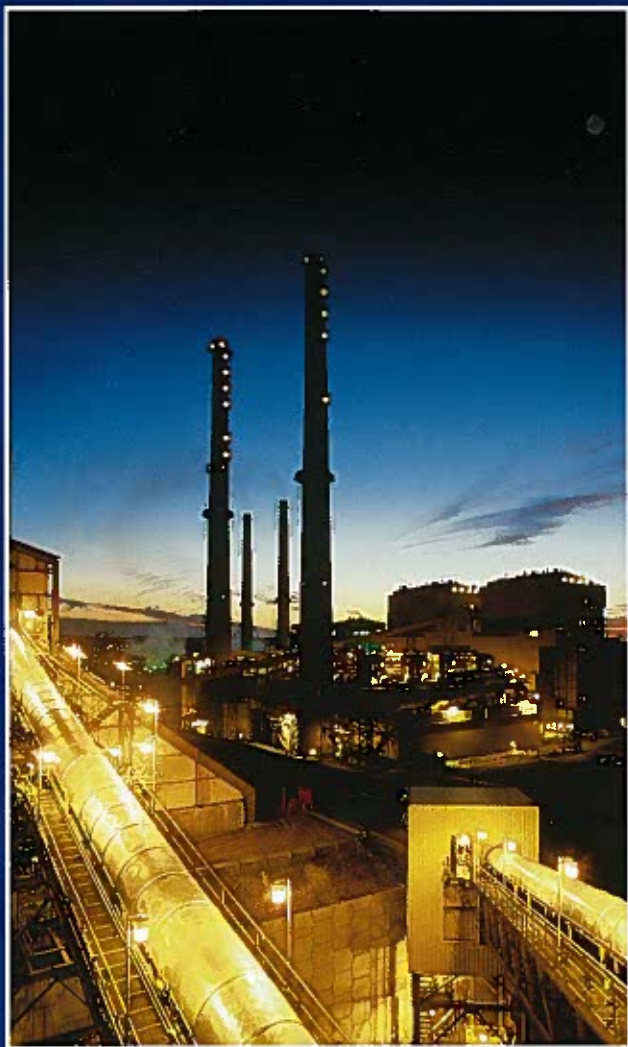


Prepared for: The Colstrip Steam Electric Station Owners

The **ECONOMIC CONTRIBUTION**

of Colstrip Steam
Electric Station
Units 1-4

Prepared by:
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The ECONOMIC CONTRIBUTION of Colstrip Steam Electric Station Units 1-4

What would the economy of Montana look like if the Colstrip Steam Electric Station did not exist? It is a hypothetical question – the facility has been in full operation for more than 20 years. Yet in a policy and political environment where the contributions of the plant to the state economy are poorly understood or perhaps taken for granted, it deserves to be carefully analyzed and answered.

Using a state-of-the-art policy analysis model of the Montana economy that has been peer-reviewed and used in dozens of other studies, we have carefully examined the contribution made to both the economy of eastern Montana as well as to the state economy as a whole by the continuing operations of the Colstrip generating facility. Our study has revealed the footprint of this single facility occupying less than three square miles in Rosebud County to be substantial. Comparing the actual economy to one that would exist if the operations of Colstrip were not present, we find that:

- 3,740 jobs, including 2,688 private sector jobs,
- more than \$360 million of personal income received by Montanans,
- \$638 million in net output produced in Montana, and
- more than 7,700 additional people

exist in our state today whose presence is attributable to Colstrip operations. To state it another way, without Colstrip, the economy around us would be smaller, less prosperous, and less populous by these same amounts.

It's clear why these contributions are so significant. The station pays wages and benefits to its workforce that are substantially above the state and regional average. When employees spend part of their money in the local and state economy, many other jobs are supported. A huge expenditure of the plant is for a product that is totally made in Montana – namely, coal from the adjacent Western Energy Company mine. Keeping those dollars within the state greatly increases the ultimate impact of Colstrip operations.

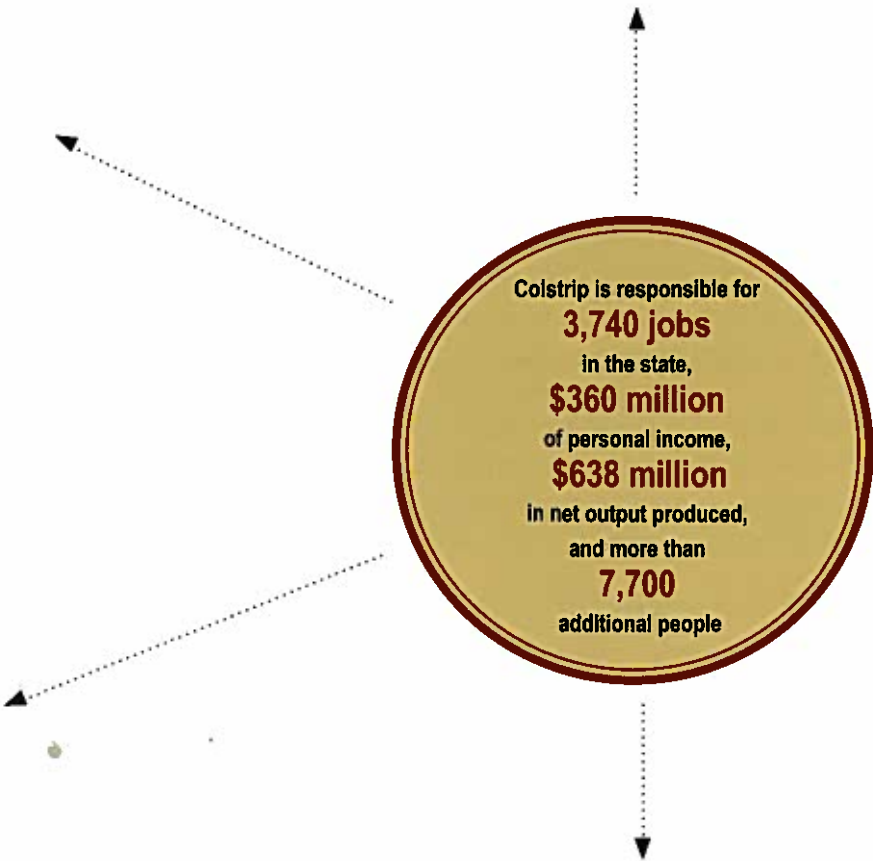
Finally, the product made by Colstrip – electricity delivered to Montana and other states – does not displace or crowd out other Montana producers. Thus its activities add to, rather than supplant or replace, other activities in the economy. The uses and demand for electricity continue to grow, and the continued operation of plants such as Colstrip is part of meeting that need.

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This report was written by:
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RESEARCH SUMMARY

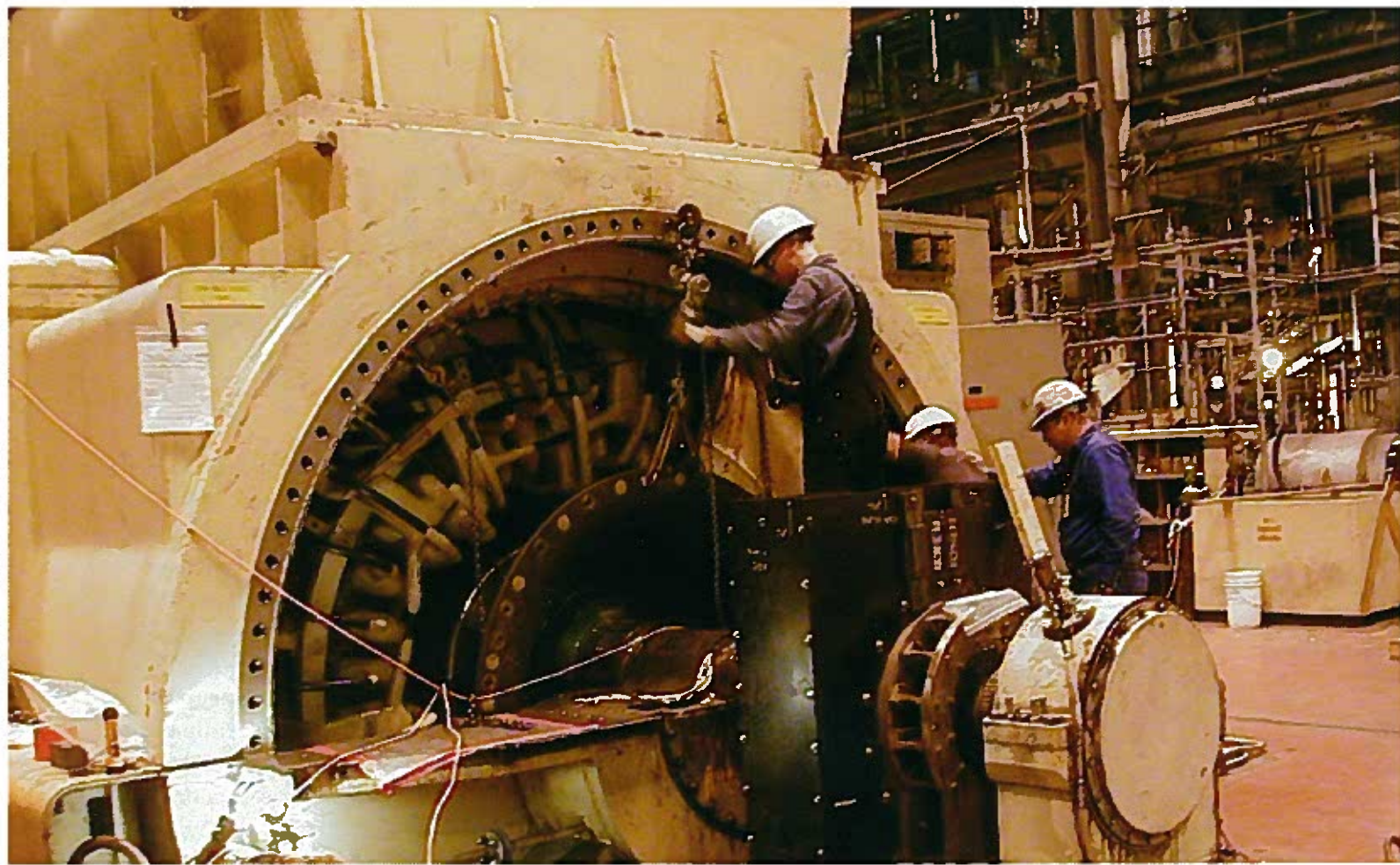
This is a summary of a research report on the economic contributions of the Colstrip Steam Electric Stations Units 1-4 conducted by economists Patrick M. Barkey, Ph.D. and Paul E. Polzin, Ph.D., sponsored by the Colstrip owners. The full report may be found at ColstripEconomicReport.com. PPL Montana operates the Colstrip plant on behalf of the plant's six owners: Puget Sound Energy Inc., PPL Montana, Portland General Electric Company, Avista Corporation, PacifiCorp, and NorthWestern Energy. Puget Sound Energy, Inc. owns 50% each of Units 1 and 2 and 25% of Units 3 and 4, respectively. PPL Montana owns 50% each of Units 1 and 2 and 30% of Unit 3. Portland General Electric owns 20% each of Units 3 and 4. Avista Corporation owns 15% each of Units 3 and 4, and PacifiCorp owns 10% each of Units 3 and 4. NorthWestern Energy owns 30% of Unit 4.

Economic impacts occur because of events or activities that create new expenditures that otherwise would not exist. Spending which is new – over and above existing expenditures and not simply displacing spending elsewhere in the region – not only adds to economic activity in its own right, but it also induces further spending as the recipients of wages, sales, and tax revenues spend a portion of their income in the local economy. New expenditures and investments change the entire path of the economy, changing patterns in investment, migration, prices, and wages.

As the largest industrial facility in Montana, the Colstrip Steam Electric Station Units 1-4 represent a colossal investment. Its successful operation since the last unit came on line in 1986 has been the proud

accomplishment of two generations of Montana workers. It directly employs almost 400 people, who earn an average wage that is almost double the state average, and indirectly employs the equivalent of another 180 year-round contractors in maintenance, operations, and refurbishing.

When Colstrip was being built in the 1970s and 1980s, the thousands of construction and contracting jobs it supported set off an economic boom in Rosebud County, with impacts that are clearly visible today. That phase of its life is past, and the study summarized in this booklet only considers the operations, not the construction, of the plant. The report also does not incorporate the impact of presence of an economical, stable source of electric power within Montana on the state's energy markets and costs of electric power to businesses and households here.



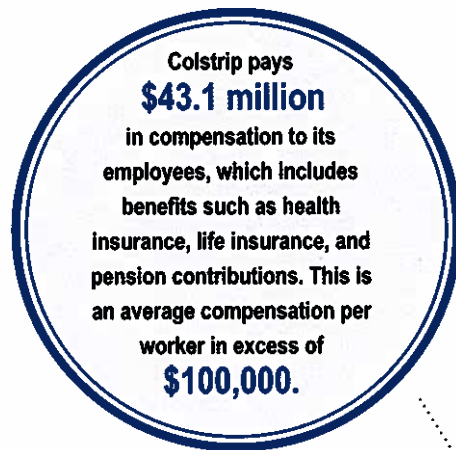
Colstrip directly employs almost
400 people
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equivalent of another
180 contractors
in maintenance, operations,
and refurbishing.

What this report does do is to imagine a Montana economy where the Colstrip generating station never existed. It's an economy that doesn't have the ongoing, year-after-year payroll, the purchases, and the tax contributions of the facility, of course. But neither does it have the taxes paid by its workers, or the demand for goods and services that its employees, contractors, vendors, and others who receive income from Colstrip provide. It's an economy that comes to a new equilibrium – at a level of activity that is distinctly less than what we enjoy today.

In constructing this no-Colstrip economy, we begin to realize all of the ways in which the activity in this small town in Rosebud County

connects to the rest of the Montana economy in a way that makes the pie we all share larger. We begin with listing and quantifying the spending, employment, and production flows that are part of the facility itself. Since the plant is a mine-mouth generating facility, its operations are closely linked to those of the adjacent Western Energy Company's coal mine. These injections of new spending form the basis for an economic projection, produced with the aid of an economic model, of what a Colstrip-less Montana economy might look like. The difference between this hypothetical economy and the one outside our windows is the total contribution of Colstrip to the Montana economy.

The DIRECT CONTRIBUTION OF COLSTRIP



The Colstrip Steam Electric Station Units 1-4 represent the largest single industrial facility in the state of Montana. In any given year, Colstrip pays:

- \$43.1 million in compensation to its full- and part-time employees, which includes benefits such as health insurance, life insurance, and pension contributions. This is an average compensation per worker in excess of \$100,000.
- \$146.5 million to purchase delivered coal from the adjacent



Western Energy Coal Mine

The Colstrip facility was conceived and developed as a mine-mouth generation plant. Its coal needs are served by the adjacent coal mine operated by Western Energy Company (WEC), and Colstrip and the mine are closely linked. Thus an analysis of the contribution of Colstrip must proceed in tandem with the contributions of the mine, which are part of its operation.

Approximately 89 percent of WEC coal is delivered to Colstrip, via conveyor and specially-designed trucks. The cost of coal to Colstrip represents both the cost of the coal and the cost of delivery. In the no-Colstrip scenario constructed as part of this impact study, 89 percent of WEC operation, including the transportation of the coal, would also cease to exist.

In total, the WEC mine represents:

- 373 employees,
- \$39 million in annual compensation, and
- \$74 million in intermediate demand for goods and services.

As was the case with the Colstrip facility itself, the intermediate demand is spread across 82 industries representing the production of goods and services both from within Montana and elsewhere. Removing the portion of the mine's output that serves Colstrip removes that spending, as well as the payroll and tax contributions of the mine.

Western Energy Company coal mine, transported to the plant via trucks and conveyors.

- \$35.0 million in other goods and materials each year, creating intermediate demand for companies in 82 different industries, some with a presence in Montana.
- \$91.6 million in contracts with

vendors, including overhaul costs. Roughly a third of this spending reflects operations and maintenance, and the remainder is for capital costs that take place in a typical year.

- \$35.7 million (by both the facility and its employees) to state and local governments in taxes.

As large as those expenditure flows are, they are only part of the injection of spending into the Montana economy that is due to the operations of Colstrip. The other big piece is the operation of the WEC mine – its payroll, vendor purchases, and tax contributions are substantial (see box). As a result of this new spending, the economy is much larger.

ECONOMIC IMPACTS

Summary

The operations of the Colstrip Steam Electric Station, together with the operations of the WECO mine which directly serves its operation, ultimately produce a state economy that is significantly larger, more populous, and more prosperous than would exist in its absence. A comparison of income, employment, and investment between the baseline and an economic scenario with no Colstrip shown in the table reveals the size of its ultimate contribution to the economy.

The generation of electrical power at the site is ultimately responsible for more than 3,700 jobs statewide – significantly more than the average of 393 employed by PPL Montana and the 373 workers at the WECO mine. Clearly the number of jobs indirectly created through the spending of

Colstrip employees and the facility itself is substantial.

Of the total jobs impact, almost 2,700 jobs are private sector payroll jobs. The other jobs are in government, mostly local government workers in public schools. Those jobs are a direct response to the additional 7,776 people whose presence in Montana is due to Colstrip operation.

There is more than \$600 million of additional output produced every year by the Montana economy as a result of Colstrip. This represents about 1.1 percent of total output in the entire state, attributable to the operations of a facility in Rosebud County. The \$621 million of total economic output due to Colstrip in eastern Montana is more than 17 percent of the output of the entire region.

Much of the benefits from Colstrip go to individual Montanans as income. Personal income is \$362.1 million higher every year in Montana as a result of Colstrip. As a state which relies heavily on the personal income tax, that represents a sizable contribution to the state's treasury, as we detail further in the next section. Almost \$323 million of that income is available to people in after-tax income for saving and spending.

The Economic Contribution of the Colstrip Steam Electric Station Units 1-4 Impacts Summary

Category	Impact	
	Montana	Eastern Montana
Total Employment	3,700	3,500
Private Nonfarm Employment	2,688	2,508
Gross Domestic Product	\$638,500,000	\$621,100,000
Personal Income	\$362,100,000	\$340,400,000
Disposable Personal Income	\$322,900,000	\$303,400,000
Population	7,800	7,300

Eastern Montana Economy

The economic contributions of Colstrip are important for their size and significant, but also for their geography. The presence of the state's largest industrial facility in Rosebud County in southeastern Montana helps support a part of the state that has historically struggled to keep up with the economic achievements in the state's other regions.

The area encompassed by the 16 counties of eastern Montana economy is characterized by a large land area with a small population. As shown in the table, the total population is approximately 74,300 persons. There are about 49,000 jobs in the area, including proprietors and the self-employed. The driving economic activities are agriculture, oil and gas exploration and extraction, and coal mining.

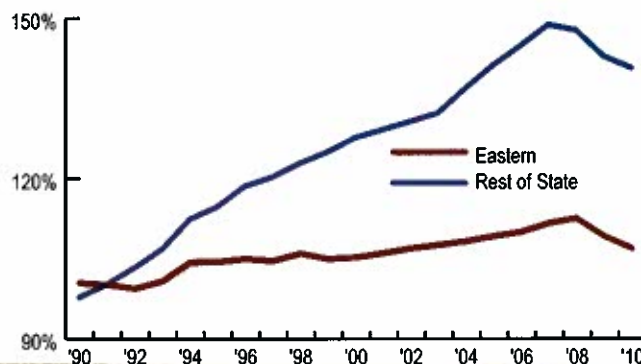
The dominant economic development issue in eastern Montana, as in many rural areas in the west, is the lack of jobs that pay well. As you can see in the table, the gap in pay between the eastern region and the rest of the state is substantial. And as the accompanying graph shows, the growth in jobs in the east is also substantially slower than the rest of the state. Even though employment in both parts of the state has declined due to the recession, there are 40 percent more jobs in the remainder of the state today than there were in 1991. The comparable figure for eastern Montana is only 8 percent.

Against this backdrop, Colstrip's pay and benefits stand even taller, and the indirect and induced jobs created by its operation are even more welcome.

The Eastern Montana Economy

Category	Impact	
	Eastern Montana	Rest of State
Population (persons)	74,300	896,400
Employment (persons)	49,000	564,000
Per Capita Income	\$30,800	\$33,100
Average Annual Wages	\$23,400	\$25,100
Average Annual Compensation	\$28,600	\$30,500
Average Annual Earnings	\$33,500	\$36,700

Employment as a Percent of 1991 Employment, Eastern Montana and the Rest of the State, 1990-2010



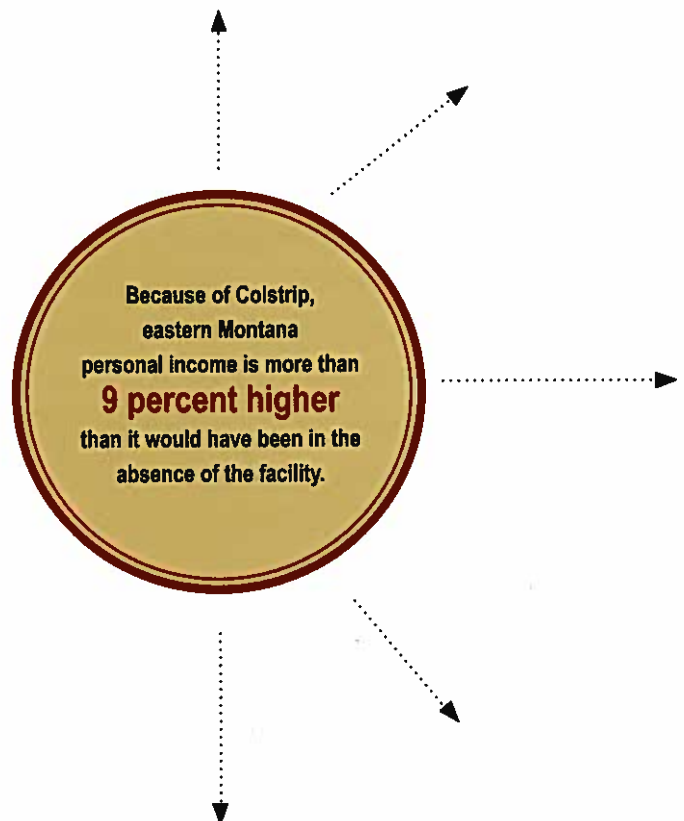
ECONOMIC IMPACTS

Geographic Scope

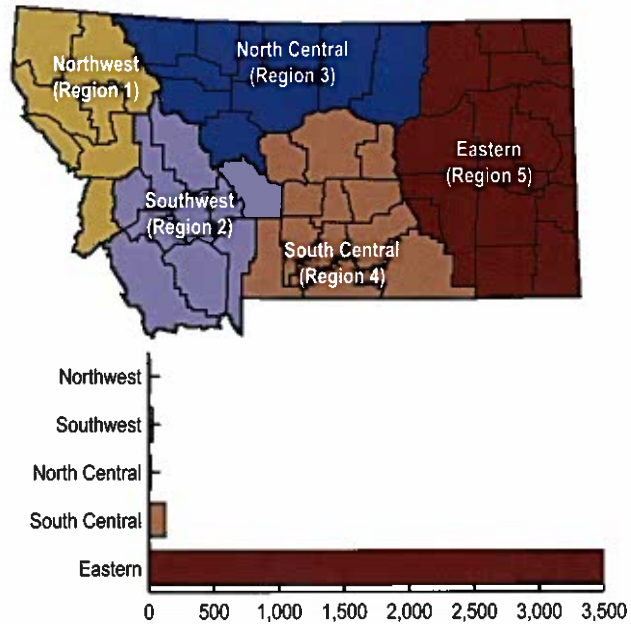
Most, but by no means all, of the economic impacts of Colstrip are in the eastern Montana region which contains Rosebud County. But the employment impacts of the generating facility are positive in all five regions of the state, as shown in the figure. The south central region, which contains Billings, does see some significant increase in employment as a result of the Colstrip operation, which is due to the significant trade flows that exist between the regions. But most of the employment impacts are clearly in the eastern Montana region.

Given the smaller size of the eastern Montana economy compared to the other four regions, this contrast is even more apparent when examined in percentage terms. In the figure, we present the impacts of Colstrip for the five regions on personal income as a percent of the baseline projection. Because of Colstrip, eastern Montana personal income – total income

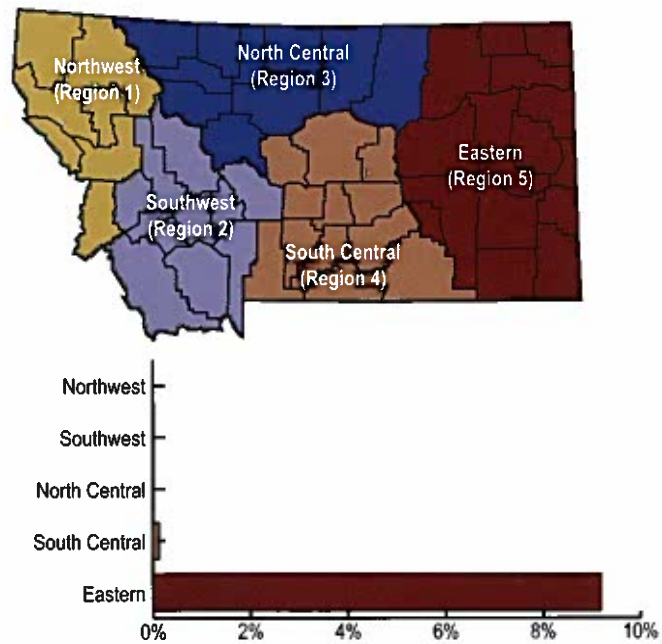
received by households – is more than 9 percent higher than it would have been in the absence of the facility. As can be seen, the relative impact of Colstrip on personal income in the other regions is positive, but much smaller than in the east.



Employment Impacts by Region



Personal Income Impacts by Region



ECONOMIC IMPACTS

New Jobs

The jobs in the economy that are attributable to Colstrip are spread across many industries and occupations. Not surprisingly, the largest private-sector impact is in the utilities industry, due to the direct contribution of the facility itself. But there are significant job impacts in other industries due to the induced demand of Colstrip and WECO employees as well as vendors and businesses who receive revenue from Colstrip. Retail trade employment is almost 400 jobs higher. Health care employment, influenced by both population and the relative affluence of Colstrip workers, is 372 jobs higher than it would be without Colstrip.

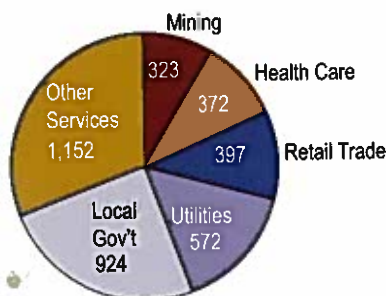
Employment in state and local government is significantly affected by the Colstrip operation. Both

receive significant tax revenue, directly from the facility as well as from other activities induced by its operation, as more fully detailed on pages 14-15. But the Colstrip operation also impacts the demand for government services as well, with workers and households moving to Montana from elsewhere because of the economic opportunities created by Colstrip. As the population grows, so does the number of school-aged children, increasing the demand for K-12 schools, as well as demands for other government services.

The employment impacts can also be examined from a different perspective, namely, how Colstrip creates jobs for those in different occupations. Almost one in four new jobs due to Colstrip operations are in the sales, office and administrative occupational category, which includes teachers. Colstrip-induced jobs can also be found across a very broad spectrum of skills and occupations. A significant proportion of these jobs are in construction and extraction, maintenance and repair, as well as production and material moving workers. There are also more than 300 management jobs in the Montana economy that are due to Colstrip operations.

Employment Impacts Summary

Industry (Number of Jobs)



Occupation (Number of Jobs)



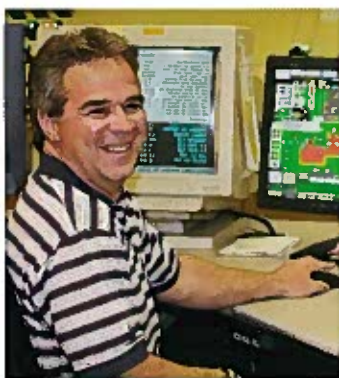


Environmental Compliance Top Priority for Colstrip

The Colstrip power plant was originally built with scrubbers to minimize emissions by removing particulate and sulfur dioxide from the flue gas. Sulfur-dioxide emissions at the plant are at levels 10 to 15 times less than Federal Clean Air Act standards require. In 2006, Units 3 & 4 were the ninth lowest coal-fired power plant in the nation in terms of sulfur-dioxide emissions. In the last few years, these units have installed state-of-the-art nitrogen oxide (NOx) controls, reducing NOx emissions by an additional 75 percent over the initial low-NOx equipment. In 2010, these units became one of the first coal-fired plants in the country to control mercury, achieving about 90 percent reduction in mercury emissions. In addition, Colstrip has taken aggressive actions to control seepage from its scrubber slurry storage ponds by investing \$64 million over the last ten years on innovative groundwater protection systems. The plant will spend another \$14 million in 2010 and 2011 to reduce groundwater seepage from storage basins at the plant.

ECONOMIC IMPACTS

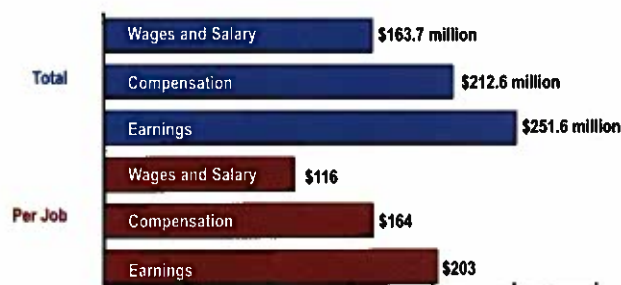
Wages & Compensation



One of the factors helping to account for the very significant additional economic impact induced by the wages and expenditures of the Colstrip facility is the fact that the jobs at both Colstrip and the WECO mine pay wages significantly in excess of the state and regional average. Higher wages mean that more dollars are available to be spent in the local communities, helping to increase second-round employment effects.

Thus the impact of Colstrip is not to simply add jobs and to add income, but to actually raise the average pay for all jobs in the economy. As shown in the figure, the average annual wage of all workers in the private sector of the state economy is \$116 higher per worker every year as a result of Colstrip. The average annual earnings, which include both benefits as well as proprietors' income, are increased by \$203 for all state workers in the private sector. In eastern Montana, the impacts are much more pronounced – Colstrip raises average annual earnings in the region by more than \$3,200 per worker every year.

Impacts on Private Sector Compensation and Earnings



Colstrip Recertified as one of Nation's Safest Worksites

In 2010, the Colstrip Steam Electric Station was recertified as a Star member of the Occupational Safety and Health Administration's Voluntary Protection Program. VPP is OSHA's official recognition of the efforts of employers and employees who have enacted exemplary occupational safety and health programs.

VPP Star status is attained through a strong partnership between OSHA and union and management employees. OSHA evaluates management leadership, employee involvement, worksite analysis, training, and hazard prevention and control to determine if a facility is worthy of VPP Star status.

An OSHA team re-evaluates VPP Star sites every three to five years for recertification. To be recertified, sites must continue to show improvement in their safety and health programs.

Colstrip is Montana's largest private-sector work location to receive Star status and has been commended by OSHA for its safe workplace practices and overall wellness. Attaining VPP Star status is the result of a strong partnership between PPL Montana and the International Brotherhood of Electrical Workers Local 1638 and Teamsters Local 190.

At Colstrip's VPP 2010 recertification ceremony, John Lei, representing IBEW Local 1638, explained that all employees stand behind Colstrip's safety programs because they protect people and ensure that everyone gets home safely at the end of the work day. Plant manager Neil Dennehy confirmed: "Everyone – employees, contractors and our families – owns a piece of the VPP flag. Our teamwork among management and labor pays off every day, because we seek a work environment that promotes caring for each other's well being. We understand how important that is."



ECONOMIC IMPACTS

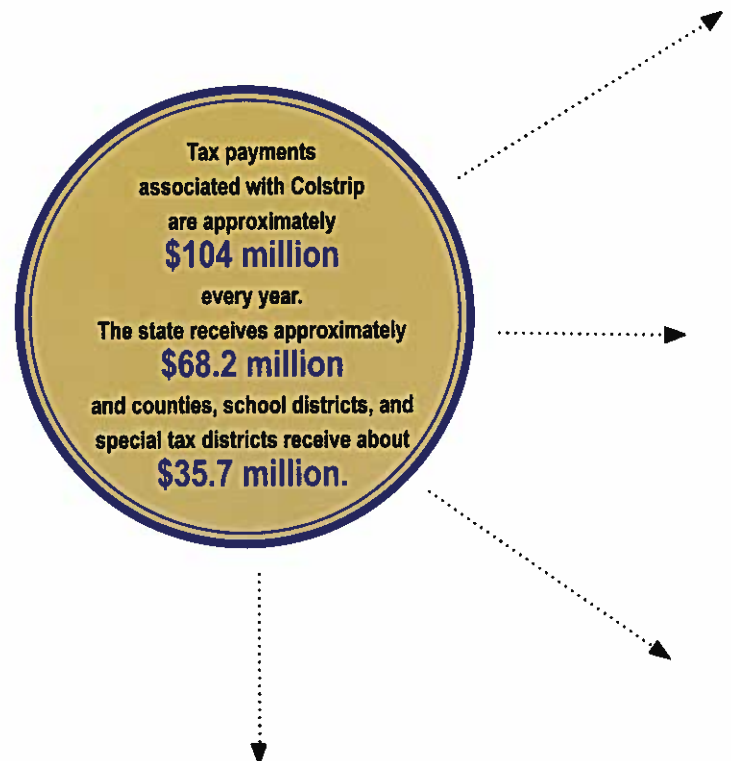
State & Local Taxes

State and local governments in eastern Montana and statewide benefit from tax payments directly and indirectly generated by the Colstrip facility. These tax payments benefit Montanans because every dollar paid by Colstrip is a dollar that does not have to be collected from other taxpayers.

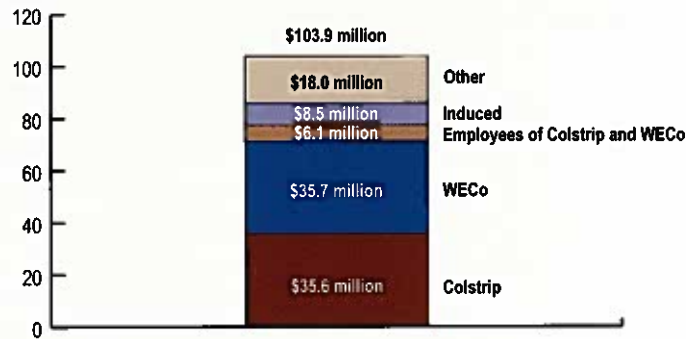
Montana has a complex system for determining and collecting taxes and then distributing the proceeds for various governments. It is not always possible to determine the amount of taxes paid to various jurisdictions simply by looking at tax bills. Therefore, a variety of indirect

methods were used to estimate tax payments. The taxes presented in the following graphs represent the amounts paid in a "typical year." This corrects for year to year changes due in electricity production (perhaps caused by planned maintenance), the profitability of parent companies, the national business cycle, and other factors.

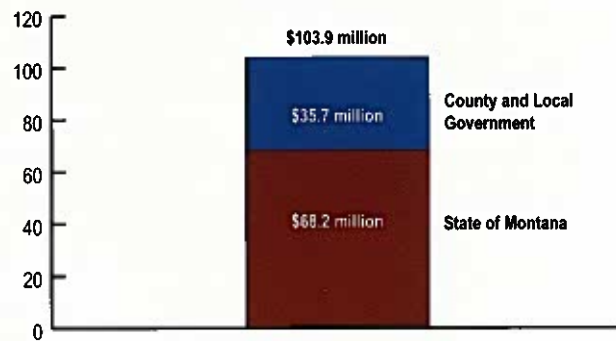
Estimated tax payments directly and indirectly associated with Colstrip are approximately \$104 million every year. The electric generating facility accounted for about \$35.6 million, or roughly 34 percent. The Western Energy Company coal mine paid approximately \$35.7



State and Local Tax Impacts by Taxpayer, Millions of Dollars Per Year



State and Local Tax Impacts, Millions of Dollars Per Year



million. The employees of these two companies paid about \$6.1 million, or roughly 6 percent of the total. The induced economic activity accounted to \$8.5 million in estimated tax payments, and about \$18.0 million came from other sources.

The \$104 million in tax payments are divided between state and local governments. The State of

Montana receives approximately \$68.2 million, or 65.7 percent. Counties, cities, school districts, and special taxing districts (such as SIDs) receive roughly \$35.7 million, or approximately 34.3 percent. This distribution of taxes may not represent the final incidence of the funds. For example, included in the \$68.2 million paid to state government is roughly \$12 million intended for school equalization,

which would end up in the coffers of local school districts.

Much of the electricity generated at Colstrip is delivered to out-of-state customers via transmission lines. These lines traverse 13 counties extending as far away as Missoula and Mineral Counties. These counties received about \$8.8 million in property taxes during a typical year.

ECONOMIC IMPACTS

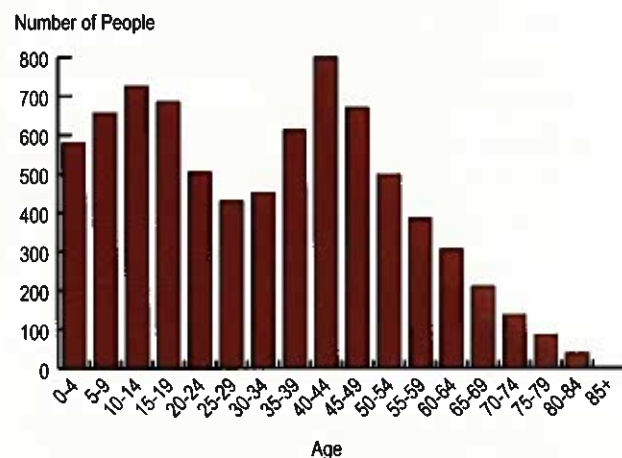
People & Families

The mobility of people, jobs, and investment in response to changing opportunities is a fundamental process that drives economic growth. The presence of Colstrip in the Montana economy has drawn people as well as resources to Rosebud County and, to a lesser degree, the state of Montana as a whole. Workers who move in response to job opportunities – who would not have moved but for the operations of Colstrip – bring their current or future children with them, fundamentally altering the demographic profile of the population.

A comparison of the age distribution of the population with and without

the presence of Colstrip reveals significant increases in those in the prime working age groups aged 20-55 years, as well as in the younger cohorts made up of their children. As shown below, the impact of Colstrip operation among 5-year age cohorts of the population is highest among those aged 40-44, with the presence of 800 people in that age category living in the state of Montana because of Colstrip. Roughly half of the 7,776 increase in population statewide due to Colstrip operations are in prime working ages between 20 and 55 years of age. In eastern Montana, the presence of almost 2,000 school-aged children between 5 and 19 years of age is attributable to the Colstrip generating facility.

Impacts on Population by Age



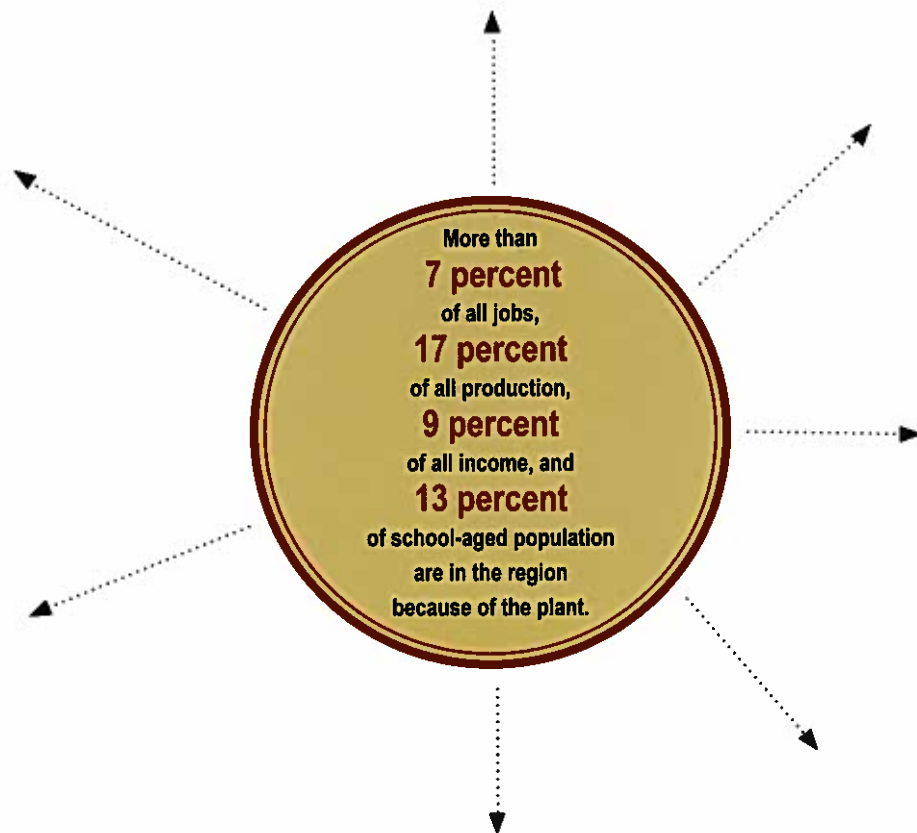


Roughly half
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ECONOMIC IMPACTS

Adding It All Up



It is difficult to overstate the economic contribution of the Colstrip generating facility's operations to eastern Montana. More than 7 percent of all jobs, 17 percent of all production, 9 percent of all income, and 13 percent of school-aged population are in the region because of the operations of the plant. The spending by Colstrip employees as well as those at the WEC Co mine is only part of the stimulus to the region represented by the plant. The subsequent activity as Colstrip dollars are re-spent is substantial as well. These results highlight how large and diverse those economic contributions are.

Even when measured against the much larger economy of the entire state, the contributions of Colstrip are substantial. Businesses and consumers do benefit from Colstrip statewide through the trade flows that connect the state's regions, particularly to Billings. The higher than average wages of the Colstrip and WEC Co jobs produce a measurable impact on average compensation of all jobs statewide.

What would the economy of Montana look like if Colstrip did not exist? These research findings demonstrate that it would be a smaller, less populous, and less prosperous one. And those contributions should not be dismissed or taken for granted.



Castle Rock Lake Provides Recreational Opportunities to Community

Castle Rock Lake is a 160-acre reservoir in Colstrip that is fed by water pumped from the Yellowstone River 30 miles away. The reservoir provides municipal water to the city of Colstrip and water to support the Colstrip power plant. The reservoir is maintained and operated by PPL Montana. The lake, which has picnic and swimming areas, is open to the public from sunup to sundown throughout the year. Electric motors only are allowed for boating.

Castle Rock Lake is an excellent fishery that has a diverse array of fish including bluegill, crappie, channel catfish, largemouth bass, smallmouth bass, walleye, and northern pike. Anglers can fish steep rock ledges, underwater islands, depressions, weed edges, cattails, flats and just about any kind of structure you can imagine at Castle Rock.

Each year, the area Fish Wildlife and Parks office partners with PPL Montana to invite about 150 fifth graders from surrounding schools, as well as a home school program, to Castle Rock

...continued on page 20



...continued from page 19

Lake for a day of learning and fishing. On Fishing Day, these students each receive a new rod and reel and get to learn about the lake in Colstrip, the fish that live there and how to safely fish for them. Volunteers from the BLM office in Miles City, the Rosebud /Treasure County Wildlife Association, Rosebud County Sheriffs Department, and the Colstrip City Police donate their time to assist in organizing and to help with tasks like baiting hooks.

Castle Rock Lake is at the Highway 39 turnoff out of Colstrip. In addition to being a popular destination for anglers year-round, its surrounding bike trails and picnic area, make it a great spot for a summer day trip. A 3.2-mile loop trail provides a good vantage point to view birds and other wildlife.





Visit ColstripEconomicReport.com for the full report