

OFFICE OF THE GOVERNOR  
STATE OF MONTANA

STEVE BULLOCK  
GOVERNOR



ANGELA McLEAN  
LT. GOVERNOR

May 6, 2015

Department of the Interior  
Office of Natural Resources Revenue  
Armand Southall  
Regulatory Specialist  
PO Box 25165, MS 61030A  
Denver, CO 80225

Dear Office of Natural Resources Revenue:

Thank you for the opportunity to submit comments regarding your proposed rules addressing the valuation of coal for royalty purposes.

Coal supplies more than one-third of total U.S. electricity generation, and federal leases generate up to a billion dollars each year in bonus payments and royalties, benefitting American taxpayers – the owners of the resource. In addition to a fair return for taxpayers, the federal coal program is managed to achieve a variety of objectives, including economic development and jobs, reducing energy costs, increasing energy security, and environmental reclamation.

The State of Montana supports a vibrant and competitive coal industry. Coal production is an important part of the Montana economy, as well as that of the Crow Nation. We benefit not only from our share of the royalty payments, but also from the associated jobs, economic development, and tax revenues.

As coal markets in the United States change and coal producers seek to expand exports, and as the use of coal brokers increases, we need to ensure that the taxpayer continues to receive a fair return for the value of their resources. This is particularly the case when coal is being shipped overseas to foreign markets, which may provide opportunities for royalty returns that are not captured under the current rules.

An important objective of your effort to reconsider the coal valuation rules should be clarity – for the agency, coal industry, and public. In addition, the final rules must be fair and predictable to those who are subject to them. I am concerned about the proposed default provisions. These provisions, which provide broad discretion to retroactively set federal coal royalties, coupled

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with an unreasonable and unacceptable lag in the timing of royalty audits (sometimes as long as 8 years), could stifle new investment by creating too much uncertainty.

I also believe the public would be well-served by final rules that improve the transparency of the key information used to determine their royalty receipts. I understand there may be information that is legitimately proprietary. However, while the mining of coal may be proprietary, the coal itself is owned by the American public and a careful balance between these interests is necessary. Additional transparency will enhance the public's understanding of how their resource is managed.

Thank you for your consideration of these comments.

Sincerely,



STEVE BULLOCK  
Governor