

February 8, 1977

The Natural Resources subcommittee on Extraction and Conversion met at 7:05 p.m. in room 437 on February 8, 1977, with Chairman Kessler presiding and all members present.

Pat Hooks, Knife River Coal Company, was present to give testimony on lignite coal and why it is in a lower tax bracket.

Mr. Hooks said in 1976 the five producing mines produced in excess of 25 million tons. Three of them--Decker, Westmoreland and Peabody--produced subbituminous and it was all exported. Western Energy, a subsidiary of the Montana Power Co., produced about a million ton which was consumed by the Corrette plant in Billings. Colstrip I and 2 will also use this coal--all of which is subbituminous--and everything they produce in excess of 1.2 million tons is exported.

Knife River is a wholly owned subsidiary of the MDU and they serve eastern Montana, except for electricity in Billings. They have a small generating plant in Sydney and in the 1950s opened a lignite mine in Savage, Montana, and mine between 300,000 and 325,000 tons a year. All the production of the Savage mine is taken by rail to Sydney where it is consumed in the plant. Energy from this plant helps furnish electricity needed in this area. The mine at Savage had no adverse impact on the community--the 26 to 30 employees are welcomed like a lumber mill employees in western Montana. There are none of the problems like the Decker area.

He said they foresee only mining lignite. He said the cost of producing is high for the low BTU coal and the reason for this is the amount of overburden for one thing. Their overburden is 75 to 80 feet to get at a seam of 15 feet. He said contrast that to Decker which has an overburden of about the same but a 50 feet seam. He said Decker is the biggest coal mine in the world. He said Decker West will have an overburden of 40 feet to get at 40 feet. Secondly a small mine like theirs can't support the machinery outlay that a large mine can. He said their Buelah, ND, mine averages 22.7 thousand tons per year per man, while their Savage mine is 14.9--and the difference is due to the shovel and type of machinery. Thirdly, the reclamation bill--they average \$10,000 per acre--12 acres have been or are being mined. He said they had checked to see if they could buy coal for their plant cheaper but they couldn't.

On taxes he said that when you tax subbituminous which goes out of state you are taxing consumers all through the midwest--but when you tax lignite you are taxing Montana people as all the lignite is used in state. Anything under 7,000 BTU value is considered lignite. Taxes on coal before production taxes are: severance tax, gross proceeds tax (property tax), governor's resource and indemnity trust tax fund--1/2 of 1%. He gave figures to show how this worked out per ton: Decker-\$5.123; Knife River-\$5.09; Westmoreland-\$4.30; Western Energy-\$3.56; and Peabody--\$.01.

In reply to a question about revegetation he said companies would like to see crops and crested wheat grass permitted.

He said no one ships lignite in excess of 375 miles. He said the difference between it and subbituminous is the moisture content--he said it was about like comparing a cadillac with a volks.

He said their company is all right--that Knife River is making money. When asked on emissions he said the coal mine has had a few violations when the shovel has got beyond the permit area--no problem at the plant in Sydney.

Chairman Kessler thanked Mr. Hooks for sharing his knowledge with the committee and then asked the committee members to look at the rest of the proposals. He asked the committee members if they wanted to continue to work on policy or to start on bills. Motion was made and carried unanimously to work on the policy first.

Proposal 14. HB 204 has already taken care of this.

Proposal 15--OK

Proposal 16--Uranium moratorium will end in March--Graham has a bill that will continue the moratorium. Strike "uranium enrichment plants"

Proposal 17. It was mentioned that Pat Hooks testimony proved that small scale plants can work. It was mentioned that co-generation could take advantage of waste heat, and should be mentioned in the text.


Proposal 18. Rep. Ernst mentioned the possibility of a plant occurring across the border and the tax base being lost to Montana but not the pollution. It was decided to hold off and see what the federal policy will be. Rep. Kessler said he would like to have mentioned that agriculture is Montana's number one industry.

Proposal 19. OK

Proposal 20. Montana should have consideration for its neighbors. The last part of the proposal is to read "and Montana shall give the same consideration to its neighboring states and provinces."

Meeting adjourned at 9:15 p.m.

Respectfully submitted,

  
GERALD KESSLER, Chairman