MINUTES OF THE MEETING OF THE NATURAL RESOURCES COMMITTEE
MARCH 18, 1981

The House Natural Resources Committee convened in Room 437 of the Capitol Building on Wednesday, March 18, 1981, at 12:30 p.m. with CHAIRMAN DENNIS IVERSON presiding and seventeen members present (REP. QUILICI was absent).

REP. NORDTVEDT, chairman of the subcommittee on the Milwaukee right-of-way, presented the committee with some details on the possible purchase of the Milwaukee right-of-way. He said the offer made by the railroad was for 7 million dollars. He felt the state could, at that rate of purchase price, buy just the right-of-way from Miles City to Butte where a connection could be made with another line. Also, the subcommittee is looking into a branch line north of Harlowton. He said a federal rail banking program could possibly be used to pay for this. However, the fact that the state is applying for federal money is not sufficient as a commitment. The current right-of-way is in many different classifications and there could be a number of lawsuits because of that.

The subcommittee felt we should keep the Milwaukee people in a position of negotiation and the best way to do that would be to draft an appropriations bill. The bill would provide that the state use 2-1/2 million dollars from the Coal Severance Tax Constitutional Trust Fund to purchase the main right-of-way from Miles City to Butte and the branch line from Harlowton. There would be enabling legislation needed at a later date.

REP. NORDTVEDT said this would basically be a real estate investment. The track could be used to export coal to the west coast. The state needs to show some sign that it is serious about this arrangement.

REP. ASAY asked how the taxes to the counties will be handled. REP. NORDTVEDT replied that the taxes are paid first after the bankruptcy proceedings are settled.

REP. COZZENS asked how the 2-1/2 million dollar figure was reached. The answer was a figure of 400 dollars was used instead of the figure of 1,000 dollars used by the railroad people.

REP. MUELLER asked what rationale was used to purchase the branch line. REP. NORDTVEDT said it provides a method of grain export to the west coast and also that it is a high revenue line.

REP. ROTH asked what the state will do with the right-of-way if it actually purchases it. The answer was that the state could keep it as just another piece of property or it could be turned over to someone private.

REP. NORDTVEDT said that unless this project is finished before the legislature is through, the project will fail.

REP. BERTELSEN said there are associated problems with this type of deal. If the state just holds it as idle land, we will have to maintain fence, have a weed control program, and do other maintenance-type functions.

REP. MUELLER said he had serious reservations about the state getting into the railroad business. The Milwaukee has never been a paying business.

It was REP. SHELDEN'S opinion that the discussion was not about running a railroad, but rather about a right-of-way purchase.

REP. NORDTVEDT moved that a bill be introduced at the request of the Committee on Natural Resources. The motion PASSED with REPS. MUELLER, ROTH, and BERTELSEN opposing.

CHAIRMAN IVERSON opened the hearing on SB 367.

SENATE BILL 367 SENATOR TOM KEATING, chief sponsor, presented the bill which would allow the Board of Land Commissioners to issue coal leases and sell coal to foreign interests. He stated that there are three forms of coal ownership in the state: private, federal stewardship, and state ownership under state lands. The coal is in a checkerboard situation with options for coal mining overlapping from one section to another. He said this bill deals strictly with state owned coal. Section 1 of the law states that a lease cannot be obtained by any corporation in which the majority of stock is controlled by interests foreign to the United States. One company, Shell Oil, is affected by this part of the bill. Also any company or individual owning a state coal lease that mines that coal and sells it to a foreign company will have that lease terminated by the board. This bill would repeal that part of the law. He felt this would encourage development of coal mining in the state. It is also a friendly gesture to other nations saying Montana would like to participate. The principal party being shut out is Japan.

Speaking as a proponent was TOM HARRISON, representing Shell Oil Company. He said his company feels they are good citizens employing people and paying taxes. This bill would place them on an equal footing with other companies operating in Montana.

MIKE FITZGERALD, Montana International Trade Commission, supported the bill. See Exhibit 1.

JAMES MOCKLER, Montana Coal Council, said that at the current rate, we could mine in Montana for 4,000 years. We presently are not mining or shipping a great amount.

PETER JACKSON, Western Environmental Trade Association, said his organization is concerned with jobs and reasonable trade with other nations. This type of trade has the potential to help in Montana with jobs and the economy.

TOM DOWLING, Montana Railroad Association, supported the bill saying it would help create jobs.

MORRIS GULLICKSON, United Transportation Union, supported the bill. See Exhibit 2.

BOB GANNON, Montana Power Company, spoke in favor.

Also attached as Exhibit 3 is a statement from Montco, Inc. supporting the bill.

Speaking as an opponent was BOB RHEIM, Northern Plains Resource Council and a resident of western Montana. He lives in the Clark Fork Valley and is concerned because that seems to be an ideal corridor for companies such as Bonneville Power. Before we mine more coal in Montana, we must find alternatives for transporting other than the railroad. Also need to address the long term energy dependence in this country. Our energy resources are growing in value.

HELEN WALLER, Northern Plains Resource Council, spoke in opposition to the bill. See Exhibit 4.

Attached as Exhibit 5 is a letter from MR. AND MRS. ROBERT SCHRIVER opposing the bill.

SENATOR KEATING closed on the bill.

During questions from the committee, REP. COZZENS asked MRS. WALLER if she felt the Strip Mining Act was being gutted. She replied that the act is being chipped away bit by bit and her organization opposes those attempts.

REP. BROWN stated there were figures referred to from a report in the Federal Trade Magazine. He asked MR. FITZGERALD to comment on those figures. MR. FITZGERALD said the figures were accurate and that it costs less to import coal from Australia to Japan than from the United States because it is closer. Recently, however, the figures have changed enough to favor Montana coal export.

REP. BROWN asked if a company would have to use existing statute to use Montana water to slurry coal. DEBBIE SCHMIDT, staff researcher, said yes.

REP. BERTELSEN asked what percent of the coal in Montana belongs to the state. MR. MOCKLER said seven percent.

REP. ROTH stated that international grain deals are made with these same countries. Why does coal exporting present such a problem. MR. FITZGERALD said these countries are the best markets for grain and for coal. REP. BERTELSEN said that coal is a non-renewable resource and grain is not.

The hearing closed on SB 367 and one opened on SJR 5.

SENATE JOINT RESOLUTION 5 SENATOR HAFFERMAN, chief sponsor, presented the resolution which urges the United States Congress to enact legislation necessary to assure resumption of construction of additional generating units at the Libby Dam and the reregulation dam above Libby. He said the area must import energy from other areas even though it produces energy in that area.

Speaking as a proponent was CHARLES WOODS, President of Northwest Energy Employment and Development. There are four units currently being built and are four units already in operation. The eight units would meet the peaking needs in the area. An additional set of units will not jeopardize the habitat of the eagles or hamper the fishing.

ROBERT S. HOLIDAY supported the resolution. He stated he did not feel anyone in the area would be flooded out.

PETER JACKSON, Western Environmental Trade Association, supported the resolution saying this project comes down to jobs and a stable economy for the area.

GEORGE JOHNSTON, ASARCO, stated that his company has a mine near Troy and they will be running the drilling equipment and the mill with electricity. The company is interested in having a reliable source of energy in the area.

JOYCE BROOKS, Montana Associated Utilities, said more power is needed by the R. E. A.'s in the area. See Exhibit 6.

Further proponents were J. D. LYNCH; BOB GANNON, Montana Power Company; JANELLE FALLON, Montana Chamber of Commerce; and, REP. GLENN MUELLER.

REP. AUBYN CURTISS spoke in favor saying this is a needed project.

SENATOR JOHN MANLEY supported the resolution saying that the new generators are already finished in the main structure. He said the reregulation structure is necessary for people using the area below the dam. It will be used as a pool dam during peak power times and could be used if other dams go out.

Speaking as an opponent of SJR 5 was STEVE LOKEN representing the Environmental Information Center. He stated that there is only so much water behind the dam. Electricity load forecasts have been going down over the past seven years, yet dams are still being built. The Libby reregulation dam is not feasible because it does not have an adequate cost benefit ratio. The federal government is prohibited from spending on a project that is not feasible. This is probably the least effective method of energy savings. We need to use conservation instead.

WILBUR REHMANN, Montana Wildlife Federation, opposed the resolution.

REP. ART SHELDEN opposed the resolution. See Exhibit 7.

REP. DAVE BROWN spoke against the resolution saying this is both an emotional and political issue and nothing will be changed by the legislature adopting this resolution.

SENATOR HAFFERMAN closed on the resolution.

During questions from the committee, REP. KEEDY asked what is needed in a legal way to get the dam built. SENATOR HAFFERMAN said Congress must authorize it and the state has not officially asked.

REP. KEEDY then asked if there is federal statute saying a project must be cost effective. MR. LOKEN replied yes and that it refers to all federal projects.

REP. KEEDY asked if there is currently an attempt to repeal those statutes. The answer was yes.

REP. KEEDY then asked if we pass this resolution, are we inferring that we do not want cost effective programs. The answer was yes.

The hearing on SJR 5 closed.

The meeting adjourned at 2:45 p.m.

Respectfully submitted,

DENNIS IVERSON, CHAIRMAN

Ellen Engstedt, Secretary

VISITORS' REGISTER

HOUSE NATURAL RESOURCES COMMITTEE

BILL 367 Date 3/18/81

SPONSOR KEATING

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
T. Dowling	Helena	Mont R. R. Assn	✓	
M.W. Gunnickson	Livingston	United Transportation Union	✓	
C.E. Burr Jr	Havre	BLE	✓	
Tom Stanley	Helena	Montana Trade Comm	✓	
Kenneth Clark	Miles City	UTU	✓	
[illegible]	Helena	MT Coal Council	✓	
D. Hannon	Butte	MT Power	✓	
Tom Harris	Helena	Shell	✓	
Helen Waller	Circle	N.P.P.C + self as ag. producers		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Form CS-33
1-81

VISITORS' REGISTER

HOUSE NATURAL RESOURCES COMMITTEE

BILL SJR 5 Date 3/18/81

SPONSOR HAFFERMAN

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
J.A. Lynch	Butte	Montana Stable Bldg & Construction Trades Council	✓	
Peter Jackson	Helena	WITO	✓	
George R. Gould	Helena	ASARCO	✓	
Clarmaine Woods	Libby	Self	✓	
Charles F. Woods	Libby	N.E.E.D. Inc	✓	
Robert S. Holladay	Libby	N.E.E.D. Inc	✓	
[illegible]	[illegible]	MT. Trades Council		
STEVE LOKEN	LIBBY, MT.	MYSELF / ENVIRONMENTAL INFORMATION CENTER		✓
Dixie Linson	Hamilton	myself	✓	
Joyce Brooks	Libby, MT.	MAU	✓	
[illegible]	Helena	W.I.T.E.		
STEVE PHILLIPS	KALISPELL	PACIFIC POWER & LIGHT	✓	
Bob Gannon	Butte	Mt. Power	✓	
Wilbur Rehmann	Helena	Montana Wildlife Fed.		✓
Art Shelden	Libby	Self.		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

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EXHIBIT 1

Testimony
In Support of the Repeal of
Section 77-3-315, M.C.A.

Submitted To
The 1981 Montana Legislature's
House Committee on Natural Resources

Submitted By
The Montana International Trade Commission
Suite 415, Power Building
Helena, Montana 59601

March 1981

SUMMARY

SENATE BILL 367 REPEALS SECTION 77-3-315, MCA:

TERMINATION OF LEASE BECAUSE OF SALE TO FOREIGN INTEREST

"Any corporation, individual, or person who contracts the sale of coal from such leased lands to any individual, corporation, or person foreign to the United States, except those countries contiguous to the United States, shall have the lease terminated."

THE PROBLEM:

Unless 77-3-315 is repealed Japan, Taiwan, and South Korea will not buy any Montana coal without clear political support.

IF SB367 IS PASSED:

1. Montana could capture up to 600 million tons of the export steam coal market over a thirty year period, 1990 to 2020.

2. Six hundred million tons is less than 1% of Montana's Recoverable Reserves.

3. Export of 600 million tons of Montana's coal would generate:

   - Approximately $85 million annually in state and local taxes

   - Over 1000 new jobs in the railroad and coal industries

   - Over $26 million in annual payrolls

   - Approximately one billion dollars annually towards the U.S. Balance of Trade Deficit

   - Over $670 million in new equipment sales

   - Japan, Taiwan, and South Korea are Montana's best agricultural customers, buying over 58% of Montana's exported wheat every year

Chairman and Members of the Committee, my name is Mike Fitzgerald. I am President of the Montana International Trade Commission, which is a privately funded non-profit economic development corporation.

The purpose of the Commission is to diversify Montana's economy by increasing manufacturing and processing and expansion of regional, national, and international markets for Montana's resources, products, commercial services, and technology.

We recommend the repeal of Section 77-3-315, "Termination of Lease Because of Sale to Foreign Interests," Montana Code Annotated.

It is unlikely that any Pacific Basin country will sign a long-term contract with a Montana coal company as long as this law exists and until such time as the Montana legislature supports coal exports.

This law is presently a severe policy impediment to a very signifigant development potential that could benefit not only Montana's economy but the nation's as well.

Our investigations indicate an annual one hundred million ton steam coal market in Japan, Taiwan, and Korea by 1990.

The policies of these countries, in order to limit their energy vulnerability, strictly require diversified coal supplies from Canada, Australia, South Africa, and the U.S.

Up to 25% of the steam coal market in these countries could be supplied by U.S. coal producers. Our research indicates that Montana might be able to supply one third to one half of the U.S. portion of this market between 1990 and 2020 if our political climate allows.

Montana coal producers could export up to ten million tons of steam coal annually from about 1990 to the year 2000 and increase to twenty-five million tons annually from 2000 to 2020.

Following is a comparison of the potential coal use impacts of exporting ten million tons of Montana steam coal for ten years and twenty-five million tons annually for twenty years for total exports over thirty years of 600 million tons, which is less than 1% of Montana's Recoverable Reserves:

MONTANA COAL RESERVES

- Total Reserves	291 billion tons
- Demonstrated Reserve Base	122 billion tons
- Recoverable Reserves	75 billion tons

Source: United States Geological Survey, 1976.

POTENTIAL EXPORTS

- 10 million tons annually by year 1990 to year 2000	100 MM/Tons
- 25 million tons annually by year 2000 to year 2020	500 MM/Tons
- Total Potential Exports 1990 to year 2020	600 MM/Tons

Six hundred million tons exported over 30 years is less than 1% of Montana's Recoverable Reserves.

To realistically estimate the economic impacts of these potential export levels we have used two scenarios that we believe might be achieved if Montana's political climate allows:

- Ten million tons of coal exported annually would generate about $29.3 million in state and local taxes under present tax laws; create 450 permanent jobs in the coal and railroad industries; and an annual payroll of $10.4 million.

- Twenty-five million tons of coal exported annually would generate about $84.5 million in state and local taxes under present tax laws; create over 1000 permanent jobs in the coal and railroad industries; and an annual payroll of $26.1 million.

- Approximately $671 million worth of new equipment would be purchased and about $848 million in annual revenues would accrue to the coal producers and railroads, (See page 5).

The following pages, 4 and 5, provide you with a more detailed analysis of these economic impacts.

ECONOMIC BENEFITS TO MONTANA OF MINING COAL FOR EXPORT TO THE PACIFIC RIM (IN 1979 DOLLARS)

	1990 10 Million Tons	2000 25 Million Tons
- Severance Tax Revenues (1)	$25.5 Million	$73.5 Million
- Gross Proceeds Tax Revenues (1)	3.8 Million	11.0 Million
- Annual Total State and Local Tax Revenues	$29.3 Million	$84.5 Million
- Employment (2)		
Mine (3)	250 Permanent	625 Permanent
Rail (4)	200 Permanent	500 Permanent
- Total Employment	450 Permanent	1125 Permanent
- Annual Personal Income		
Mine Employment (5)	$ 6.0 Million	$15.0 Million
Rail Employment (6)	4.4 Million	11.1 Million
- Total Annual Personal Income	$10.4 Million	$26.1 Million

(1) Assumes Contract Sales Price of $8.50/ton in 1990; $9.80/ton in 2000.
(2) Excludes construction-related employment. It is estimated that 480 construction jobs would be generated.
(3) Assumes all mine employees live in Montana.
(4) Assumes twenty rail employees per one million tons of coal moved West.
(5) Assumes average salary of $24,000.00 per year.
(6) Assumes average salary of $22,200.00 per year.

Source: United States Department of Commerce and Montana Department of State Lands.

Note: The above excludes local property taxes on an estimated:

A. $100 million in mining equipment necessary for a 10 million ton mine, and

B. $5 million investment in a 105 car unit train.

Source: Western Analysis, Inc., 1980.

UNITED STATES ECONOMIC IMPACT OF EXPORTING 25 MILLION TONS OF STEAM COAL ANNUALLY

Estimated personnel, equipment and facilities requirements to accomplish the export of 25 million tons of steam coal annually through a Northwest United States Port:

A. Personnel	
- 625 Mine Employees Gross Annual Salary (@ $24,000.00 Average)	$ 15 million
- 500 Railroad Employees Gross Annual Salary (@ $22,200.00 Average)	$ 11.1 million
- 50 Port Employees Gross Annual Salary (@ $20,000.00 Average)	$ 1 million
- Total Estimated Gross Annual Salaries	$ 27.1 million
B. Facilities and Equipment	
- Twenty-four 105 Car Unit Trains	$ 126 million
- Five Crushing and Loading Facilities	$ 300 million
- Five Drag Lines	$ 145 million
- One West Coast Deep Water Port	$ 100 million
- Total Estimated New Equipment Investment	$ 671 million
C. Corporation Revenues	
- Annual Gross Revenue to Coal Producers (25 MM Tons @ $9.80/Ton)	$ 245 million
- Annual Gross Revenue to Railroads (25 MM Tons @ $18.40/Ton)	$ 460 million
- Annual Gross Revenue to Port (25 MM Tons @ $5.75/Ton)	$ 143.75 million
- Total Annual Revenues to U.S. Businesses	$ 848.75 million
- TOTAL UNITED STATES ECONOMIC IMPACT (Does not include ocean transportation @ $9.20/Ton X 25 MM = @ $230 million nor off loading @ $4.05/Ton X 25 MM = @ $101.2 million).	$ 1.5 billion

Source: Montana International Trade Commission.

ECONOMIC IMPACTS ON THE U.S. BALANCE OF PAYMENTS

- Exporting 10 million tons of coal per year at an average "loaded on board" price per ton of $35.45_(A) equals approximately $354 million annually, and for the ten-year period from 1990 to 2000 would be about $3.54 billion.*

- Exporting 25 million tons of coal per year at an average "loaded on board" price per ton of $40.75_(B) equals approximately $1.018 billion annually, and for the twenty-year period from 2000 to 2020 would equal approximately $20.36 billion.*

- The total Economic Impact on the U.S. Balance of Payments of exporting 600 million tons, or less than 1% of Montana's steam coal, over thirty years to the Pacific Basin is approximately $24 billion.*

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* Total sales price per ton is broken down as follows:

	(A) 1990	(B) 2000
F. O. B. mine	$11.30	$13.00
Train movement	18.40	21.15
Port Loading	5.75	6.60
Total Loaded on Board U.S. Port of Export	$35.45	$40.75
Ocean Transportation	$ 9.20	$10.60
Port Off Loading	4.05	4.65
TOTAL DELIVERED PRICE:	$48.70	$56.00

Source: Western Analysis, Inc. and MITC, 1980.

Although Montana could capture a portion of the Pacific Basin Steam Coal Market, we must compete with all other western coal-producing states as well as several other countries. There is a lot of coal in the western U.S. and the world, as the following pages on Western U.S. Steam Coal Reserves and World Coal Reserves indicate.

ECONOMICALLY RECOVERABLE COAL RESERVES
IN SELECTED WESTERN STATES*

STATE	ANTHRACITE (Thousand Tons)	BITUMINOUS AND LIGNITE (Thousand Tons)	TOTAL (Thousand Tons)
Arizona	-	350,000	350,000
Colorado	27,700	14,841,500	14,869,200
Montana	-	108,396,200	108,396,200
New Mexico	2,300	4,392,500	4,394,800
North Dakota	-	16,003,000	16,003,000
South Dakota	-	428,000	428,000
Texas	-	3,271,900	3,271,900
Utah	-	4,420,500	4,420,500
Washington	-	1,954,000	1,954,000
Wyoming	-	53,336,100	53,336,100
WESTERN STATES TOTAL	30,000	207,393,700	207,423,700

*United States Bureau of Mines.

WORLD COAL RESERVES*

Total Estimated	11,500 Billion Metric Tons
Measured Reserves	1,300 Billion Metric Tons
Economically Recoverable	740 Billion Metric Tons
(High Heating Value Coal Reserves)	600 Billion Metric Tons (A)

The following five regions have 95% of these measured Reserves:

North America	@	31%	229.40 Billion Metric Tons
USSR And Satellites	@	26%	192.40 Billion Metric Tons
Western Europe	@	17%	125.80 Billion Metric Tons
China	@	15%	111.00 Billion Metric Tons
Australia	@	6%	44.40 Billion Metric Tons
Total	@	95%	or @ 703 Billion Metric Tons

*World Coal Production; Scientific American 1-79; Volume 240, Number 1; PP. 38-47.

(A) 740 Billion Metric Tons Adjusted for Inferior Heating Quality Coal to 600 Billion Metric Tons.

- Japan, Taiwan, and Korea, as well as other Pacific Basin countries, are about 90% dependent upon imported energy. They have already expressed an interest in and may need some of our steam coal to replace dwindling, vulnerable, and expensive imported oil. We should be willing and capable of selling coal to them. This statute prevents us from doing so.
- The President of the United States now has the authority to restrict or curtail coal exports from the U.S. if exports are causing a domestic shortage, or if exports are escalating domestic prices. This Executive Authority is provided through the Export Administration, U.S. Department of Commerce.
- Some further considerations: Pacific Basin countries are good agricultural customers of Montana and are likely to remain so if their economies remain strong and prosperous. Approximately 58% of Montana's grain exports go to these countries, as indicated in the following analysis:

ESTIMATED MONTANA WHEAT EXPORTS TO PACIFIC RIM (MARKETING YEAR 1974 - 1978)

	Volume (1) (Million Bushels)	Value ($ Million)
1974	38.2	$149.7
1975	41.9	126.1
1976	36.8	88.7
1977	41.0	105.4
1978	48.1	153.5
TOTAL:	206.0	$623.4

(1) Assumes that 58% of Montana wheat exported from Pacific Northwest ports is destined for Japan, Korea, and Taiwan.

Source: United States Department of Agriculture and Economics, Statistics and Cooperatives Services.

SUMMARY

Modest levels of steam coal exports to foreign countries will create new, good-paying jobs in Montana, generate state and local tax revenues, help reduce the U.S. Balance of Payments Deficit, and provide signifigant new sales for Montana Coal producers and the railroad.

The statute we are discussing today prevents coal exports from Montana to foreign customers beyond North America.

Pacific Basin government officials and trade representatives have specified their preference and intention to buy steam coal from western states where there is clear political support for exports.

Recognizing that coal exports have become a political issue in Montana, it is important to keep in perspective the probability that under the most favorable circumstances, less than 1% of Montana's Recoverable Reserves would be exported to countries who are our friends, allies, and best agricultural customers.

If Montana coal producers are able to achieve long-term supply contracts with Asian customers, these relationships could be expanded into other trade, processing, and manufacturing ventures which could greatly benefit other sectors of Montana's economy.

We therefore respectfully recommend that you support the repeal of Section 77-3-315, Montana Code Annotated.

Thank you.

EXHIBIT 2

WITNESS STATEMENT

NAME Morris W. Gollickson BILL No. SB 367

ADDRESS Livingston Mt. DATE 3/18/81

WHOM DO YOU REPRESENT United Transportation Union

SUPPORT ✓ OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

We believe that export coal to the Pacific Rim countries will increase train crew by approximately one third on the rail lines that coal is shipped

The BN west of Laurel Mt. has only one coal train. The track compacity for these trains at present is very great. The BN can handle these with no problem

FORM CS-34
1-81

1212 First Northwestern Bank Center
Post Office Box 315
Billings, Montana 5
406 252-5208

EXHIBIT 3

MONTCO

SB 367

Mr. Chairman, committee members, for the record, my name is Pat Wilson and I represent Montco in support of SB 367.

It is commonly thought that American coal will appear in the world steam coal market around 1990. For Example, Japan's projected demand for imported steam coal is as follows:

Fiscal Year	Million Tons
1985	22.0
1990	53.5
1995	80.5

The principle suppliers to Japan are Australia, China, Canada, and South Africa. Currently, the steam coal demand of Japan and other countries is committed to Australia, whose exporting capacity is not sufficient to meet demands.

The export of western steam coal gives us an opportunity to aid the Japanese in reducing their dependency on OPEC oil. This will also help reduce pressure on the global oil supplies and the prices we all have to pay for OPEC oil--including consumers in Montana and the U. S.

Western exports to Japan are never likely to exceed 5 per cent of the total western coal production. For example, according to Department of Energy figures by 1985, the western coal productive capacity would be 379.5 million tons.

379.5	(million tons)
.05	(% to be shipped to Japan)
18.975	(million tons)
$40.00	(price of coal + transportation $25 - $50)
759	million dollars (Japan's cost)

759 million dollars would affect the GNP 1.518 billion dollars. Another example is DOE is figures for 1990 which predict the western coal production capacity at 571.1 million tons.

571.10	(million tons)
X .05	(% to be shipped to Japan)
28.56	(million tons)
$40.00	(price of coal + transportation $25 - $50)
1.1422	billion dollars (Japan's cost)

1.1422 billion dollars would affect the GNP 2.2844 billion dollars.

The GNP for 1979 $2.369 trillion

Vigorous export activities by the U.S. is essential to jobs, inflation control, productivity and maintaining the value of the dollar. Exports provide $1 out of $9 in manufacturing and $1 out of $4 in farm sales. Because of support services like insurance, freight handling and other support industries. It is estimated that every additional $1 billion in exports results on a total GNP increase of $2 billion. Our economic future depends on our ability to shore up the dollar and reduce unused capacity.

The Japanese prefer not to develop energy export agreements with the western United States without the clear support of the legislatures of the coal producing states. The Japanese do not believe that the problems associated with using western steam coal can be solved by individual coal companies or the federal government.

Therefore it is imperative that this legislature take positive approach toward SB 367.

POTENTIAL COAL IN MONTANA

1985	59.5	(potential coal development in Montana) in millions
	.05	(estimated % of coal to be shipped to Japah)
	2.975	(million tons of coal to Japan)
	2.975	(tons of coal to Japan)
	$10.00	(price of coal per ton @ mine $7 - $15)
	29.75	million dollars
	.30	(severance tax)
	8.925	million dollars (to State of Montana)
	2.975	(tons of coal to Japan)
	$40.00	(price of transportation + coal $25 - $50)
	19	million dollars (the cost to Japan)
1990	88.2	(potential coal development in Montana in millions)
	.05	(estimated % of coal to be shipped to Japan)
	.41	(million tons of coal to Japan)
	4.41	(tons of coal to Japan)
	X$10.00	(price of coal per ton @ mine $7 - $15)
	44.1	million dollars
	.30	(severance tax)
	13.23	million dollars (to the State of Montana)
	4.41	(tons of coal to Japan)
	X $40.00	(price of coal + transportation $25 - $50)
	176.40	million dollars (the cost to Japan)

$119,000,000 affects the GNP by $238,000,000
$176,400,000 affects the GNP by $352,800,000

* figures taken from Western Coal Survey- a survey in coal mining capacity in the West- January 1981, by the U.S. Department of Energy

CONTRACTED COAL IN MONTANA

1985	47.2	(contracted coal in Montana in millions)
	X .05	(estimated % of coal to be shipped to Japan)
	2.360	(million tons of coal to Japan)

2.360	tons of coal to Japan
X $10.00	(price of coal per ton $7 - $15)
23.60	million dollars
.30	(severance tax)
7.08	million dollars

2.360	(tons of coal to Japan)
X $40.00	(Transportation + price of coal $25 - $50)
94.4	million dollars. (cost to Japan)

1990	47.5	(contracted coal in Montana in millions)
	.05	(estimated % of coal to be shipped to Japan)
	2.375	(million tons of coal to Japan)

2.375	(tons of coal to Japan)
X $10.00	(price of coal per ton $7 - $15)
23.750	million dollars
.30	(severance tax)
7.125	million dollars (to the State of Montana)

2.375	(tons of coal to Japan)
X $40.00	(transportation + price of coal $25 - $50)
95	million dollars (cost to Japan)

$94,400,000 affects the GNP $188,800,000
$95,000,000 affects the GNP $190,000,000

EXHIBIT 4

NORTHERN PLAINS RESOURCE COUNCIL

Main Office
419 Stapleton Bldg
Billings, Mt. 59101
(406) 248-1154

Field Office
P.O. Box 886
Glendive, Mt. 59330
(406) 365-2525

Mr. Chairman, members of the Committee:

My name is Helen Waller. My husband Gordon and I farm and ranch in McCone County, which is situated over the Fort Union Coal formation.

I am Chairman of the Northern Plains Resource Council, whose members living in coal-laden areas of the State are concerned that their agricultural operations could be damaged, should the foreign export of Montana coal become a reality.

Before discussing general concepts of the idea, I would like to first deal with the specifics of the bill.

The bill would repeal two sections of existing law: Section 77-3-305, which states that the State Land Board shall not issue leases to any corporation, the majority of whose stock is controlled by a foreign interest

Both of these sections refer exclusively to state-owned coal. Montana, in these two sections of law, is saying that we, as owners of the coal, are exclusive of whom we will sell our coal to. Why are these sections of law so important, since we are only talking about a few state school sections? Without this section of the law, all of the coal in Montana would be subject to the export whims of the coal industry. State sections occur randomly (Sections 16 and 36 usually) throughout the state. Without the inclusion of these sections in a mining plan, it might be very difficult to sell fee and federal coal to a foreign concern. The state sections are key to the long term fluidity of a coal contract.

What is the total net effect of repealing both sections of the law? Both sections of the law, acting in tandem, insure that Montana and the U.S. retain a handle on our energy future. They do this by insuring that capital-rich foreign concerns (such as the Persian Gulf countries) cannot gain control of the key sections of the coal in Montana, and control its use. The second section that is being repealed insures that if those concerns mask the ownership through middlemen and the State finds out about it, the lease can be cancelled. Acting together, these two sections insure that Montanans, and not those with sufficient capital to form a cartel (like OPEC) , will control the resources.

The repeal of these two sections of the law invites those with limitless capital resources to attempt to corner the rket on coal. The entry of those types would bode ill for the continued independence of Montana's decision-making abilities. If State Lands ever wanted to shut down a mine for reclamation violations, would we contend with an international crisis?

Being here today and hearing the proponents argue in favor of foreign export of Montana coal raises a serious question as to the validity of their own publicly-stated rationale for expanded strip-mining of Western coal. They have argued "national need", impressing upon us that it was our patriotic duty to accept the mining industry into our agricultural communities. Is it true now that there is no national need for the coal? Are we now in a situation where we are being asked to sacrifice our communities, our livelihoods as farmers and ranchers, because international markets have been found?

If the whole push for Western coal development is based on the premise that we, as a nation, must free ourselves from foreign domination of energy resources, then why open up the way for foreign ownership of another of Montana's natural resources? We could learn a lesson by looking at what has happened to the timber industry.

Numerous federal decision documents, including federal land-use plans, have consistently traded off the values of existing agricultural lands to recommend coal leasing and surface mining in Montana with national necessity as the rationale. Would the passage of SB 367 open up avenues of appeal on the validity of those federal documents?

This bill, if passed, would not only allow the sale of coal, but would in practice require the export of precious water resources. According to a February, 1980 Montana International Trade Commission report, in order for low BTU Montana coal deposits "to be economically competitive with other domestic and international sources, (it) will require strategies to reduce overland transportation costs...

What are theses strategies? (1) Liquefaction of coal for overseas shipment; (2) Gasification for conversion to ammonia, light oils, and other chemicals; (3) Coal slurry to ports."

Thus, SB 367 becomes a hidden proposal for foreign-owned coal slurry pipelines and synthetic fuels plants, which are huge water consumers. The bottom line here is very simple: the coal would be transported by either slurry pipelines or it would be converted in Montana to some other form of energy. The rub is that in both cases, not only will we be exporting our coal to a foreign interest, we will also be exporting our water. If the thinking reflected in this bill prevails, the question of need will no longer center around Montana's need or the national need, but rather we may be debating the question of strip-mining Montana to satisfy international demand.

The most basic source of wealth in the world is in agricultural lands. Land and water are the ultimate source of wealth in a food-starved, population-exploding world. Agriculture is a renewable resource, and has historiclally contributed generously to the balance of trade. We cannot, by any means, rest assured that the productivity of the land, and its aquifers, will be adequately protected from the damage done during strip-mining. In fact, this session of the legislature, even this committee, has witnessed the on-going attack on our reclamation act. This is happening, not only in Montana, but the new administration in Washington has already proclaimed its willingness to take the federal act apart.

The arguments allowing foreign coal exports are fairly straightforwaed. Our replies are equally direct:

Argument: We're only going to strip-mine a little bit, and shipping 10 to 20 million tons a year is not that big an increase, according to estimates in 1990 Montana coal production.

Response: Assuming a massive increase of strip-mining of Montana coal, for these comparisons, is a risky business and begs the point. A fairer comparison is to compare the projected production for export levels to current production levels. If 1990 production is estimated at 123.5 million tons, this represents a 281% increase over 1979 production of 32 million tons.

If 1990 production is estimated at 280 million tons, this represents a 764% increase over 1979 producton of 32 million tons.

Production at either scale in 1990 implies the opening of 15 to 39 huge new strip mines (assuming a 6.4 million ton per year average mine size, based on the average production at existing Montana mines). 10 million tons per year of coal for export amounts to 31% of Montana's 1979 production. 25 million tons per year of coal for export amounts to 77% of Montana's 1979 production.

Argument: By allowing for export of coal, we will improve our balance of trade.

Response: This argument presupposes a willingness on the part of the United States to rush pell mell into any type of trade agreement that will even up the red and the black ink. This type of thinking is extremely dangerous. As an example, the money-rich country of Libya, with its radical revolutionary leader Omar Qadaffi, would probably pay the United States billions of dollars if we would sell him nuclear weapons. This type of a sale would surely help our balance of payments. However, thank God, we have decided to make the decision on whether or not we will sell Mr. Qadaffi nuclear weapons on other than economic terms. Similarly, it is entirely within our judicious discretion to make the decision on whom we will sell our coal to on other than red or black values. There are other factors in the decision that demand our attention. And those factors dictate against a sale. It is unwise to spite our agricultural ace in the hole for a short-lived, coal black balance sheet that is written with disappearing ink.

Argument: The exclusivity in Montana law acts as a barrier to interstate and foreign commerce and is probably unconstitutional.

Response: The state of Montana is simply acting as any owner of any commodity. We are limiting the potential buyers of our commodity. It is somewhat similar to a rancher deciding that he will not sell his calves to a certain buyer. There is no infringement on interstate commerce; the rancher simply does not want to sell his calves to buyer X.

Montanans have generally balked at the prospect of becoming a boiler room for the Nation. Are we now ready to become an international sacrifice area?

I urge a "DO NOT PASS" on SB 367.

EXHIBIT 5

March 12, 1981

Mr. Dennis Iverson, Chairman
House Natural Resources Committee
Capitol Station
Helena, Montana 59601

Dear Mr. Iverson:

We definitely oppose the exporting of strip-mined Montana coal and ask you to please vote "no" on SB 367.

Our "food producing lands" here in Montana are very important to us, and we cannot afford to sacrifice them and our precious water---- for coal!

It is time that our representatives take a strong stand for agriculture, because our very survival depends upon the food they produce.

Please vote "no" on SB 367.

Sincerely,

Mrs. Robert Schriver

Mr. and Mrs. Robert Schriver
SR 278 Box 12
Circle, Montana 59215

1979

John Melcher Reports

Power Needs of 100,000 Montana People At Stake in Libby Dam Debate

By Senator John Melcher

Without the Libby Re-reg Dam some 100,000 people whose electricity comes from rural electric co-ops in Western Montana, or whose jobs are at the Columbia Falls aluminum plant or Stauffer's Chemical Plant at Silver Bow, will need additional electric power supplies from some other source. Also, 400 members of the Flathead Irrigation District who depend on electricity from the Bonneville power pool which includes Libby Dam.

The aluminum plant has 1,360 workers; Stauffer employs 250 people. The Rural Electrics in Western Montana have 32,000 members.

The number of people in the families of those served by each of the Western Montana rural electric cooperatives is as follows:

Ravalli Electric Co-op (Corvallis)	**11,100**
Vigilante Electric Co-op (Dillon)	**12,800**
Missoula Electric Co-op (Missoula)	**19,400**
Flathead Electric Co-op (Kalispell)	**18,600**
Glacier Electric Co-op (Cut Bank)	**15,500**
Lincoln Electric Co-op (Eureka)	**6,100**
Park Electric Co-op (Livingston)	**6,700**
Northern Lights Co-op (Montana customers)	**5,400**

Do they need additional electricity? The Rural Electrics state their load growths increase each year between 7% and 15%. Conservation will help reduce that growth, but pumping irrigation water by electricity continues to increase annually, which is about one-half of the load growth.

Gasohol is in our future, but farmers raising products to make gasohol in Western Montana will principally use irrigated land. We want more production (not less) from agriculture and to produce more causes farmers to need more fuel and electricity, not less.

Electricity supplies to the two industrial customers have already been cut back by Bonneville Power. The eight electric co-ops and the irrigation project together face a projected increase in demand amounting to over 98,000 kilowatts of generating capacity by 1985.

So what's at stake for Western Montanans in the debate over the project at Libby Dam? Very simply, an assured supply of necessary power for more than 100,000 Montana consumers and producers.

The project to complete Libby Dam by adding four generators to the main dam, constructing a downstream re-regulating dam, and installing generators in that re-reg dam would add 483,000 kilowatts of peaking capacity and 88,000 kilowatts of baseload capacity. And that new baseload power from the re-reg dam would cost 16 mills (1.6¢) per kilowatt hour compared to 42 mills (4.2¢) from Colstrip 3 and 4.

Unfortunately, the House of Representatives recently scuttled Libby re-reg dam from the water projects bill.

The Northwest, a growing part of the U.S., faces much larger differences between projected demand and actual power supplies. In 1985 the region faces deficits in peaking power of 1,484,000 kilowatts, and baseload deficits of some 2,611,000 kilowatts. In sheer numbers, Montana's needs pale in comparison to regional deficits. The Libby project will not, by itself, solve the energy shortage of the Northwest but it is an essential part of the solution.

The Libby project will help avoid shortages in Montana in 1985 because the authorizing language I am seeking would reserve half the new power from Libby for Montana customers. Below the dam river fluctuation would be cut about in half (the Kootenai River fluctuation is 4-6 feet now); fish and wildlife mitigation funds would become permanent.

As the U.S. works it way out of energy supply problems -- and I'm confident we will -- many alternatives to our conventional power sources will be developed. Some will be expensive; some we may find will be economical. But, in the effort to develop new sources, it would be irresponsible to ignore adding more clean, renewable and economical energy from water power facilities already in operation, but which can produce more.

Developing new alternatives is something we must do in addition to completing the Libby Dam project, not instead of it.

EXHIBIT 6

FROM THE OFFICE OF SENATOR JOHN MELCHER
1123 Dirksen Senate Office Building
Washington, D.C. 20510
Phone 202-224-2644

FOR RELEASE AFTER 8:00 P.M., TUESDAY, JANUARY 8, 1980

ADDITIONAL POWER FOR LIBBY IS NEEDED BY MONTANA REAs AND MONTANA INDUSTRIES, AND IS CHEAPER THAN EITHER COAL OR NUCLEAR, MELCHER SAYS

LIBBY -- The peaking power and additional energy that will be made available by the Libby re-reg dam will cost less than from other sources and it is going to be very urgently needed in the next few years, Senator John Melcher said at a community dinner in Libby Tuesday evening. "Authorization by Congress to continue the project should include reducing fluctuation on the riser by half and a continuous mitigation fund for fish and wildlife habitat enhancement with a small charge on the power sold from Libby," Melcher announced.

"The data I have been supplied with by the Bonneville Power Administration, six western Montana rural electric cooperatives, and the Flathead Irrigation Project show they are going to need more than 400 million kilowatt-hours of additional power in 1985 compared to 1979, and they are going to need 98,000 kilowatts more capacity to provide them with enough power to meet their peak demands," Melcher said. "Those figures allow for a considerable decline in load growth, both as a result of energy conservation and by using a good amount of solar energy.

"The Stauffer Chemical Company, located ten miles out of Butte, is now using 66 megawatts of power per hour and has a contract with Bonneville for 80 megawatts, which they are tentatively planning to use. The company employs 250 people.

"Anaconda Aluminum, which now employs 1,360 people at its Columbia Falls plant, is installing a new process which will hold its

present demand steady at about 320 megawatts, but they have discussions underway for expansion of the plant, which would use up about 65 additional megawatts that the BPA is under contract to provide to them. That would mean a substantial increase in their employment.

"There is no question that, with even modest growth, we are going to require both conservation and more electrical energy in Montana, and the Libby re-reg dam will not only provide 280,320,000 kilowatt-hours of additional power, it will increase our capacity to handle peak loads -- by 483,000 kilowatts, or enough to meet our needs and make a substantial contribution to Pacific Northwest peaking needs.

"What is this power worth? The Corps of Engineers report that the additional energy from the re-reg dam will come at a cost of 16.2 mills per kilowatt hour. What are the alternatives? The Basin Electric Co-op is building a huge steam plant in Wyoming which will begin to come on line in 1981; baseload power from that plant is now expected to cost 31 to 33 mills per kilowatt-hour. The Montana Power Company is estimating that steam power from its Colstrip plants, when completed, is going to cost 41 to 43 mills per kilowatt hour -- well over twice the cost of the Libby baseload power. New nuclear power plants are now contemplated to produce power at about 30-35 mills and the price is continuing to increase as safety and waste storage factors are contemplated.

"What is peaking power worth? Recalling that the biggest return Libby will give us is the conversion of baseload power to peaking

power from the main dam -- and they are going to add 483,000 kilowatts of capacity there in addition to the new baseload capacity. Basin Electric advises me that peaking power from its plant in South Dakota, fired with fuel oil, is now costing them 90 mills per kilowatt-hour, and the price of oil is still going up, which will mean that will cost 100 to 125 mills within a couple years.

"With its new generators, Libby Dam is going to be able to produce more than 900,000 kilowatts of peaking power per hour at the main dam -- power easily worth three times the baseload power, but generated only eight to ten hours each day.

"The Libby re-reg dam project is as good an investment in 1980 as were those multi-million dollar dams we built back in the New Deal days on the Columbia and Missouri Rivers, which still grind out power for us now at a cost of from two to six mills per kilowatt-hour, instead of the 30 to 40 mills we must pay now for baseload energy.

"The facts show Libby is a better buy than nuclear or coal-fired plants to provide additional power needs for Montana and the Northwest."

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EXHIBIT 7

TESTIMONY ON HOUSE JOINT RESOLUTION 5

HOUSE JOINT RESOLUTION 5 ASKS FOR THE RESUMPTION OF CONSTRUCTION OF THE ADDITIONAL GENERATING UNITS AT LIBBY DAM AND OF THE RE-REGULATING DAM ON THE KOOTENAI RIVER. ACTUALLY, THE FOUR ADDITIONAL UNITS ARE BEING INSTALLED ON SCHEDULE, AND ALL ACTIVITY ON THE RE-REG DAM IS STOPPED BY A FEDERAL INJUNCTION WHICH ASSERTS THAT THAT PART OF THE L A U R D PROJECT WAS NEVER AUTHORIZED BY CONGRESS. IT IS THEREFORE NECESSARY TO SEPARATE THE 4 ADDITIONAL UNITS FROM THE RE-REG DAM. LET ME GIVE YOU A DESCRIPTION OF PRESENT OPERATION OF THE LIBBY PROJECT. THE TERM "LIBBY" REFERS TO THE PROJECT, NOT TO THE TOWN.

FOUR GENERATORS OF 105 MW EACH WERE INSTALLED IN CONJUNCTION WITH THE MAIN LIBBY DAM AND BECAME OPERATIVE A YEAR OR TWO FOLLOWING COMPLETION OF THAT DAM. THEY HAVE BEEN OPERATING NOW FOR ABOUT 4 1/2 YEARS. THEY USE ALL THE WATER AVAILABLE IN AN EFFICIENT COMBINATION OF BASE LOAD-PEAK LOAD SCHEDULES. DURING THE RESERVOIR-FILLING PERIOD THE DISCHARGE THRU THE DAM IS 3-4000 CFS. THIS RUNS ONE GENERATOR AT ABOUT 1/2 LOAD OR 60 MW. LATE IN OCTOBER THE RESERVOIR HOPEFULLY IS FULL AND THE WINTER SCHEDULE BEGINS.

BEGINNING ABOUT 6 a.m., WITH ONE GENERATOR PARTIALLY LOADED THE OPERATORS START THE OTHER THREE. BY 8 a.m. FOUR ARE FULLY LOADED AND THE RELEASE OF WATER FROM THE DAM HAS REACHED 20-22000 CFS. THEY OPERATE THAT WAY UNTIL 10 p.m. WHEN THE OPERATORS SLOWLY REDUCE THE LOAD UNTIL ABOUT MIDNIGHT WHEN ONLY ONE IS RUNNING, AGAIN AT ABOUT 1/2 LOAD.

THIS CONTINUES UNTIL 6 a.m. WHEN THE CYCLE REPEATS. THIS IS THE MODE OF OPERATION FOR 5 DAYS PER WEEK THRU NOVEMBER, DECEMBER,

JANUARY, AND PART OF FEBRUARY, OR UNTIL THE RESERVOIR HAS BEEN REDUCED TO LOW LOW POOL. AT THAT POINT THE ANNUAL REFILLING PROCESS BEGINS, WITH A NORMAL DISCHARGE OF 3-4000 CFS, 24 HOURS PER DAY, 7 DAYS PER WEEK.

SO FAR, WHAT DO WE HAVE!

WE HAVE A USABLE STORAGE CAPACITY OF NEARLY 5 MILLION ACRE FEET OF WATER. SOME OF THIS WATER, AFTER IT LEAVES LIBBY, WILL BE PUMPED OUT AT GRAND COULEE TO HELP IRRIGATE A MILLION ACRES IN CENTRAL WASHINGTON. THE REST WILL PASS THRU THE TURBINES AT GRAND COULEE, CHIEF JOSEPH, AND FIVE RIVER RUN POWER DAMS ON THE COLUMBIA BEFORE IT REACHES PASCO, WASHINGTON. BELOW PASCO SOME OF IT PASSES THRU TURBINES AT FOUR MORE POWER DAMS, AND SOME WILL PASS THRU BARGE LOCKS AND FISH LADDERS AT THESE SAME DAMS. THE 5 MILLION ACRE FEET OF STORED WATER IS PROBABLY THE MOST VALUABLE PART OF THE LIBBY PROJECT.

IN ADDITION, THE TEMPORARY STORAGE OF THIS WATER BEHIND LIBBY DAM HAS PREVENTED ANNUAL FLOODING OF FARM LAND NEAR BONNER'S FERRY, IDAHO, AND AROUND CRESTON IN BRITISH COLUMBIA.

THE LAKE BEHIND THE DAM, WHEN IT IS FULL DURING THE SUMMER MONTHS, PROVIDES SOME RECREATION IN FISHING, SAILBOATING AND HOUSE BOATING. THERE ARE A NUMBER OF EXCELLENT CAMPGROUNDS AND PICNIC AREAS. THE WATER, AS IT PASSES THRU THE TURBINES, CAN BE DRAWN FROM VARIOUS DEPTHS IN THE RESERVOIR IN SUCH A WAY THAT THE MIX APPROXIMATES THE OPTIMUM TEMPERATURE FOR FISH FOOD AND FISH PRODUCTION DOWN RIVER FOR AT LEAST 25 MILES. THE RIVER HAS BECOME A VALUABLE FISHERY.

IN IMPORTANCE NEXT TO THAT OF THE STORED WATER, THE 4 TURBINES AND GENERATORS IN THE DAM HAVE ADDED AN AVERAGE 1 3/4 BILLION KWH OF ELECTRICITY TO THE TOTAL GENERATED IN THE PACIFIC NORTHWEST.

THAT IS A PICTURE OF WHAT WE HAVE NOW AT THE LIBBY PROJECT. IT IS A PICTURE OF A NORMAL WATER PROJECT AS WE KNOW SUCH PROJECTS IN THE WEST.

THE PROPOSED ADDITION KNOWN AS THE LIBBY ADDITIONAL UNITS AND RE-REGULATING DAM (L A U R D) IS NOT A NORMAL WATER PROJECT.

IT DOES NOTHING FOR FLOOD CONTROL. IT WILL NOT IRRIGATE ONE ADDITIONAL ACRE. IT PROVIDES NO RECREATION - IN FACT, THE RE-REG DAM RESERVOIR WOULD DESTROY 10 MILES OF A FINE FISHING AND RECREATIONAL RIVER. THE PROJECT WILL NOT DEVELOP ANY SIGNIFICANT NEW POWER, AND IT IS ESTIMATED TO COST $300 MILLION.

THE RATIONALE IS THAT LAURD WILL CHANGE THE PRESENT EFFICIENT COMBINATION OF BASE LOAD AND PEAKING POWER TO AN ALMOST TOTAL PEAKING FACILITY. IT IS ARGUED BY ITS PROPONENTS THAT ADDITIONAL PEAKING POWER IS NEEDED AND THAT SUCH POWER IS MORE VALUABLE THAN BASE LOAD. THAT IS WHERE THE CONTROVERSY BEGINS. IF SUCH POWER IS NOT NEEDED (AT LEAST FROM LIBBY), OR IF THERE ARE BETTER WAYS TO MEET SUCH NEED AS MAY EXIST, THEN OBVIOUSLY LAURD IS NOT WORTH $300 MILLION DOLLARS.

AS I SAID, THE 4 ADDITIONAL UNITS ARE PRESENTLY BEING INSTALLED AT AN ESTIMATED COST OF $50 MILLION. THE FIRST UNIT WILL COME ON LINE PROBABLY IN EARLY 1983.

THE OTHERS MAY FOLLOW AT INTERVALS DURING THREE OR FOUR YEARS.

IN A LETTER TO THE LIBBY ROD AND GUN CLUB THE CORPS OF ENGINEERS IS NOW SAYING THAT THESE GENERATORS CAN BE USED WITHOUT THE RE-REG DAM. FOR EXAMPLE, IN THE SPRING OF 1980 AND AGAIN IN JANUARY OF THIS YEAR SOME WATER WAS SPILLED WHICH DID NOT GO THRU THE TURBINES. THIS WATER COULD HAVE OPERATED A 5th UNIT FOR ABOUT TWO WEEKS. I AM TRYING TO DISCOVER WHY IT WAS SPILLED SINCE AT NEITHER TIME WAS THE RESERVOIR ANYWHERE NEAR FULL. HOWEVER, IF THERE IS A LEGITIMATE REASON FOR OCCASIONAL SPILLING A 5th GENERATOR WOULD BE USEFUL. BEYOND THAT, ONE OR MORE ADDITIONAL GENERATORS MIGHT BE USEFUL AS STANDBY FOR EMERGENCY NEEDS. IN THIS MODE, THEY WOULD BE COMPARABLE TO COMBUSTION TURBINES. THEIR INSTALLATION COST OF ABOUT $125/KW WOULD COMPARE FAVORABLY WITH THE INSTALLED COST OF $200 - $250/KW FOR COMBUSTION TURBINES. THE OPERATING COST WOULD BE FAR BELOW THAT OF COMBUSTION TURBINES.

AT THE PRESENT TIME, THE COE HAS APPARENTLY QUIT TRYING TO JUSTIFY THE VALUE OF THE RE-REG DAM AND ARE NOT ASKING CONGRESS FOR AUTHORIZATION. THE CORPS HAS NOT SUCCEEDED IN CONVINCING EITHER SENATOR BAUCUS OR CONGRESSMAN WILLIAMS THAT THE RE-REG DAM CAN BE JUSTIFIED. THERE IS PRESENTLY NO MOVE IN CONGRESS FOR AUTHORIZATION.

IN THE FACE OF THE FACTS I HAVE OUTLINED ABOVE, HOW CAN WE IN THIS COMMITTEE OR IN THIS LEGISLATURE TAKE A POSITION ON A RE-REG DAM FOR THE LIBBY PROJECT. HOW DO WE AVERAGE CITIZENS BEGIN TO MAKE CHOICES WHILE THEY ARE STILL AVAILABLE?

WHEN WE ARE TOLD THERE WILL BE SERIOUS SHORTAGES OF ELECTRICITY IN ANY LOW WATER YEAR, WHAT SHOULD BE OUR REACTION?

IF WE ASKED ONLY A FEW QUESTIONS WE WOULD SOON DISCOVER SOME

INTERESTING ITEMS. I'LL NAME JUST A FEW.

THE HISTORICAL PERIOD USED TO DEFINE A LOW WATER YEAR RUNS FROM AUGUST 1928 TO FEBRUARY 1932. IT IS A WORST CASE SCENARIO DURING WHICH THE STREAM FLOWS WOULD PRODUCE THE LEAST AMOUNT OF ELECTRICITY. ALTHOUGH THE PROBABILITY IS SMALL, IT COULD HAPPEN AGAIN, AND IF IT DID, WHAT THEN? HERE ARE A FEW OPTIONS WHICH ARE SELDOM MENTIONED.

25% (ABOUT 1000MW) OF THE ENERGY USED BY THE ALUMINUM INDUSTRY IS INTERRUPTABLE. THE INDUSTRY ACCEPTS THIS IN RETURN FOR VERY LOW RATES. THE PROJECTED SHORTAGES DO NOT ALLOW FOR THIS.

THE DEFICITS INCLUDE WHAT ARE CALLED PEAK AND ENERGY RESERVES OF 350-400 MW. THEY ASSUME THAT THESE RESERVES WOULD NOT BE USED EVEN IN A LOW WATER YEAR, YET THAT IS PART OF WHAT SUCH RESERVES ARE FOR.

THERE CAN BE SOME VOLUNTARY CURTAILMENT ALTHOUGH, AS WE MOVE TOWARD MORE EFFICIENT USE OF ELECTRICITY, SUCH CURTAILMENT MAY BE MORE DIFFICULT TO COME BY. HOWEVER, THE CONSIDERATION SHOULD BE AVAILABLE AS A CHOICE IF THE ALTERNATIVE IS NEW AND MORE EXPENSIVE SOURCES OF ELECTRICITY.

EMERGENCY PURCHASES OUTSIDE THE REGION. THE OREGON DEPARTMENT OF ENERGY ESTIMATES A REASONABLE AVAILABILITY OF 1000 MW.

COMBUSTION TURBINES (A COMBUSTION TURBINE IS JET ENGINE HOOKED TO A GENERATOR). A TOTAL OF 1200 MW IS ON STANDBY IN THE PACIFIC NORTHWEST.

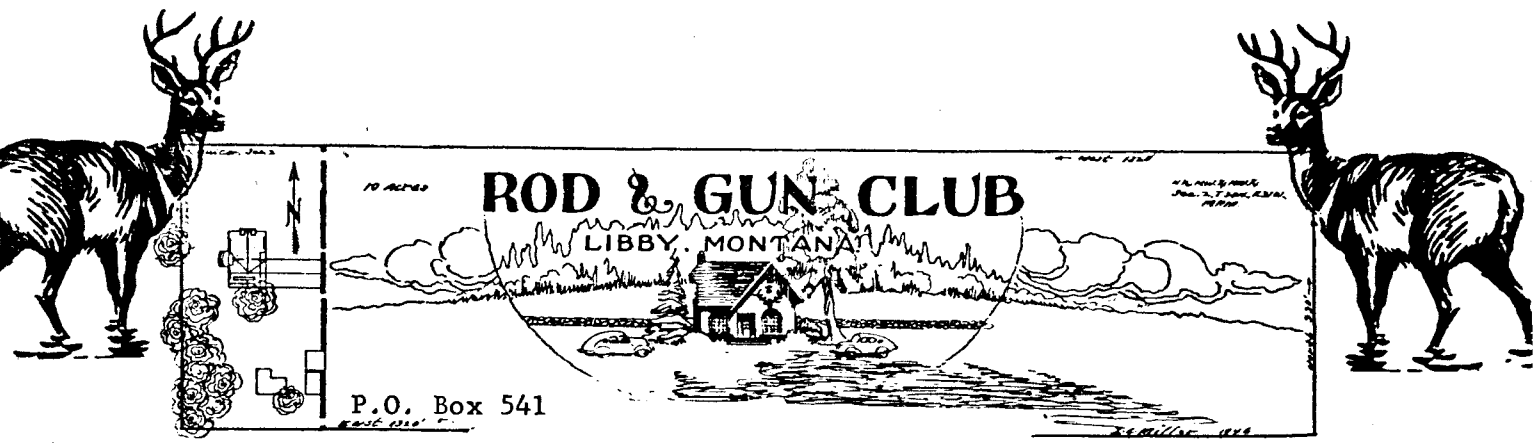
I HOPE I HAVE INDICATED THAT THERE ARE SEVERAL CHOICES AVAILABLE OTHER THAN PUTTING ALL OUR EGGS IN THE RE-REGULATING CONCEPT OF USING THE AVAILABLE WATER. I HOPE THAT I HAVE INDICATED

THAT THERE IS MUCH FLEXIBILITY IN OUR WESTERN POWER SYSTEM, A FLEXIBILITY THAT WE DON'T HEAR MUCH ABOUT WHEN SOMEONE IS PROMOTING A RE-REG DAM.

I DO NOT MEAN TO INDICATE THERE ARE NO PROBLEMS. THERE ARE, BUT THEY ARE PROBLEMS, NOT CRISES. THERE IS STILL A SUBSTANTIAL RATE OF INCREASE IN DEMAND FOR NEW ELECTRICITY, BUT THE RATE HAS DECREASED BELOW THE PROJECTIONS EVERY YEAR FOR THE PAST 6 YEARS. FORECASTING THE DEMAND HAS BEEN ON THE CONSERVATIVE SIDE, AND IT SHOULD BE. BUT TOO MUCH CONSERVATISM SIMPLY INCREASES THE RATES WE PAY MORE THAN SHOULD HAPPEN. SO HOW MUCH CONSERVATISM DO WE WANT TO PAY FOR?

JOBS? CERTAINLY JOBS ARE IMPORTANT, TERRIBLY IMPORTANT. BUT THE ENERGY USED IN JOBS BUILDING AN UNNEEDED RE-REG DAM SHOULD AND MUST BE DIRECTED TO SOMETHING USEFUL. OTHERWISE, THE WORKERS MIGHT AS WELL BE BUILDING PYRAMIDS.

I WOULD REITERATE: THE ALTERNATIVES I LISTED ABOVE ARE NOT SOLUTIONS, THEY ARE POSSIBLE SOLUTIONS. THEY HAVE ADVANTAGES AND DISADVANTAGES. THEY SHOULD BE DISCUSSED PUBLICLY BECAUSE THEY MAY OFFER CHOICES WHICH COULD REDUCE FUTURE INCREASES IN RATES. IN OTHER WORDS, IF SUCH ALTERNATIVES ARE UNDERSTOOD THE RATEPAYERS MIGHT PREFER ONE OF THEM TO ANOTHER HIGH PRICED PROJECT WHICH WILL PROVIDE VERY LITTLE ADDITIONAL ENERGY.



March 14, 1981

Representative Dennis Iverson
Chairman - House Natural Resources Committee
Capitol Station
Helena, Montana 59620

Dear Representative Iverson:

I am writing to apprise you of our organization's stand with regard to SJR-5, a resolution urging the construction of the LAURD project on the Kootenai River in northwest Montana. We feel that the efforts of Senator Hafferman and Representative Mueller to renew this construction are both ill-advised and repugnant. They seem to disdain the will of the people of Lincoln County in this matter, or have apparently forgotten that U.S. Congressman Pat Williams also carried this area in last November's election.

Our club is responsible for the Federal Lawsuit which halted construction of the Re-regulating Dam. Since that time, both Senator Max Baucus and Representative Pat Williams have had the courage, intelligence, and integrity to speak out and take action against this project which is strongly tainted with the odor of pork barrel.

Those supporting SJR-5 will be responsible for contributing to the fiscal quagmire of the federal treasury, destroying 10 miles of the Kootenai River, reducing Lincoln County's tax base, ignoring conservation options to reduce peak power demands, accelerating the rise of utility rates, and helping to increase the United States vulnerability to nuclear strikes by promoting highly centralized energy systems.

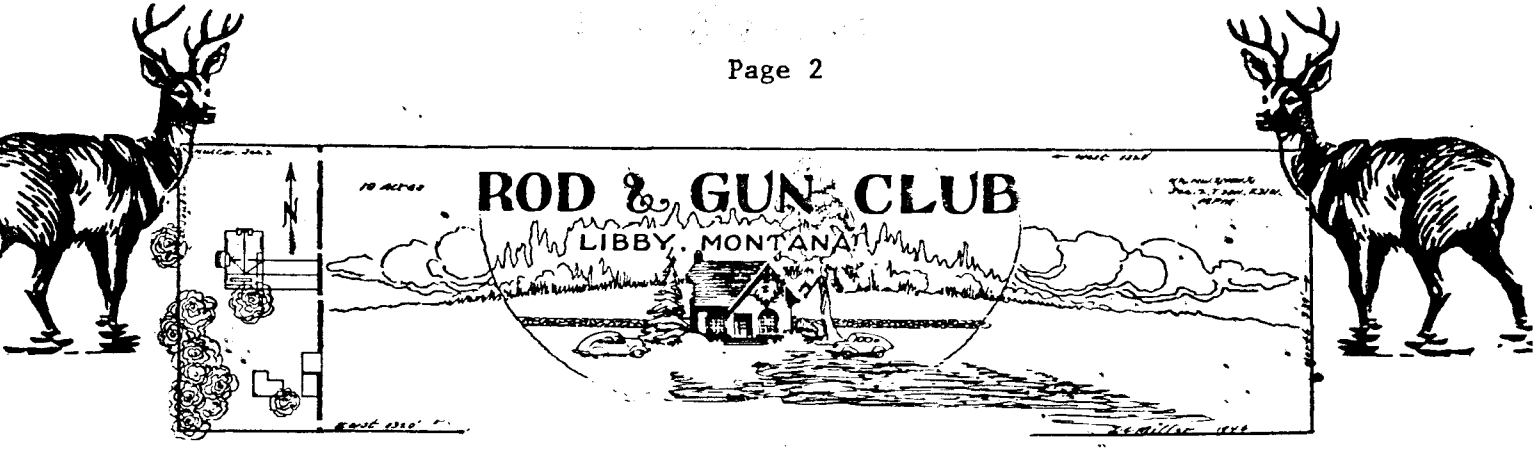
I offer these facts for your perusal:

* A similar resolution was passed in 1979 and culminated in being a waste of the legislature's time.

* The General Accounting Office determined the cost-benefit ratio for the project to be the worst it had ever analyzed.

* The LAURD project will not provide a significant amount of new power. About 30 MW of energy will be produced at a cost of $300 million.

* It will not provide irrigation, recreation, or flood control.



* LAURD's emphasis on the production of peaking power will divest farmers and ranchers of electricity and water they need in the summer for pumping and irrigation.

* The Canadian government has treaty rights to divert substantial amounts of water from the Kootenai River after 1984; amounts which could, eventually, render dams on the U.S. portion of the Kootenai ineffectual.

We hope you will consider, carefully, our reasons for objecting to a renewal of construction on this project and subsequently to SJR-5.

The dire straits of our National economy cry out for fiscal responsibility and this issue gives Montanans a chance to do their part in curtailing inflationary spending.

Sincerely,

Charles A. Clough
President

CAC/dc