

MINUTES OF THE MEETING OF THE HOUSE APPROPRIATIONS COMMITTEE
APRIL 6, 1981

The meeting was called to order by CHAIRMAN LUND at 9:45 a.m. in Room 104, State Capitol. All members were present with the exception of REP. GENE ERNST.

HEARING.

HB 869.

REP. DARRYL MEYER, District 42, Great Falls, testified as sponsor of HB 869, stating that he feels the use of Coal Severance Tax funds for MHD will provide a better argument in Congress in saving the Tax.

MR. FRANK FOGARTY, MHD, Butte, stated that the theory of MHD is not new and explained the procedure of MHD research using a diagram of the plant. (EXHIBIT)

Mr. Fogarty stated that cuts were made in President Reagan's budget for high temperature energy development technology. He stated that if clean air standards are made more stringent, there will be a greater need for MHD technology, which currently exceeds clean air standards. He stated that MHD proposed no excessive use of water in relation to MHD plants.

Mr. Fogarty stated that \$2,850,000 was requested as a one-time investment to get technological answers in an accelerated manner and to show Montana's commitment to coal development. He stated that no studies would be made with the funds and that the request was for hardware.

Mr. Fogarty explained that the MHD plant in Butte does not have a downstream facility yet, and that it is planned to spend the next five years in testing and developing upstream side of the facility.

Mr. Fogarty stated that there is a need to come up with a development design before a large plant is built. He stated that this aspect is called engineering development.

Mr. Fogarty stated that the results of MHD research would provide less chance of losing the Coal Severance Tax, less change of MHD development being halted, an increased chance of an MHD plant being located near Great Falls, accelerated development of MHD, and accelerated transfer from oil, gas and nuclear power to coal.

Mr. Fogarty stated that he feels there will be a positive payback to the State of Montana and that HB 869 is contingency

legislation. He stated that if there is no Federal support in FY 82, no state dollars will be expended from the appropriation.

REP. MOORE asked if there were any indication of the Senate Appropriations response to MHD, in Washington, D.C.

Mr. Fogarty stated that as there was no technical reason for the cut in President Reagan's budget, there is little defense for the cut. He stated that he does not expect any type of notification from the Senate until May, 1981.

Mr. Fogarty stated that there is strong support of MHD in Washington, D.C. from Montana congressional delegates and added that the Russians have a 500 megawatt gas-fired plant near Moscow, that the Chinese have a test plant and that the Japanese are looking into MHD.

Mr. Fogarty stated that a better magnet is being built and will be shipped to Butte-MHD in 13 months. He added that HB 869 was written as a request for Coal Severance Tax component of general fund, in an effort to obtain more favorable outlook on the tax from the U.S. Supreme Court and Congress.

REP. BARDANOUVE stated that he feels the proposed amendment No. 2, is open-end appropriation.

Mr. Fogarty stated that amendment was not meant to be open-end appropriation and that he would be willing to change the language to reflect the proper intent.

CHAIRMAN LUND stated that the Committee would look at amendment No. 2, further.

MR. FORREST BOLES, Montana Chamber of Commerce, stated that the Chamber has supported MHD since its beginning in Montana and that the Chamber supports the use of Montana Coal Tax revenue for MHD testing. He stated that MHD would retain jobs in Montana and provide an open-door for capital investment in Montana.

REP. MEYER, in closing, stated that he feels MHD is important in Montana and that it will be an efficient utilization of Montana coal.

Mr. Fogarty stated that there is some risk involved. He added that if the facility is not operated on Federal Funds, HB 869, would not, in essence, be in effect.

Mr. Fogarty stated that the national program for 1981 was for \$70,000,000 and that the Butte facility received \$15,000,000. He stated that it will take between \$9,000,000 and \$10,000,000 to run the facility properly. He added that the appropriation in HB 869 would accelerate the program.

Mr. Fogarty stated that Montana State University and Montana Tech receive basic research funds for MHD, which are not connected with MHD in Butte.

The meeting adjourned at 10:30 a.m.



REP. ART LUND, CHAIRMAN

jc

4-16-81

ORIGINAL

HOUSE BILL NO. 869

INTRODUCED BY

A BILL FOR AN ACT ENTITLED:

AN ACT TO APPROPRIATE FUNDS TO

THE DEPARTMENT OF COMMERCE

FROM THE COAL SEVERANCE TAX

COMPONENT OF THE GENERAL

FUND TO ALLOW THE DEPARTMENT TO

CONTRACT WITH THE PRIME OPERATING CONTRACTOR ON THE

MAGNETOHYDRODYNAMICS FACILITY AT BUTTE, MONTANA; TO PROVIDE

FUNDING FOR CERTAIN CAPITAL PROJECTS AT THAT FACILITY IN

ORDER TO DEMONSTRATE THE COMMITMENT OF THE LEGISLATURE TO

THE USE OF COAL SEVERANCE TAX PROCEEDS FOR THE MINIMIZATION

OF IMPACTS OF COAL DEVELOPMENT."

WHEREAS, the U.S. Congress has in recent years provided

funding for research and development of a coal-fired

electric generation technology known as magnetohydrodynamics

(MHD) to establish and operate a MHD testing facility in

Butte, Montana; and

WHEREAS, MHD is a highly promising technology that, by

achieving more efficient generation of electricity, could

result in substantial benefits to the nation through

decreased demand for coal, reduced environmental impact, and

reduced coal transportation requirements; and

WHEREAS, federal law contemplates location of a

federally funded Engineering Test Facility (ETF) in Montana,

1 the location of which in Montana depends upon continued
2 progress in the MHD technology; and

3 WHEREAS, there is a proposal to co-locate the federal
4 ETF with a conventional coal-fired generating station in
5 Montana scheduled for completion before 1990; and

6 WHEREAS, securing the ETF for Montana depends upon the
7 continued development and testing of the MHD process at the
8 existing Montana facility, which development is now
9 threatened by the decision of the current federal
10 administration to seek elimination of funding for the MHD
11 program; and

12 WHEREAS, the defense of the Montana coal severance tax,
13 under attack in the U.S. Supreme Court and in the U.S.
14 Congress, would be strengthened by the allocation of a
15 portion of the tax proceeds to a purpose such as MHD, which
16 promises substantial benefits to the nation and Montana
17 through reduced environmental impacts, more efficient use of
18 coal resources, and extended life of coal reserves; and

19 WHEREAS, although Montana is unable to finance fully
20 the operation of the Montana MHD facility, the state is
21 committed to this technology, and the Legislature chooses to
22 express that commitment through the financing of certain
23 capital projects at the Montana facility which, if federal
24 funding is continued, will accelerate the demonstration of
25 the MHD process and maximize Montana's opportunity to host

1 the ETF in the latter part of this decade.

2 THEREFORE, it is the intent of this act to appropriate
3 funds to the Department of Commerce for the purpose of
4 entering a contract with the prime operating contractor on
5 the Montana MHD project to provide certain necessary capital
6 projects.

7

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9 Section 1. Appropriation. The sum of \$2,850,000 is
10 appropriated from the coal severance tax component of the
11 general fund to the Department of Commerce for the biennium
12 ending June 30, 1983 for the purpose of entering a contract
13 with the prime operating contractor on the Montana MHD
14 facility. The purpose of the contract shall be the permanent
15 modification of the facility to accelerate the MHD test
16 program schedule. The modification shall take the form of
17 construction of a building to house the facility's
18 superconducting magnet and other facilities necessary to
19 demonstrate a coal combustion capability in the project's
20 test bay.

21 Section 2. Condition. This appropriation is effective
22 only if the U.S. Congress provides funding for federal
23 fiscal year 1982 for the national MHD program at a level
24 sufficient to maintain an operation and testing program at
25 the Montana facility.

HOUSE

Appr

COMMITTEE

BILL

4B 869

Date

4-6-81

ONSOR

NAME

RESIDENCE

REPRESENTING

SUPPORT

OPPO

Frank Fogarty

Butte

Mountain States En

✓

Richard J. Grace

Butta

Mountain States Energy

✓

Bill Derwingham

Butte

Mountain States Energy

✓

Dennis L. Spach

Thelene

Markin Stiles Encke



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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

NAME Frank C. Fogarty BILL No. HB 869
ADDRESS 130 Rampart Dr Butte DATE 4/6/81
WHOM DO YOU REPRESENT Mountain States Energy, Inc.
SUPPORT ✓ OPPOSE AMEND ✓

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

STANDING COMMITTEE REPORT

APRIL 4 1921

MR. SPEAKER:

We, your committee on HOUSE APPROPRIATIONS

having had under consideration HOUSE Bill No. 867

A BILL FOR AN ACT ENTITLED: "AN ACT TO APPROPRIATE \$50,000
TO THE GOVERNOR'S OFFICE FOR THE PURPOSE OF CONTRACTING A
TEMPORARY NEGOTIATOR FOR THE PURCHASE OF THE MILWAUKEE
RAILROAD RIGHT-OF-WAY."

Respectfully report as follows: That HOUSE Bill No. 867

DO PASS

DO PASS