MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 11, 1985

The sixty-eighth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:05 am in the Old Supreme Court Chambers of the State Capitol.

ROLL CALL: All members of the committee were present.

Chairman Towe asked Vice Chairman Mazurek to assume the chair as he has previously appeared as an opponent to HB 607 and did not want to prejudice the fair hearing of the bill. Vice Chairman Mazurek opened the hearing on HB 607.

CONSIDERATION OF HB 607: Representative Joe Quilici, House District 71, was recognized as chief sponsor of the bill. He said that this was not an easy piece of legislation to carry, but that it was necessary. He said that previously he had been a defender of the coal tax, but that now times have changed. He said that in 1975 the issue was not the severance tax, but the impacts of coal development. He said the predicted impacts never came to pass. He said that the bill would not change the receipt of revenue, but provides a "window of opportunity" for new coal contracts to have a reduced tax for a limited period of time. He said the state cannot afford the potential revenue and job loss if these new contracts are not secured. He asked the question if the credit would increase the production of coal and answered it saying that would happen only if the coal companies pursued the contracts. He noted that the legislation sunsets in 1987. He said it is a clean piece of legislation as presented and that it should not be amended by the committee.

PROPONENTS

Ms. Teresa Cohea, executive assistant to Governor Ted Schwinden, submitted her testimony on the bill in writing (Exhibit 1).

Representative Bob Bachini, House District 14, submitted his testimony in writing (Exhibit 2) and also read into the record a statement by Carl Knutson, state legislative director of the Brothers of the Maintenance of Way, (Exhibit 3).

Representative Ray Peck spoke in support of the bill saying that it is a challenge to the coal companies that can only benefit the state and people.

Mr. James D. Mockler, executive director of the Montana Coal Council, submitted his testimony in writing (Exhibit 4). He also submitted for the record correspondance on the issue of freight rate increases (Exhibit 5).

Mr. Bill Robinson, Western Energy Company and President of the Montana Coal Council, said that contracts are affected by the tax. He said that a reduction of $1 per ton would be significant. He asked that the committee pass the bill and conduct the test of whether or not coal contracts would increase.

Dr. Paul E. Polzin presented the committee with a copy of a study on Montana coal (Exhibit 6) and a summary of the study (Exhibit 7). He said that the basic job loss to the state would be $10 to 18 million per year if the bill does not pass. He said the bill would improve the competitive advantage of Montana coal. He said the only way to reduce coal cost is to reduce the tax, reduce the mining cost or reduce transportation cost. He said that even a small change in any factor would make a difference. He said that Montana has experienced closure of railroads, mines and mills in the last years and that we need some growth in other basic industry. He said that in 1983 the coal industry provided about 1300 jobs in the state for a payroll of $53 million. He said that is 1.6 percent by the employment measure and 3.6 percent by the income measure, demonstrating that these are very desirable attractive positions. He said the coal boom that was predicted never materialized because gassification and liquification were too expensive, there were changes in the air pollution regulations and the demand for electricity declined. Coal, he said, is sold on long term contracts and after 1987 our contracts do not call for any additional increase. He said there are only two coal fired generating plants being built now in Minnesota and Wisconsin, Montana's primary market area. He said that our competitiveness with other producers would be affected by a scheduled reduction in the severance tax rate in Wyoming, a new railroad serving the Wyoming coal fields. He said that none of the problems are insurmountable, but that they must be dealt with by passage of the bill. He said that Montana cannot afford a continued decrease in economic base.

Mr. Norm Starr, president of WETA, spoke in support of the bill as a rancher from Melville. He said that his property taxes have gone up 50 percent in five years. He said that agriculture is in trouble and that a broader tax base would help. He said that agriculture cannot continue to pay. He said that working people eat beef and that too would help agriculture. He said the choice here is 30 percent of nothing or 20 percent of something.

Representative Tom Asay, House District 27, submitted for the record a list of signatures of his constitutents who support HB 607 (Exhibit 8).

Mr. Gary Langley of the Montana Mining Association said that they support the bill.

Mr. Dave Goss of the Billings Area Chamber of Commerce said that the secondary impact of mining coal is seen in increased retail sales in the surrounding areas. He said that a hundred tons of coal mined represented a million dollars of trade.

Mr. Bill Olson, Montana Contractors Association, rose in support of the bill.

Mr. Mike Fitzgerald, Montana International Trade Commission, said that a $1 reduction in the delivered price makes a significant difference in obtaining the contract. He said it is important now to test the reduction of the tax and see if the 30 percent tax is no longer prudent. He said that the state must change policy or kill the goose that laid the golden egg.

Mr. Bob Kopriuicka, a Butte businessman, rose in support of the bill.

Ms. Janelle Fallon said that the Montana Chamber of Commerce wanted to be on record in support of the bill.

Senator Pat Goodover rose in support of the bill.

OPPONENTS

Mr. John Driscoll, Public Service Commissioner, said that the coal tax was generated by the people to serve the common good. He said that it was studiously written around the metallic minerals which did not have the severance tax. He said all had supported it when it was passed in 1975. He said that it is the bill of all, not just of Senator Towe. He said that Senator Towe had been most commendable in taking the time to defend the tax. He said he was appearing before the committee in opposition to the bill because it was time to stand up and take the time to do what Senator Towe had done.

He said that with the status quo there is a 65 percent chance of getting the contract in question. He said that with the bill the chances would be only 75 percent. He said that the credit is being too easily extended. He said the down side risk was too great for so little gain. He said that the bill is a move to permanently reduce the tax. He said the bids on the Sherco contract were already submitted and could not be affected by the legislation.

Mr. Driscoll said the two utility plants proposed for construction may not be built. He said the Legislature is at a decided disadvantage in policy analysis compared to the executive branch. He said there is already $11 million being taken from the coal tax trust for "current operations". He said the coal tax is not what the 1975 Legislature thought it would be, but that we need it more than ever. He said it is a way of collecting economic rent.

Mr. Driscoll then discussed the corporate strategy for transportation costs. He said that the railroads get the coal on a marginal price and then sell it to the utility companies at the highest price and pick up what they can of the difference. He said that the railroads are a greater problem than taxation in keeping coal prices down. He called the railroads a "tapeworm out of control".

Mr. Driscoll distributed to the committee letters and other information on the Staggers Act. He said that he hoped our Governor would support it. He said there is an almost total absence of any competitive transportation. He said that bulk long hauls cannot be done by trucks. This information is found in Exhibit 9.

Commissioner Driscoll concluded saying that Montana is not anti-business, that Montana has the problem of a frustrated Governor. He encouraged the committee to deal with the real problem and not with coal tax severance.

He concluded saying that if the bill had to be passed at least it should be amended. He presented proposed amendments in Exhibit 10.

Ms. Anne Charter, a rancher from the Bull Mountains and Chairman of the Board of the Northern Plains Resource Council in 1975, presented testimony opposed to the bill (Exhibit 11).

Ms. Nadine Oberg, representing the Montana State Democratic Women's Club, presented testimony in writing (Exhibit 12).

Senator Chet Blaylock spoke in opposition to the bill saying that there is not a single shred of evidence or proof that HB 607 will secure additional contracts. He said this was a campaign issue and that Governor Schwinden was elected in part by supporting the tax. He said that a comparison to Wyoming production does not wash. He said that if the window is opened it would never be shut. He said that the state is looking at giving away $750 million that it cannot afford. He said the state allowed copper, silver, and gold to leave with no severance take and now we are willing to do that with coal. He concluded by saying, "We were raped and left for the flies."

Mr. Paul Smith, Montana Environmental Information Center, submitted his testimony in writing (Exhibit 13).

Senator Bill Yellowtail said that the experiment discussed would only be valid if the controls and variables were set out at the beginning. He said that the bill as written allows critical information to escape legislative review. He compared it to playing poker without seeing the cards. He presented the committee with Exhibit 14 which allows the Legislature access to critical information regarding transportation costs and contractual details.

Ms. Susan Cottingham, representing the Montana Sierra Club, said that attitudes toward the bill are three. First, are those who reluctantly support the bill because they feel it doesn't go far enough. Second are those who wonder if the message to industry will indeed change the market for Montana coal. Third, there are many who see this as an absolute first step toward permanently lowering the severance tax. She asked the second group to take a long hard look at the message. She said those supporting the bill are saying "take it or leave it".

Mr. Tony Jewett, Executive Secretary of the Montana Democratic Party, submitted his testimony against the bill in writing (Exhibit 15).

Mr. Phil Campbell, Montana Education Association, said that over $21 million of the interest money from coal tax has been used for public school funding. He said it would take about 25 mills statewide to replace the lost dollars. He distributed information in Exhibit 16. He said that the signs are clear and the concern is the future. He said the bill had been amended almost at will by its proponents in the House. He said that coal production has not stopped because of our severance tax. He said school funding is already in enormous difficulty and concluded by saying, "If it is not broken, don't fix it."

Mr. Don Judge, AFL-CIO, said that there is no unanimity within the labor movement on this issue. He said that AFL-CIO stood in opposition to the bill because their conventions since the 1970s have passed resolutions in support of the coal severance tax. He said the bill is a lottery and that the coal companies have been handed the winning ticket.

Ms. Marie McAlear, representing the Montana Association of Counties, said that at their midwinter convention the delegates elected in a straw vote to not support this bill.

Chairman Mazurek then asked if representatives from the University and Burlington Northern would like to give further information on the bill neither as proponents or opponents.

Dr. Arnold Silverman, University of Montana, said that it is historically clear that Montana has maintained a constant share of the market. He figured the probability of the Sherco contract at 94 percent. He discussed the exact nature of the bids and said that the loss in revenue to the state would be $15 million a year. He discussed transportation costs and the fact that Burlington Northern has been losing contracts because their rates are high.

Mr. Dick Sandgrin, senior assistant vice president for pricing for Burlington Northern, from Fort Worth, Texas, said that the Sherco contract for Montana coal is not a sure thing. He said that a shift in the use of the coal burned in the Twin Cities area could affect the use of Montana coal. He said that there are a number of alternatives to use of the Montana coal.

He then discussed the nature of Burlington Northern contracts and explained why they have not been able to bid competitively in all instances.

Vice Chairman Mazurek recognized Senator Towe who distributed to the committee Exhibit 17 which explained his own position on the bill, Exhibit 18 which is a map showing the Montana coal market area and Exhibit 19 which shows the relative costs of mining coal in Montana using the figures from Western Energy Company.

Vice Chairman Mazurek then asked the committee if they wished to question any of the witnesses.

Senator Halligan asked Ms. Cohea to discuss the lack of standards in the bill.

Ms. Cohea said that when an experiment is started one cannot decide what the results will be. She added that all the information currently available would still be available. She said that the information not available is considered proprietary or is information the federal government will not release. She said that if the amendments were accepted that an unsuccessful bidder could keep a low bidder from getting the tax credit.

Senator Halligan asked if she had discussed with the companies a way to get this information through a negotiated agreement. Ms. Cohea said, yes, that the problem with public information was that an individual price to an individual utility could not be disclosed and that they were only willing to disclose average prices.

Senator Mazurek asked if the bids were already in on the Sherco contract how the bill would make any difference. Ms. Cohea said that the tax is written as a pass through in the contracts and bids.

Senator Towe said that after the bids are in they could be opened publically and it could be easily determined if the tax credit would make a difference in the contract. Ms. Cohea said there was a legal question about whose property the bid was.

Senator Eck asked if transportation costs could be made public by mutual consent. Ms. Cohea said that would not be under legislative control. Senator Eck said that the credit could be offered only if the information was available. Ms. Cohea said that kind of language would go beyond encouraging release of the information. Senator Towe said that the bill made many other requirements and he thought this one would be okay.

Senator Towe asked for a copy of the letter from Senator Bumpers mentioned in Ms. Cohea's testimony. She provided the committee with the letter (Exhibit 20).

Senator Towe and Ms. Cohea then discussed the way that incremental production would be figured and used.

Senator Blaylock responded to a question from Senator Goodover saying that the bill deals in things that are now known. He said that if the Sherco contract comes through, for example, proponents of the bill will credit the contract to the reduced severance tax when in fact that cannot be known. He said that if it could be proven he would support the bill. But he said that if the Legislature guesses wrong they have lost $750 million.

In response to a question from Senator Hirsch, Ms. Cohea said that the bill is designed to keep the existing base production and to give no incentive to drop an existing contract.

Senator Towe questioned Ms. Cohea about the allowance and calculation of the incentive. He felt the bill was not clear in tying the two together. She said the bill is a unit and in fact has a nonseverability clause which means if one part of the bill is voided, it would all be null.

Senator McCallum asked Mr. Mockler how many new contracts had been issued since 1975. Mr. Mockler said that a number of contracts have been written, but that the do not represent a single major new commitment. Senator McCallum asked how long Montana coal would be demanded in the market place. Mr. Mockler said that it is an inconvenient fuel and that it will be in less demand with time.

Representative Quilici said in closing that he felt the odds discussed by Mr. Silverman were wrong. He said that with all due respect to Senator Yellowtail, he wanted the committee to remember that the Crow Tribe is currently in court against the state on the severance tax issue. He said that this is not just opposition to a decreased severance tax, but is opposition to coal mining period. He submitted signatures and petitions from Local 400 of the Operating Engineers rank and file in support of the bill (Exhibit 21).

He said that the people of the state would be protected by the bill. He said that he wanted to give the Governor credit because it was not easy to introduce this idea, but that it is in the best interest of the people of Montana.

Vice Chairman Mazurek turned the chair back to Chairman Towe. Chairman Towe adjourned the meeting at 10:55 am.

Thomas E. Towe
Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date April 11, 1985

Location -- Room 413-415

Name	Present	Absent	Excused
Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

COMMITTEE ON Taxation

DATE April 11, 1985

HB607

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Support	Oppose
Mike Fitzgerald	Mt. Trade Comm	#607	✓	
Paul Polzin	Unv. of Montana	607	✓	
Terry Cohea	Gov Office	607	✓	
Bill Robinson	Western Energy Co.	#607	✓	
Margaret MacDonald	NPRC	#607		✓
Wyne Charter	NPRC	#607		✓
Ken Williams	WECo	#607	✓	
John Driscoll	PSC	607		X
Paul Russell Brown	Helena			✓
Don Judge	MT STATE AFL-CIO	607		X
Jim Mockler	Mt. Coal Council	607	✓	
DON REED	MEIC	607		✓
Rep Bob Bachini	Self	607	✓	
Rep Roy Peck	Self	607	✓	
Janelle Fallon	Mt C of C	607	X	
REP PAVLOVICH	H-D #70 BUTTE	607	X	
Curt Cenci	Self	607	X	
Dave Goss	Business Chamber of Commerce	607	X	
Bob Kappaner	Butte, Mont	607	X	
Mariea Langley	MT. MINING ASSN.	607	✓	
Norm Glass	Melville Mt.	607	X	
Donald Silverman	Self	607		
Susan Cottingham	Mt Sierra Club	607		X
Mike Micone	WETA	607	X	
Phil Campbell	MEA	607		X
Ward Shanahan	Mont Petroleum Assoc	607	✓	

(Please leave prepared statement with Secretary)

DATE

COMMITTEE ON

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One Support	Oppose
Tom Asay	Rep Dist # 17	607	✓	
Bill Olson	Mt. Contractors Assn	607	✓	
Ben Havdahl	MT. Motor Carriers Assn	607	✓	
Bill Yellowtail	Sen Dist 50	607		✓
Tony Jewett	MT. Democratic Party	607		✓
Marie McAlear	MACO	607	X	
G. Morris	MACo		X	
Carl Knutson	Brotherhood M.W.	607	✓	
Jim Mullen	B.R.AC.	607	✓	
Cal Burr	B.L.E.	607	✓	

(Please leave prepared statement with Secretary)

TESTIMONY ON HOUSE BILL 607

by

TERESA OLCOTT COHEA
Executive Assistant
Office of the Governor

Mr. Chairman and members of the Committee, I appear in support of HB 607.

HB 607 reflects the commitment made by the Governor in the State of the State message to give the coal industry a chance to prove that a modification of the coal severance tax will make Montana coal more competitive in the market and thereby encourage expanded production.

Like most legislative proposals, HB 607 represents a compromise -- a compromise between the demands of the coal industry that Montana permanently reduce the tax on all production to a level comparable to or below Wyoming's, and the Governor's insistence on the following:

a) Montana's existing revenue base be safeguarded;

b) Montana not engage in a tax rate "bidding war" with Wyoming; and

c) the proposal be restricted to a limited "window of opportunity" not a wide open door to tax reduction, so that the people of Montana can evaluate whether modifying Montana's severance tax makes our coal more competitive.

HB 607 is based on two important concepts:

1) It holds fast to the current severance tax rate on current production and new contracts already signed. This production totals approximately 38 million tons -- 15% <u>above</u> calendar year 1984 production. The "new coal production incentive tax credit" does <u>not</u> affect this production. Therefore, Montana's existing revenue base is not affected.

2) The bill has been carefully drafted to insure that the credit will be available only for coal production that exceeds Montana coal customers' existing purchases. Based on verified information, the Department of Revenue would establish "base consumption levels" for each purchaser of Montana coal -- the average of 1983 and 1984 production, plus any new tonnage for which contracts have already been signed. Montana coal producers would be able to claim a 33-1/3% credit for the severance tax paid on coal purchased under one of the following conditions:

a) the coal is produced in calendar years 1985 or 1986 and exceeds a purchaser's base consumption level;

Exhibit 1 -- HB 607
April 11, 1985

b) an existing contract is extended for at least five years for coal in excess of the purchaser's base consumption level;

c) a new contract is signed for coal in excess of a purchaser's base consumption level.

The contract must be extended or signed during the "window of opportunity" -- January 1, 1985, through June 30, 1987. The credit will apply for the life of any contract signed or extended during the period that meets these criteria.

During the past several months when I've talked about HB 607 with legislators and the public, several questions were consistently raised about the proposal. Let me address those questions now in explaining the bill:

Q. Will HB 607 cost Montana revenue?

A. No. The credit applies only to production in excess of production already contracted for, so Montana's existing revenue base will not be affected. Simply renewing existing contracts does not make a coal producer eligible for the credit. To be eligible, he must sell "new" coal -- above current production and contract levels.

Some studies suggested that Montana coal producers have a chance -- by "a slim margin" -- at winning new contracts without modifications in the tax rate. That might be -- but it's too important an issue to be left to chance. If Montana doesn't get the major long-term contract that will be let this spring (the only such contract likely to be let in Montana's market area during the next five years), Montana will lose over $75 million of severance tax revenue over the life of the contract.

Q. Can the "window of opportunity" be closed once we open it?

A. Yes. In fact, under the Governor's proposal, the "window of opportunity" closes on June 30, 1987. Any extension of the "window of opportunity" or other modification of the tax would require new legislation, which would be debated and decided upon by the legislature.

There will be substantial legislative review and scrutiny of this law during the "window of opportunity" period. An amendment added on the House floor requires the Coal Tax Oversight Subcommittee to monitor the implementation of the credit and report its recommendations to the 50th Legislature.

Q. What if some new production occurs and new contracts are signed?

A. Two things will occur:

(1) Montana will gain approximately $2/ton in tax revenue on all the new production generated;

(2) Montanans will have solid evidence to decide whether tax rates really affect Montana's coal markets.

Q. Taxes are a smaller component of the delivered price of coal than freight or mining costs. Will the credit really make a difference?

A. It's up to the coal companies, coal haulers, and coal purchasers to prove that it does. For years, they've said that "pennies per ton" can spell the difference between getting a long-term, multi-million ton contract -- or not getting it. This proposal would reduce -- on a temporary basis and under strict criteria -- the severance tax on new coal. This is the only component of the delivered price of Montana coal over which the state has control. The burden is on the producers and haulers, to sell more coal -- cutting their profit margins and production costs if necessary -- to prove that the tax does -- or does not -- make a difference.

Q. Won't changing our coal severance tax rate signal Congress that we've weakened our stand?

A. No. It will strengthen it. During the past four years, Montana has spent enormous effort and over $1 million defending our right to determine for ourselves the appropriate level for our coal severance tax rate. The U.S. Supreme Court refused to set the rate of Montana's tax saying:

> "questions about the appropriate level of state taxes must be resolved through the political process. Under our federal system, the determination is to be made by state legislators in the first instance .... the state is free to pursue its own fiscal policies..."

Now that we propose to exercise that right, some would argue that we are no longer free to pursue our own fiscal policy! The Governor urges that we exercise the right that we have fought for -- and won -- in both the U.S. Supreme Court and Congress -- to discuss the appropriate level of coal severance taxation.

Senator Bumpers, one of the most outspoken critics of Montana's severance tax, recently stated that passage of HB 607 "will forestall and probably eliminate an effort by Congress to dictate state tax policy on Federal coal."

Q. Is modifying the coal severance tax good public policy?

A. Nearly every session, the Legisalture debates and determines the appropriate level for other taxes:

a) In 1981, the Legislature repealed the surtax on income taxes; our largest revenue source;

b) In 1981, it raised the oil severance tax, our third largest tax source; in 1983, the Legislature lowered the same tax by more than 15%.

c) In 1983, the Legislature revised the tax structure on metal mines;

d) This committee is currently considering a bill to cut the oil severance tax in half for oil recovered through tertiary processes.

In most cases, the Legislature doesn't know what effect these changes will have on the industry involved or Montana's economy. HB 607 offers a low-risk way for the Legislature to determine if the level of Montana's severance tax does affect production and sales. Based on solid evidence of what happened during the "window of opportunity," Montanans and the Legislature can decide what the appropriate level for Montana's coal tax should be as we move into the second century of statehood.

Robt Bachini

MONTANA
JOBS

Exhibit 2 -- HB 607
April 11, 1985

A million tons from Colstrip to Minn translates into: (approximately)

65/70 jobs per ton
3 million tons = roughly 200 jobs on the system
roughly - 1/4 of those would be in Mont
this includes all RR jobs - train crews, all support people - shops, accounting, etc. For example, one locomotive = 1 mechanic, for example
3 million tons would necessitate 3 sets of cars
$4\frac{1}{4}$ locomotives per set - total of 13 locomotives = 13 machanics

The above is all APPROXIMATE

The RR figures that the Sherco haul (3 million tons) from Coalstrip to Minn - would be approximately 47 RR jobs in MONT and 200 on the system

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STATEMENT OF

CARL KNUTSON STATE LEGISLATIVE DIRECTOR
BROTHERHOOD OF MAINTENANCE OF WAY EMPLOYEES

IN SUPPORT OF HB 607

Mr. Chairman, members of the committee: For the record my name is Carl Knutson. I am appearing before you in support of HB 607. My testimony is supported by the Brotherhood of Railway & Airline Clerks, and the Brotherhood of Locomotive Engineers.

Presently there are 1,080 coal trains moving from the Powder River Basin via Sheridan, Wyoming, Laurel Billings, thence Forsyth via Terry and Glendive to Mid Western Utilities.

Railroad unemployment is approximately 1200 employes in the state of Montana. (Source Railroad Retirement Board) We have a present work force of approximately 4,200 employes in all crafts. HB 607 is a solution to putting our employes back to work.

Unit coal trains in addition to the operating crews employ about 4 support employes per train between terminals. Any new coal production comming under the provisions of HB 607 can only enhance Montanas economy thru long term rail haul contracts.

For this reason we strongly urge that the committee concurr in HB 607.

Exhibit 3 -- HB 607
April 11, 1985

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Mr. Chairman and members of the Committee, my name is James D. Mockler, Executive Director of the Montana Coal Council. I am here representing all of the coal producers and many of the reserve holders of coal in Montana. I appear here today to ask your support of HB 607 as is and further ask that you resist any and all amendments that may be offered.

A large percentage of the long-term contracts we are presently shipping under expire in 1993. Unless we get extensions on these contracts or acquire new contracts some mines will be out of business in 1994. We have been aggressively seeking new contracts but have not been successful in these efforts. As you know, there have not been any significant new commitments for Montana coal since the severance tax was passed in 1975. University of Montana economic professors and others may be able to cavalierly say that our existing contracts will be renewed, but their assurance does not give us much comfort.

One argument for not reducing the severance tax is that the Burlington Northern will simply increase the freight rates to capture any tax reduction. This is not true for two major reasons:

1. The Staggers Act passed by the U. S. Congress in 1980 granted railraods the authority to enter into long-term contracts with shippers. Since the passage of the Act, virtually all of the utilities purchasing coal from Montana have signed long-term contracts. These contracts set the freight rate and provide for the rate to be periodically adjusted for inflation or deflation.

2. Utilities, not mining companies, contract with the railroad. Since rail freight is the largest component in the delivered cost of coal, utilities will enter into a satisfactory contract with the Burlington Northern before they ink a contract with a Montana producer. They have other alternatives for coal and will not buy from Montana unless their delivered cost, including the freight, is their least cost alternative.

I have for your purusal three letters from utilities representing over half of the coal shipped from Montana. As you can see without a doubt not only can the BN not absorb any tax credit, they also are competitive with Wyoming railroads, including the Chicago & Northwestern, in rates charged per ton mile.

Obviously there are adequate restraints to prevent BN from capturing any tax reductions by Montana and any lowering of costs would allow us a better opportunity to compete in the market.

Exhibit A

MIDWEST ENERGY RESOURCES COMPANY
2000 Second Avenue, Detroit, Michigan 48226 (313)963-6156

Subsidiary of
Detroit Edison

Superior Midwest Energy Terminal
P.O. Box 787
Superior, Wisconsin 54880
Telephone: (715) 392-9807

February 15, 1985

Mr. James Mockler
Executive Director
Montana Coal Council
2301 Colonial Drive
Helena, Montana 59601

Dear Jim:

You mentioned that there is still some concern that any benefits received from a reduction in the Montana Severance Tax would or could be offset through rate increases by the Burlington Northern.

We, as you know, have a long-term contract with the Burlington Northern and nowhere in our contract are any provisions or implications which would allow the Burlington Northern to increase our rates due to a reduction of severance or any taxes. In conversations that I have had with other shippers, I have found this to be the case in their contracts also.

If any additional information is needed, please get back with me.

Sincerely,

John A. Ethen
General Manager

JAE:tlw
cc: DCMcDonald

Exhibit 5 -- HB 607
April 11, 1985

1985
MONTANA COAL COUNCIL

Exhibit A

Northern States Power Company

414 Nicollet Mall
Minneapolis, Minnesota 55401
Telephone (612) 330-5500

February 15, 1985

Mr J D Mockler
Executive Director
Montana Coal Council
2301 Colonial Drive
Helena, MT 59601

Dear Jim:

As a result of our numerous conversations regarding coal freight rates from Montana versus Wyoming, I would like to clarify the situation.

First Mr John Hertog, Senior Vice President, Coal & Taconite for the Burlington Northern Railroad, (at the Montana Coal Forum in September, 1984) stated that Burlington Northern's average 1984 coal freight rates from Montana were 1.636 cents per ton mile and from Wyoming 1.655 cents per ton mile.

As far as Northern States Power Company is concerned, we have a long-term coal freight contract with the Burlington Northern for coal deliveries from Montana to Sherco and the Twin Cities. We also have a medium term coal freight contract with the Chicago & Northwestern Railroad for deliveries from Wyoming to the Twin Cities. The rates per ton mile are very similar for both contracts. The rates per ton mile are not identical only because the Twin Cities plants require that the trains be split up into two or more segments and they take more time to unload the trains.

Both of these contracts also provide for increases or decreases in rates due to changes in railroad costs to move the coal. There are no other contract mechanisms to change the rates except substantial changes in government regulations which directly effect the cost of moving the coal.

In other words, if the state of Montana were to lower its severance tax the railroad could not absorb the coal cost reduction. Likewise Northern States Power Company could not absorb the savings since we have a fuel clause adjustment which requires all fuel cost savings be passed on to our customers.

I trust that this will help clarify the situation with the state of Montana. If you need anything further, please let me know.

Sincerely,

D H Peterson
Director
Fuel Supply Department

vf

Wisconsin Power & Light Company
Investor-owned Energy

222 West Washington Avenue P O Box 192 Madison, Wisconsin 53701 Phone 608/252-3311

February 19, 1985

Mr. James D. Mockler
Executive Director
Montana Coal Council
2301 Colonial Drive
Helena, MT 59601

Dear Jim:

I would like to take this opportunity to restate several points made in a recent discussion that you and I had relative to the Montana coal market.

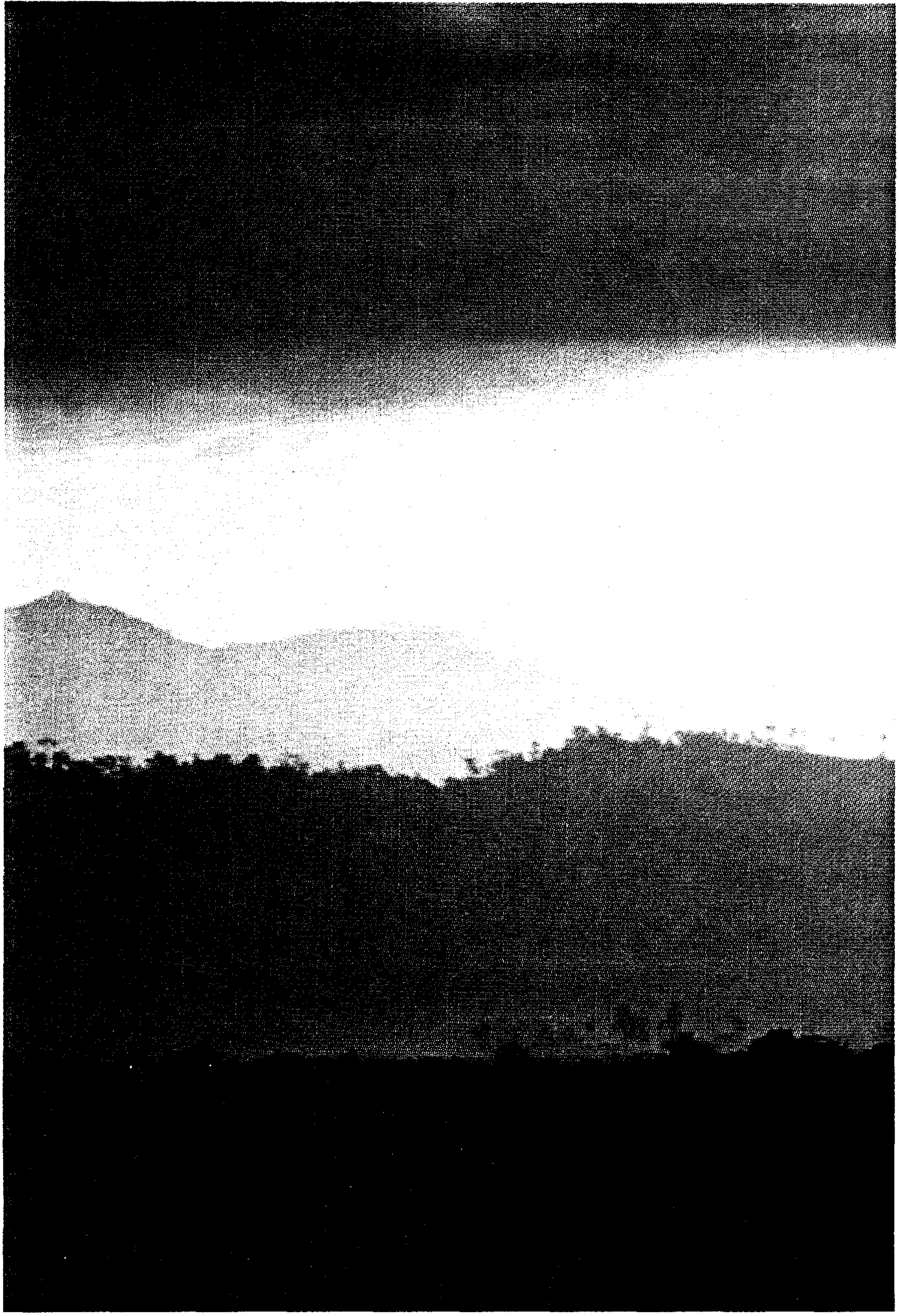
First of all, contrary to what I perceive as a misleading or misunderstood shipper-carrier market relationship, Wisconsin Power and Light has a standing contract with the Burlington Northern-Milwaukee Road railroads that controls the transportation costs charged by these carriers to Wisconsin Power and Light for transporting Montana coal. These costs are set and can only be adjusted by changes of the RCAF Index as prescribed by the ICC. Any changes in the prices of coal, i.e., elimination of the Montana severence tax, will be a direct savings to the producer and passed on as such to us. The railroads have no access to these savings or to any other cost changes in the fuel market.

In another matter, I would like to confirm that the transportation costs to move Montana coal, Coalstrip (to our Columbia Plant) are less than the costs to move Powder River coal out of Wyoming to the same Columbia Plant.

Sincerely,

R. M. Gregory
Director of Purchase
and Stores

RMG:ls.1/ss
850219a



Montana's Coal Industry

facing an uncertain future

Exhibit 6 -- HB 607
April 11, 1985

Montana's Coal Industry
facing an uncertain future

A report prepared for the

Montana International Trade Commission

by

Paul E. Polzin
Professor and Director of Forecasting
Bureau of Business and Economic Research
University of Montana
Missoula

December 1984

MONTANA'S ECONOMY AND THE COAL INDUSTRY

Montana's Economy in General

The Montana economy, after suffering through the worst recession since World War II from 1979 to 1982, has seen some improvement in 1983 and 1984. The outlook for 1985 and 1986 is for continued economic growth, but at rates below those of 1984 (figures 1-4). In the long run, however, things do not look as optimistic. Montana has suffered serious job losses in its important industries, and these jobs are not likely to be replaced in the near future.

Current conditions and short-run forecasts

The conditions for 1984 contrast sharply to those for the first few years of the decade. The Montana economy suffered through a very long and severe recession between 1979 and 1982. It was, in fact, the longest and most severe recession in Montana during the postwar period. The recovery began late in 1982 and proceeded very slowly. The upward trend was barely noticeable during 1983. Therefore, the strong performance in 1984 is particularly welcome.

The outlook for 1985 and 1986 is slightly less optimistic. There will be slower growth in income and employment accompanied by a modest upward trend in unemployment. But no new recession is forecast.

The long-run outlook

Despite its improved performance during 1984, a closer look at several of the general economic indicators reveals the disturbing fact that Montana's economy has not yet regained its prerecession levels. Nonfarm labor income and nonfarm wage and salary employment are not projected to reach their 1979 levels until sometime during 1985.

Montana has suffered a significant decline in its economic base. Since 1979, Montana has suffered permanent job losses in its basic industries, including the following:

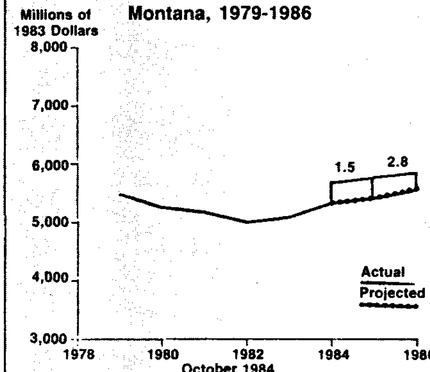
- the loss of a transcontinental railroad (The Milwaukee Road)
- the closure of primary metals refineries in Great Falls and Anaconda
- the shutdown of a large plywood plant and sawmill in Missoula
- the closure of all Anaconda mining operations in Butte
- the loss of Burlington Northern railroad jobs due to reorganization and automation

The cumulative impact of these shutdowns and closures accounted for the loss of about 7,000 jobs—one-half of the decline in nonfarm wage and salary employment between 1979 and 1983 (table 1). This means that a large component of the decrease in basic industries is a permanent loss and will not return when the economy recovers.

There may be further declines in the basic industries, including wood products and primary metals refining. Wood products firms in Montana face a changing timber supply situation and must incorporate new technologies and make significant capital investments if they are to survive during the coming decade. The new facilities and production processes will require less labor. ARCO is currently trying to sell its aluminum refinery at Columbia Falls, which has been described as inefficient compared to other facilities. If a new owner is not found, the refinery may be closed.

Prospects for new basic industries are limited. There will be more new small mines, producing mostly gold and silver. Further expansion of nonresident travel and tourism is likely. Some new small manufacturing plants probably will be located in the state. But the

Figure 1
Nonfarm Labor Income
Montana, 1979-1986

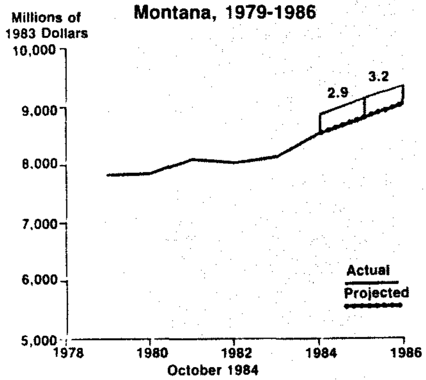


Sources: U.S. Department of Commerce, Bureau of Economic Analysis; University of Montana, Bureau of Business and Economic Research, Montana Economic Reporting and Forecasting System; and Chase Econometrics.

Nonfarm labor income. *Nonfarm labor income consists of the wages and salarie proprietors' income, and certain fringe benefits of all working persons, except those working on farms and ranches. It is the labor income of all working persons (except those in agriculture) engaged in the current production of goods and services. Nonfarm labor income is a particularly useful index of economic conditions because it measures payments to workers; in most areas there is a high correlation between economic activity and the amount of labor required to produce it. In other words, changes in nonfarm labor income provide an approximate equivalent for changes in GNP, a statistical series not available for Montana.*

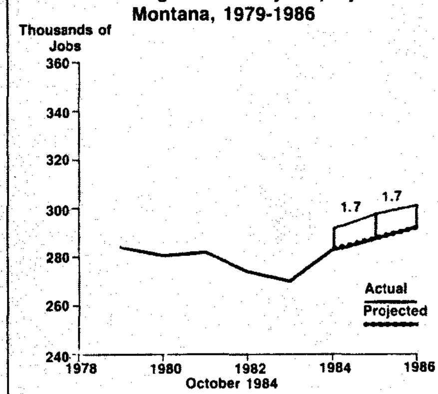
- **The 1979-1982 recession in Montana was the longest and most severe since World War II.**
- **Montana's economy began to recover in 1983.**
- **The growth in 1984 was the greatest since 1979.**
- **Montana's economic growth will slow to 1.5 percent in 1985 and 2.8 percent in 1986.**

Figure 2
Total Personal Income
Montana, 1979-1986



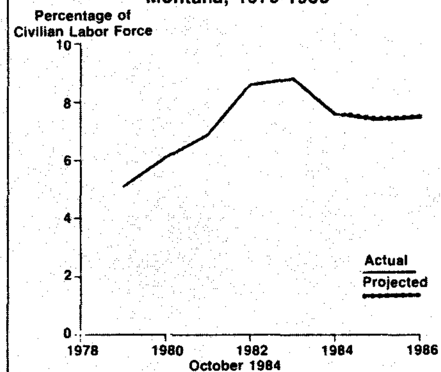
Sources: U.S. Department of Commerce, Bureau of Economic Analysis; University of Montana, Bureau of Business and Economic Research, Montana Economic Reporting and Forecasting System; and Chase Econometrics.

Figure 3
Nonfarm Wage and Salary Employment
Montana, 1979-1986



Sources: Montana Department of Labor and Industry; University of Montana, Bureau of Business and Economic Research, Montana Economic Reporting and Forecasting System; and Chase Econometrics.

Figure 4
Unemployment
Montana, 1979-1986



Sources: Montana Department of Labor and Industry; University of Montana, Bureau of Business and Economic Research, Montana Economic Reporting and Forecasting System; and Chase Econometrics.

Total personal income. *Personal income 'he income received by Montanans. It udes labor income, transfer payments and dividends, interest, and rents. Personal income does not include personal contributions for Social Security, and has been adjusted for persons who work in one state but live in another. Personal income measures the ability of Montanans to purchase clothing, food, and other consumer items. Therefore, forecasts of total personal income may be of particular interest to retailers and others concerned with consumer spending.*

- **Personal income did not decrease between 1979 and 1983 because of transfer payments and dividends, interest, and rents.**
- **Personal income grew 4.9 percent in 1984.**
- **Growth is projected to be 2.9 percent in 1985 and 3.2 percent in 1986.**

Nonfarm wage and salary employment. *Nonfarm wage and salary employment includes all jobs in Montana except those in agriculture and the self-employed (which includes farm and ranch proprietors). Even though some workers are not counted, nonfarm wage and salary employment provides a reliable indicator of short-run changes in the job market and job opportunities in Montana. Nonfarm wage and salary employment measures an economy's ability to provide jobs for its residents.*

- **Nonfarm wage and salary jobs increased in 1984.**
- **There will be less growth in 1985 and 1986.**

The unemployment rate. *The unemployment rate measures the percentage of the civilian labor force that is currently unemployed. It includes those persons looking for and available to take a job, or waiting to be called back to a job from which they have been laid off. The unemployment rate does not include "discouraged workers," those persons who are no longer looking for work because they couldn't find a job.*

- **Unemployment dropped sharply in 1984.**
- **Unemployment has been a "lagging indicator," decreasing only after other economic indicators signal improvement in the economy.**

employment and income associated with these potential additions are small when compared to the past and potential future losses in basic industries. Roughly 7,000 jobs were permanently lost between 1979 and 1983 in mining, manufacturing and railroads, and these positions were among the best paying in Montana (table 1). It would require many new gold or silver mines (which employ, at most, 300 to 400 persons) or small manufacturing plants to counterbalance these permanent losses. Nonresident travel and tourism jobs are classified in the retail trade and service industries, and are not well-paying (figure 6.)

Basic or export industries. *Industries which produce goods or services mostly for sale outside the state or region or are influenced by events occurring outside the area. Montana's basic or export industries include agriculture; manufacturing, including wood products, paper, and primary metals; mining; heavy construction; railroads; the federal government; and tourism. The labor income of persons working in basic industries represents net injection of new funds into an area. This creates additional income (in the derivative industries) as those funds are spent and respent.*

Derivative industries. *Industries which serve the local population. These include retail and wholesale trade; most services; financial institutions; insurance and real estate agencies; transportation companies except railroads; construction except heavy construction; public utilities; and state and local government.*

Table 1

Change in Number of Nonfarm Wage and Salary Jobs
Montana
1979-1983

	1979	**1983**	**Change**
All nonfarm industries	283,900	269,900	-14,000
Basic industries	69,800	56,500	-13,300
Mining	7,700	7,000	-700
Metal	2,100	1,300	-800
Coal	1,300	1,300	———
Oil and gas	3,400	3,600	200
Nonmetallic	900	800	-100
Heavy construction	4,000	4,100	100
Manufacturing	27,000	20,900	-6,100
Wood products & paper	11,800	8,700	-3,100
Primary metals	3,300	1,200	-2,100
Other	11,900	10,900	-1,000
Railroads	7,400	4,100	-3,300
Federal government	23,700	20,400	-3,300
Civilian	13,900	12,500	-1,400
Military	9,800	7,900	-1,900
Derivative industries	214,100	213,400	-700

Source: Montana Department of Labor and Industry, Helena.
Note: Details may not add due to rounding.

The Contribution of Coal Mining to Montana's Economy

Coal mining is a significant component of Montana's economy. The approximately 1,300 jobs it provides equal 1.4 percent of total employment in Montana's basic industries. The $53 million in labor income, however, amounts to 3.6 percent of the total for basic industries (figure 5). These figures understate the contribution of coal mining because they exclude the railroad workers hauling coal in unit trains and other persons directly supplying equipment and services to the coal mines. And because mining activity is concentrated in southeastern Montana, it is of much greater importance there. The income and employment figures do not take into account the $83 million in coal severance tax collection.

Coal mining jobs in Montana pay well. The average Montana coal miner earned almost $35,000 in wages and salaries during 1983 (figure 6). Coal mining jobs provide a steady source of employment. They are year-round jobs and are less affected by national business cycles than employment in some other basic industries in the state.[1]

Some Montana coal miners live in Wyoming. They still contribute to Montana's economy because their earnings are taxed in Montana and they may shop in Billings. In addition, Sheridan merchants may be supplied by Billings wholesalers. This means that even though these workers live out of state, many of the dollars they earn are injected into the Montana economy.

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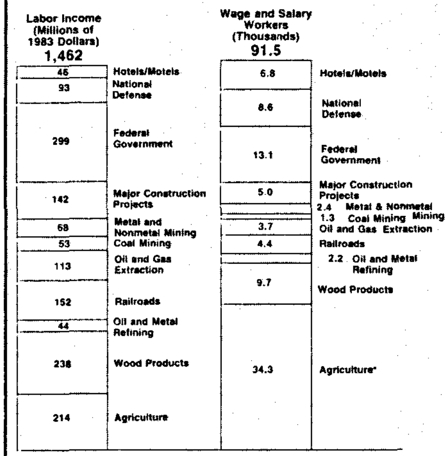
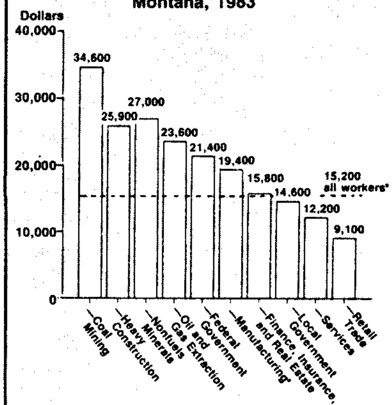
[1]The demand for electricity is certainly affected by business cycles and the weather. Apparently, Montana coal is used in "base load" generating plants, and is less affected by these factors.

Figure 5
Montana's Basic Industries
1983



Source: U.S. Department of Commerce, Bureau of Economic Analysis
*Includes farm proprietors.

Figure 6
Wages and Salaries per Worker
Selected Industries
Montana, 1983



Source: U.S. Department of Commerce, Bureau of Economic Analysis.
[a]Excludes primary metals refining.
[b]Workers covered by unemployment insurance.

Montana's Basic Industries

Their contribution to the state's economy may be measured using employment or labor income

Agriculture is Montana's largest basic industry

- **Agricultural incomes and profits have been depressed in recent years**
- **During normal times, farms and ranches account for about one-third of Montana's economic base**

There is a three-way tie for second place among Montana's basic industries.

Wood products
- **Primarily located in western Montana**
- **10.6 percent of total basic employment**
- **16.3 percent of labor income earned in basic industries**

Civilian federal government
- **Many workers manage federal lands and resources**
- **14.3 percent of basic employment**
- **20.4 percent of labor income in basic industries**

Mining, which consists of three components

Metal and nonmetal mining
- **Makes up 2.6 percent of basic employment and**
- **4.6 percent of labor income earned in the basic industries**

Oil and gas extraction
- **Makes up 4.0 percent of basic employment and**
- **7.7 percent of labor income earned in the basic industries**

Coal Mining
- **Makes up 1.4 percent of basic employment and**
- **3.6 percent of labor income earned in the basic industries**

- **Coal miners are among the best paid workers in Montana**
- **Wages and salaries per worker are more than double the average for all workers**

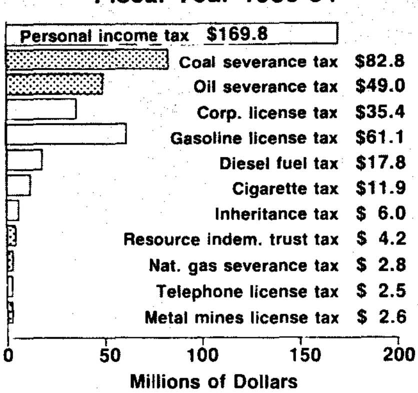
Montana's Coal Severance Tax

I. Montana has traditionally taxed the extraction of its natural resources. The current coal severance tax was enacted in 1975. It has a variable rate depending on the heating value (BTU) of the coal mined and whether it was mined by surface or underground method. Since most Montana coal currently being extracted is surface mined and has heating quality greater than 7,000 BTU per pound, the tax rate is 30 percent of its value.

Heating Quality (BTU/pound of coal)	Surface Mining	Underground Mining
	The greater of	*The greater of*
Under 7,000	\$0.12 or 20% of value	\$0.05 or 3% of value
7,000-8,000	\$0.22 or 30% of value	\$0.08 or 4% of value
8,000-9,000	\$0.34 or 30% of value	\$0.10 or 4% of value
Over 9,000	\$0.40 or 30% of value	\$0.12 or 4% of value

II. The coal severance tax is the second largest tax collected by Montana state government, second only to the personal income tax.

Preliminary Montana Department of Revenue Collections Fiscal Year 1983-84



Resource taxes

Source: Montana Department of Revenue.

III. But not all revenue from the coal severance tax is available to state government. The allocation of coal tax collection is as follows:

1984 Fiscal Year Collections

1984 Fiscal Year Collections	No.	Allocation
\$41,411,716	1.	50 percent to permanent coal tax trust fund. The interest from this constitutional trust fund may be appropriated by the legislature each session, but its principal is "inviolate" unless three-quarters of the members of each house vote for its appropriation.
\$15,736,452	2.	19 percent to the state general fund. This amount is available for unrestricted spending.
\$ 8,282,343	3.	10 percent to the education trust fund. Of the interest earned on the trust, 67.5 percent goes into the state public school equalization program, 22.5 percent to the Board of Regents for the university system, and 10 percent is reinvested in the trust.
\$ 7,247,050	4.	8.75 percent to the local impact account to be allocated by the Montana Coal Board.
\$ 4,141,171	5.	5 percent to the state public school equalization program.
\$ 1,863,527	6.	2.25 percent to the alternative energy research, development, and demonstration account. The Montana Department of Natural Resources and Conservation awards grants and loans from this account.
\$ 2,070,586	7.	2.5 percent to a parks acquisition and cultural projects trust fund.
\$ 1,035,293	8.	1.25 percent to the renewable resource development account for loans and grants to government units for projects that will develop Montana's renewable resources.
\$ 414,117	9.	0.5 percent to the State Library Commission to provide basic library services to all counties and to pay participation costs in information networks.
\$ 414,117	10.	0.5 percent to counties for land planning projects.
\$ 207,059	11.	0.25 percent to conservation district operations.
\$82,823,431 Total		

Since it was enacted in 1975, Montana coal producers have paid a total of about \$523 million in coal severance taxes.

The above information on the coal severance tax was obtained from *Montana Energy Almanac,* Montana Department of Natural Resources and Conservation.

A DESCRIPTION OF MONTANA'S COAL PRODUCERS

Coal Production Since 1970

There are only a few coal producers in Montana and they are mostly located about one hundred miles southeast of Billings (figure 7). Their output increased from about 1.3 million tons in 1970 to 33.3 million tons in 1981 (figure 8). After the rapid growth during the 1970s, production fell to 27.8 million tons in 1982 and 28.7 million tons in 1983.

The rapid growth of coal production was the result of contracts which were signed in the early 1970s. Since 1975, only one new firm (Spring Creek Coal Company) has opened a major mine in Montana. Although the contract with Spring Creek Coal Company was signed in 1978 and deliveries began in 1980, the original letter of intent and other negotiations were completed prior to 1975. Among older operating companies, only four major coal contracts have been signed since 1975: two contracts with Michigan utilities, which total less than one million tons per year, and two contracts with The Montana Power Company, for the Corette plant in Billings and Colstrip 3 and 4. Even for these contracts, most of the negotiations and commitments were completed prior to 1975.

During 1983, five firms had production in excess of two million tons. Two firms (Decker Coal Company and Western Energy Company) accounted for almost 69 percent of Montana's 1983 coal production.

What Happened to Montana's Coal Boom?

Despite its rapid growth, Montana coal production has not reached the levels some well-publicized forecasts had suggested. For example, one federal study published in 1975 predicted that Montana coal production would be between 34 and 64 million tons in 1980 and from 39 to 153 million tons in 1985.[1] As recently as 1979, a federal-state study projected Montana coal production to be 39.3 million tons in 1980 and 49.7 million tons in 1985.[2]

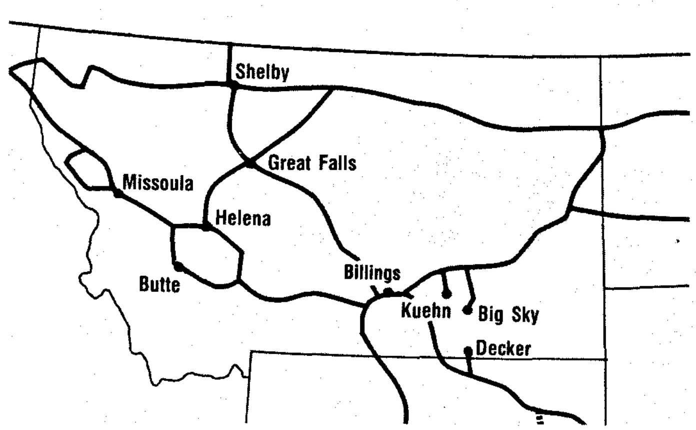
Both forecasts were too high for 1980, when output actually amounted to 30.0 million tons. Since then, Montana's coal production has declined. Output during 1983 was 28.7 million tons (figure 8), and 1984 production will also fall short of the projections.

The demand for western coal has been affected by several events in the last decade and the assumptions

[1]Northern Great Plains Resource Program, *Effects of Coal Development in the Northern Great Plains* (Denver, Colorado, 1975), p. 40.

[2]U.S. Department of the Interior and Montana Department of State Lands, Draft Environmental Statement, Regional Analysis, Northern Powder River Basin Coal, Montana, 1979, pp. 1-3.

Figure 7
Location of Major Montana Coal Mines
1984

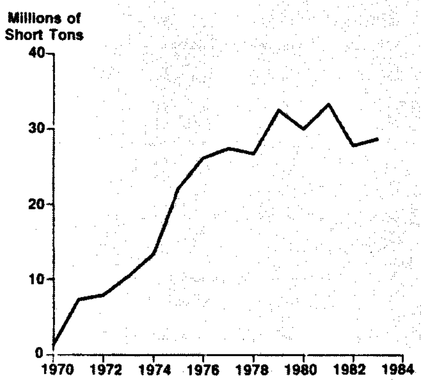


Most Coal Produced by Five Mines
1983

	Firm	Millions of Tons	*Percentage of Total*
(1)	Decker Coal Co.	10.3	*35.9*
(2)	Western Energy Co.	9.5	*33.1*
(3)	Westmoreland Resources, Inc.	3.9	*13.6*
(4)	Peabody Coal Co.	2.6	*9.1*
(5)	Spring Creek Coal Co.	2.1	*7.3*
(6)	Knife River Coal Mining Co.	0.2	*0.7*
(7)	Other	0.1	*0.3*
	Total	28.7	*100.0*

underlying the earlier forecasts are no longer valid.

Figure 8
Montana Coal Production
1970-1983



Source: Montana Coal Council.

Demise of synthetic fuels

The Arab oil boycott of 1973 and the resulting "energy crunch" during the late 1970s led to numerous proposals to use western coal to produce synthetic natural gas and other fuels. Synthetic fuel plants use large quantities of coal and are usually located at the mine site. The high coal production projections made by the federal government assumed that several synthetic fuel plants would be operating in Montana by 1980.

Even though one plant has been developed and experimental work on synthetic fuels is proceeding at several sites in the United States, none is in Montana. The prospects are poor for commercial synthetic fuel production because of ever-increasing costs of building the plants and the recent moderation in worldwide energy price increases. Only extensive government subsidies, which appear unlikely at this time, would alter this outlook.

A number of potential synthetic fuel plant sites have been identified in Montana. But no applications have been received and there are no indications of imminent development at any site.

Changes in air pollution regulations

During the early 1970s, federal legislation limited the amount of sulfur-dioxide (SO_2) which coal-fired electric generating plants could release into the atmosphere. Many utilities complied with these regulations by switching to certain types of low-sulfur western coal. Only the Montana coal deposits located near Decker (the Decker and Spring Creek mines) and the Wyoming coal deposits in the Sheridan and Gillette areas have the low-sulfur content needed to comply with these standards—and have been dubbed "compliance coal."

New federal regulations require that all coal-fired generating plants proposed after 1978 must remove a fixed percentage of the sulfur dioxide produced regardless of the sulfur content of the coal. The impact of these new regulations is to require new generating plants to have "scrubbers" even if they burn low-sulfur coal. In other words, the attractiveness of "compliance coal" has been significantly reduced.

Moderating growth in demand for electricity

The growth of U.S. demand for electricity is an important determinant in the demand for Montana coal. After World War II, the U.S. demand for electricity roughly doubled every ten years. Beginning in the mid-1970s, however, the growth rate began to moderate. The slower demand growth, combined with the long lead time associated with planning, permitting, and constructing generating plants, has led to the widely-publicized current glut of electric capacity.

The declining U.S. growth rate for electricity use was caused by two factors:

Rising real price of electricity. The rapid postwar growth in U.S. electricity demand was fueled by declining real (constant dollar) prices for electricity. After 1973, adjusting for inflation, the price of electricity began to rise. Electricity prices went up first because of the "energy crisis," which raised certain fuel costs, and then by the escalating capital costs associated with building new generating capacity. The rising real price of electricity led to conservation efforts by residential and industrial users, resulting in lower consumption of electricity and/or substitution of other forms of energy. Recently, the nationwide upward trend in real electricity prices has moderated.

The 1979-1982 business cycle. Even though price increases moderated, electricity consumption continued to languish because of the severe recessions experienced by the U.S. economy during the 1979 to 1982 period. The economic recovery began late in 1982 and increased economic activity appears to have raised growth rates in the U.S. demand for electricity. The recent growth rates for the midwestern states, which include much of Montana's coal market area, appear to be above the national average.

MONTANA'S COAL MARKET AREA

Determinants of the Market Area

Montana coal is almost exclusively burned as boiler fuel to generate electricity. Although significant amounts are burned by instate generating plants—primarily at Colstrip—most Montana coal is shipped via unit railroad trains to the Midwest.

The demand for Montana coal, and other forms of boiler fuel, is determined by the delivered price per unit of energy. Because of the large volume of coal used and the long service life of generating plants, utilities have a strong incentive to obtain the cheapest fuel. For example, a $0.50 per ton reduction in the delivered price of coal would mean an annual savings of $1.5 million for a "typical" generating plant using 3 million tons of coal per year—or about $45 million over the thirty-year service life of the facility (not considering inflation or alternative investments).

The delivered price of fuel to a generating plant is determined by many complex and subtle factors resulting from extensive negotiations between the mine, the utility, and the railroad. With three major assumptions, however, a rough approximation of Montana's coal market may be identified.

Assumption #1. Montana coal competes with Wyoming and Illinois coal in midwestern states, with eastern coal in the Great Lakes states, and with Wyoming and Utah coal in the Pacific Northwest.

Assumption #2. The FOB mine prices (including severance taxes) are shown at the top of the next column.

Area	FOB Mine Price ($/Ton)	Comment
Montana-North	$ 9.75	Increased production may be obtained from existing mines due to overcapacity.
Montana-South	12.00	Increased production may be obtained from existing mines due to overcapacity.
Wyoming-Gillette	6.40	Increased production may be obtained from existing mines due to overcapacity.
Illinois-Springfield	30.00	Surface mines are at capacity. New production will come from underground mines.

Assumption #3. Montana and Wyoming coal is shipped via the Burlington Northern Railroad at $0.02 per ton mile. Rail costs for Illinois coal are $0.025 per ton mile for the congested short-mileage movements within Illinois, and $0.02 per ton mile outside Illinois. These costs may be slightly above existing rates. The sketchy and incomplete information that is available suggests an upward trend in rail rates since the late 1970s. Much of this rise may have been caused by inflation.

These assumptions, combined with the characteristics of Montana, Wyoming, and Illinois coal (table 2), allow the calculation of the least-cost coal delivered to various locations. For example, Montana is the source of cheapest delivered coal for electric generating plants in Minneapolis, while utilities in Omaha would purchase Wyoming coal (tables 3 and 4).

A market region which includes the areas for which Montana is the least-

Table 2

Montana, Wyoming, and Illinois Coal: A Comparison

Mining Area	Heat Content[1] (BTU/LB)	*Ash[1] (Percent)*	*Sulfur[1] (Percent)*
Montana North (Western Energy, Westmoreland, Peabody mines)	8,600	*10.0*	*0.8*
Montana South (Decker, Spring Creek mines)	9,300	*6.0*	*0.4*
Wyoming—Gillette	8,300	*6.0*	*0.5*
Illinois—Springfield	10,500	*13.0*	*3.5*

[1]Averages for specific sites.

Coal-fired generating plants are designed to burn coal with specific characteristics. For example, Illinois coal may require smaller, less expensive boilers than Montana and Wyoming coal because of the differences in BTU content. On the other hand, greater capital expenditures are required to remove the ash and sulfur present in the Illinois coal. As a rough approximation, we have assumed that Illinois coal requires additional capital and operating costs of about $0.10/mm BTU relative to Montana and Wyoming coal.

Montana coal from the Decker and Spring Creek mines and the Wyoming coal from the Gillette area are "compliance coals." That is, they are low in sulfur and may be burned in plants built as planned between 1970 and 1978 to comply with federal regulations.

cost source of coal is derived by repeating for a number of locations the calculations shown in tables 3 and 4. As shown in figure 9, this market region includes northern Idaho, Washington, and northern Oregon along the Columbia River. To the east, North Dakota (excluding minemouth plants using lignite), most of Minnesota, Wisconsin, and lakeside plants on the Great Lakes which can be served via Duluth/Superior are in Montana's market area. In general, Montana's market area is bounded on the south by Wyoming and to the southeast by the Illinois market area. Along the Great Lakes, only sites which can be served directly by large freighters are in Montana's market area.

Table 3

Comparative Cost of Coal Delivered to Minneapolis, Minnesota
November 1984

Coal Source	FOB Mine Price	+	Transportation Cost	=	Delivered Price	÷	Heat Content	=	Gross Delivered Price	+	Quality Adjustment	=	Effective Delivered Price
	($/ton)				($/ton)		(mm BTU/ton)		($/mm BTU)		($/mm BTU)		($/mm BTU)
MT-North	$ 9.75		788 miles @ $0.020/mi. = $15.76		$25.51		17.2		$1.48		$0.00		$1.48
WYO-Gillette	6.40		1,062 miles @ $0.020/mi. = 21.24		27.64		16.6		1.67		0.00		1.67
ILL-Springfield	30.00		181 miles @ $0.025 mi. = 4.53										
			401 miles @ $0.020/mi. = 8.02										
			Total $12.55		$42.55		21.0		$2.03		$0.10		$2.13

Table 4

Comparative Cost of Coal Delivered to Omaha, Nebraska
November 1984

Coal Source	FOB Mine Price	+	Transportation Cost	=	Delivered Price	÷	Heat Content	=	Gross Delivered Price	+	Quality Adjustment	=	Effective Delivered Price
	($/ton)				($/ton)		(mm BTU/ton)		($/mm BTU)		($/mm BTU)		($/mm BTU)
MT-North	$ 9.75		1,041 miles @ $0.020/mi. = $20.82		$30.57		17.2		$1.78		$0.00		$1.78
WYO-Gillette	6.40		665 miles @ $0.020/mi. = 13.30		19.70		16.6		1.19		0.00		1.19
ILL-Springfield	30.00		130 miles @ $0.025 mi. = 3.25										
			266 miles @ $0.020/mi. = 5.32										
			Total $ 8.57		$38.57		21.0		$1.84		$0.10		$1.94

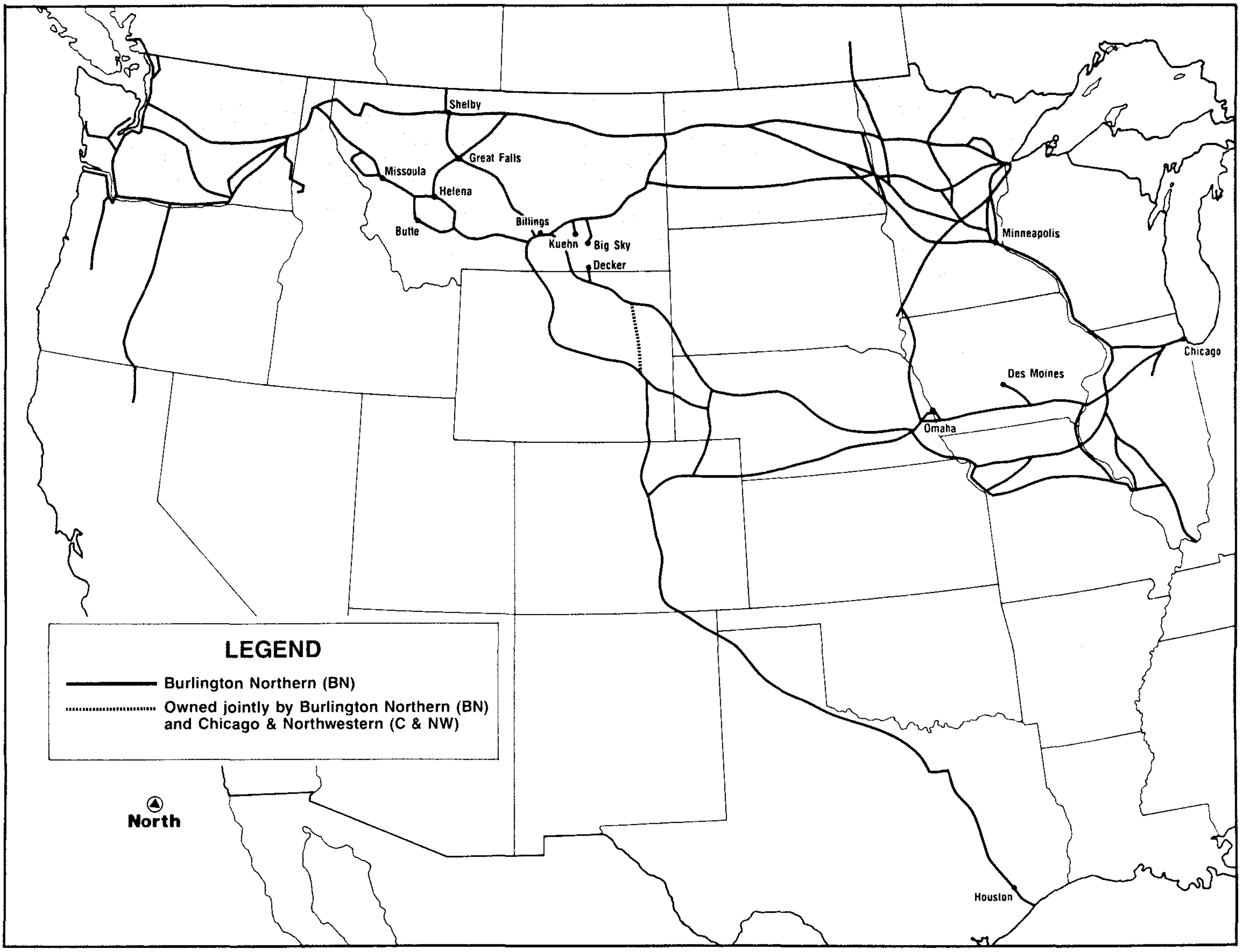
Derivation of least cost source of coal:

Step 1. Determine delivered price by adding the FOB mine price and transportation costs.

Step 2. Adjust for differences in heat content by dividing delivered price by BTU per ton of coal. For example, using Montana-North coal, the heat content of 8,600 BTU/lb. (table 3) is equivalent to 17.2 million BTU/ton.

Step 3. Adjust for quality differences because Illinois coal requires additional capital and operating costs of about $0.10 per million BTU.

Figure 9
Montana's Coal Market Area
1984



Confirmation of the Market Area

Montana's coal market area was derived using a number of basic, simple assumptions. Only three of the eighteen major contracts with Montana coal mines call for shipments outside the designated market area (table 5). Each of these three exceptions may be attributed to special circumstances:

- Shipments to Chicago, Illinois. The Commonwealth Edison Company has contracted with several Montana and Wyoming mines for "compliance coal," which is blended with other coal to meet local emission requirements.
- Shipments to Austin and Houston, Texas. Due to timing of contracts, Montana mines could offer a favorable price. Because of its higher heat content, Montana-South coal may be cost effective vis-a-vis Wyoming-Gillette coal for sites far away.

As further confirmation of Montana's coal market area, there are only a few sales of Wyoming coal within its borders—four contracts with Wisconsin utilities and one contract to an electric generating plant along the Columbia River in Oregon. Here, too, there were extenuating circumstances. These electric generating plants were designed to burn "compliance coal" and, given their locations, Wyoming mines were the least-cost source.

Table 5

Major Coal Contracts by Mining Firm, Purchaser, and Destination November 1984

Mining Firm, Purchaser, and Date of Contract	Destination
Decker Coal Co.	
Commonwealth Edison Co. (1974)	Chicago, Illinois
Detroit Edison Co. (1973)	Detroit, Michigan via Superior, Wisconsin
Lower Colorado Valley Authority (1974)	Austin, Texas
Knife River Coal Co.	
Montana-Dakota Utilities (1973)	Sidney, Montana
Peabody Coal Company	
Minnesota Power and Light (1968)	Northern Minnesota
NERCO Coal Company (Spring Creek)	
Utility Fuels, Inc. (1978)	Houston, Texas
Western Energy Company	
Upper Peninsula Generating Co. (1977)	Northern Michigan via Superior, Wisconsin
Montana Power Company and others for Colstrip 1 and 2 (1971)	Colstrip, Montana
Montana Power Company and others for Colstrip 3 and 4 (1980)	Colstrip, Montana
Montana Power Company (1980)	Billings, Montana
Lake Superior District Power Company (1974)	Northern Wisconsin
Northern States Power Company (1972)	Minneapolis, Minnesota
Wisconsin Power and Light Company (1972)	Southern Wisconsin
Westmoreland Resources, Inc.	
Northern States Power Company (1972)	Minneapolis, Minnesota
Dairyland Power Cooperative (1972)	Southwest Wisconsin
Wisconsin Power and Light Company (1972)	Southern Wisconsin
Interstate Power Company (1972)	Northern Iowa
Upper Peninsula Generating Company (1977)	Northern Michigan via Superior, Wisconsin

THE OUTLOOK FOR MONTANA COAL PRODUCTIO

This section examines the outlook for Montana's coal industry. We will present likely trends in coal production to 1993 using as a guide the current contracts for Montana coal and the planned addition to generating capacity of utilities in Montana's market area. We will also look at factors affecting the long-run outlook for Montana's coal industry, but no precise forecasts will be presented.

Current Contracts

The existing contracts for Montana coal call for production to rise about 6 million tons between 1983 and 1987, from 29 million tons per year to approximately 35 million tons per year. About 3.6 million tons of this increase can be attributed to the Colstrip 3 and 4 generating plants, which are scheduled to be in full operation by 1987. The remaining 2.4 million tons per year are due to increases in production associated with existing contracts—the long delayed first two units of the new Belle River plant owned by the Detroit Edison Company. From 1987 to 1993, current contracts call for a relatively stable level of coal production—assuming the contracts scheduled to expire in 1989 and 1991 are renewed.

Forecasts based on existing coal contracts must be interpreted cautiously. Most contracts stipulate a maximum and a minimum of coal which may be shipped in any one year; this allows considerable flexibility to adjust the amount purchased in specific years. The coal tonnages reported in table 6 are, for the most part, midpoints between the maximums and minimums and may not reflect the precise amounts purchased during a particular year.

In summary, current contracts for Montana's coal suggest that production will rise to about 35 million tons during the next few years, and then remain at this level until 1993. There is, however, the possibility that certain Montana coal customers might reduce their purchases to less than the amounts specified in existing contracts.

New Generating Plants

Two new coal-fired generating plants within Montana's coal market area are currently on the drawing boards. One is now under construction north of Minneapolis, and is scheduled to be in operation early in 1988. The other is in the early planning stages; it could be located in northern or central Wisconsin and has a tentative completion date of mid-1993. Even though both plants are currently within Montana's coal market area it does not mean that these contracts are a "sure thing"—we will have more to say about this possibility later. We have, however, included in Montana's forecast an additional 3.0 million tons per year beginning in 1988 and another 3.0 million in 1993 on the basis of these two plants. Of course, the exact timing and the amount of the new tonnages may be affected by construction delays and/or incorrect load forecasts by the utilities.

Combining the existing contracts with the potential new generating plants yields a 1993 estimate of about 41 million tons.

The Long-Run Outlook for Montana Coal

Beyond 1993 there are no electric utility plans upon which to derive forecasts of Montana coal producti We can identify, however, some o the important factors that will influence the coal industry. In eacl case, there are numerous uncertainties concerning long-term trends.

- **The future growth rate of electricity.** As was discussed earlier, the growth in electricit demand has decreased significantly in the last decade Current projections for the lon run annual growth in electricit demand are in the 0 to 4 perc range—with many forecasters expecting 2 to 3 percent annua increases.
- **Montana's ability to maintain coal market area.** Future increases in FOB mine prices, transportation costs, and other factors may change the relativ competitiveness of Montana cc In the next section, evidence i presented that Montana's coal market area may shrink.
- **The renewal of Montana's existing coal contracts.** As will discussed in the next section, existing contracts may not be renewed.
- **Elimination of the current exc capacity in electricity generati** Due to the current surplus, electrical generating capacity is expected to grow much slower than demand during the next years. By the early 1990s, however, the excess capacity n be eliminated and increases in generating capacity will be mo closely related to changes in electricity demand. But, construction delays, changes in growth of demand, and other factors could change significan the rate at which the excess capacity is eliminated.

- **The use of coal as a fuel source.** Coal is viewed as the preferred source of fuel for generating plants scheduled for the 1990s. No new nuclear generating plants are currently being planned. Cogeneration, solar, and other forms of generation will continue to increase, but moderating energy price increases and other factors suggest these sources will remain a relatively small component of electricity supply. Any change in the outlook for alternative fuels will certainly influence the use of coal to generate electricity.

Even though reliable long-run forecasts of coal production cannot be derived, growth in the coal mining industry would create additional well-paying jobs. These new employment opportunities would help to counterbalance the 1979 to 1983 losses in Montana's economic base. In other words, increased employment and an increase in coal mining could compensate for some of the recent decreases in copper mining, smelting, railroads, and other basic industries.

Table 6

Actual and Projected Demand for Montana Coal by Mining Firm and Purchaser

	Contract Expiration Date	Millions of Tons									
		Actual 1983	1985	1986	1987	1988	1989	1990	1991	1992	1993
Decker Coal Co.		10.30	13.50	13.60	13.50	13.50	13.70	13.70	13.40	13.70	13.70
Commonwealth Edison Co.	1997										
Detroit Edison Co.	2004										
Lower Colorado River Authority	2003										
Knife River Coal Co.		.25	.29	.29	.25	.25	.25	.25	.25	.25	.25
Holly Sugar Co.	1986		.04	.04	0	0	0	0	0	0	0
Montana-Dakota Utilities	1993		.25	.25	.25	.25	.25	.25	.25	.25	.25
Peabody Coal Co.		2.60	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20
Minnesota Power and Light Co.	1993		3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20
NERCO Coal Co. (Spring Creek)		2.10	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
Utility Fuels, Inc.	2004		2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
Western Energy Co.		9.50	10.40	10.40	12.20	12.20	12.20	12.20	12.20	12.20	12.20
Upper Peninsula Generating Co.	1999		.30	.30	.30	.30	.30	.30	.30	.30	.30
Colstrip 1 and 2	2009		2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10
Colstrip 3 and 4	2019		1.80	1.80	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Lake Superior District Power Co.	1995		.10	.10	.10	.10	.10	.10	.10	.10	.10
Northern States Power Co.	1995		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Wisconsin Power & Light Co.	1994		1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80
Montana Power Co. (Corette)	1989		.30	.30	.30	.30	.30	.30	.30	.30	.30
Westmoreland Resources, Inc.		3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90
Northern States Power Co.	1993		2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90
Dairyland Power Coop.	1993		.50	.50	.50	.50	.50	.50	.50	.50	.50
Wisconsin Power and Light Co.	1993		.20	.20	.20	.20	.20	.20	.20	.20	.20
Interstate Power Co.	1993		0	0	0	0	0	0	0	0	0
Upper Peninsula Generating Co.	1991		.30	.30	.30	.30	.30	.30	.30	.30	.30
Subtotal, Current Contracts		28.70[1]	33.59	33.69	35.35	35.35	35.55	35.55	35.25	35.55	35.55
Potential New Contracts						3.00	3.00	3.00	3.00	3.00	6.00
Total, Current and Potential Contracts			33.59	33.69	35.35	38.35	38.55	38.55	38.25	38.55	41.55

[1]Includes small mining companies not reported.

Notes: Most coal contracts stipulate maximum and minimum annual tonnages. Figures presented here represent, for the most part, the midpoint between these limits, and may not precisely reflect tonnages for a particular year.

Facing the Realities of Montana's Coal Future

The projections for Montana coal production to 1993 were derived assuming that all existing contracts would be renewed. This, in fact, may not be true. A number of events have taken place or are likely to occur in the next few years, each of which would reduce the competitive position of Montana coal relative to Wyoming coal. (Characteristics of coal production in each state are summarized in table 7.) In terms of the coal market area shown in figure 9, these factors may shift northward the boundary in the Upper Midwest between the Montana and Wyoming coal market area. Utilities formerly buying Montana coal may switch to Wyoming coal when their contracts expire.

The events which will or may affect Montana production:

- **Scheduled reduction in Wyoming's coal severance tax.** A portion of the Wyoming coal severance tax is allocated to its "Coal Impact Tax Account." When this account reaches $160 million, the severance tax rate applicable to coal will decrease by two percentage points. Extrapolating current trends, this account may exceed $160 million sometime during 1987 or 1988, triggering the reduction in Wyoming's coal severance tax.
- **A second railroad serving Wyoming's coalfields.** The Chicago and North Western Railroad (C & NW) and the Union Pacific Railroad (UP) have combined to offer rail service between Wyoming and the Upper Midwest. The C & NW serves Minneapolis and many areas in southern and central Wisconsin. In some cases, the rail distance from Wyoming is less using the C & NW and UP rather than the Burlington Northern. Also, the new railroad may offer lower rates, perhaps even below its costs, in order to establish its place in the market. Even if BN rates are identical, some utilities may choose to ship on the C & NW to insure rail competition in the future.
- **New Wyoming coal mines closer to Midwest market with higher quality coal.** The Montana coal market picture in figure 9 was based on the assumption that all Wyoming coal was shipped from Gillette and had a heat content of 8,300 BTU/lb. In fact, however, there are several Wyoming mines, both new and existing, located south of Gillette with shorter rail distance to the Upper Midwest markets. Also, the coal in those deposits is rated at about 8,700 BTU/lb. Both factors (shorter rail distance and higher heat content) would shift northward the Upper Midwest boundary of the Montana coal market area.
- **Revised formula to calculate federal coal royalties.** As federal coal lease terms are readjusted (most are for twenty years), the formula used to calculate royalties is being changed from a flat amount per ton to a percentage of the minemouth "value" of the coal. The minemouth "value" includes the relevant severance taxes. Since our coal has a higher "value," this change in formula will increase the FOB mine price of Montana coal relative to Wyoming coal.
- **Increases in mining and other costs work to the disadvantage of Montana coal.** The average minemouth price for coal in Montana, excluding severance taxes, is greater than for coal mined in Wyoming. Equal *percentage* increases in both Montana and Wyoming minemouth coal prices (perhaps due to similar changes in labor costs) would result in a greater *absolute* increase in the price of Montana coal. For example, a 20 percent increase in $10 a ton coal is $2.00, while a similar rise for $7.00 a ton is $1.40. The greater absolute increase in minemouth prices leads to a reduction in the market area of the higher-priced Montana coal.

These factors cannot yet be quantified to estimate the northward shift in the boundary between the Montana and Wyoming coal market areas. There is, however, indirect evidence that the boundary is in fact shifting northward.

- Northern States Power Company, located in southern Minnesota

Table 7

Montana and Wyoming Coal Production in the Powder River Basin 1984

	Wyoming	Montana
Active mines (1 million tons per year or greater)	13	5
New mines since 1979	4	0
Estimated current excess capacity (tons per year)	60 million	20 million
Rail transportation	BN/C & NW-UP	BN
Current rates, FOB mine including severance taxes	$6-$7/ton	$10-$15/ton

and northwest Wisconsin, has recently announced the purchase of Wyoming coal for existing electric generating plants. It will be delivered to the Minneapolis area via the C & NW and UP railroads.

- Interstate Power Company of northern Iowa and Wisconsin Power and Light Company in southern Wisconsin have both reduced their purchase of Montana coal by exercising "take or pay" provisions of their contracts.

In all three cases, there were a number of factors involved. None was a simple substitution of Wyoming coal for Montana coal. These examples do, however, point out that electric utilities on the fringes of Montana's coal market area are reevaluating their use of Montana coal.

A relatively small northward shift in the midwest boundary of our market area could have a significant impact on Montana's future coal production. As shown in tables 5 and 6, there are five major coal contracts with utilities in southern Minnesota and Wisconsin, and all are scheduled to expire in 1995 or earlier. In addition, the two potential new contracts for electric generating plants are also in southern Minnesota and Wisconsin.

If none of the contracts is renewed, Montana coal mines could lose about 15.4 million tons per year. The three southern Wisconsin contracts (with Dairyland Power Cooperative and Wisconsin Power and Light Company) total about 2.5 million tons per year. The two existing contracts with Northern States Power Company plus the two potential new contracts total approximately 12.9 million tons per year.

The loss of 15 million tons per year translates into at least a $30 million reduction in coal severance tax collections and a decrease of 300 to 500 in coal mining employment. Labor income in coal mining would decline by $10-$18 million per year. All of the lost jobs and income will be in Montana because none of the affected contracts are with mines located near the Wyoming border.

Montana can maintain its coal market area by reducing the delivered price of coal. This may help to forestall the potential loss of contracts in the Upper Midwest. The delivered price of Montana coal can be reduced by decreasing coal mining costs, the Montana coal severance tax, and/or rail transportation costs.

A $1 a ton reduction in the delivered price of Montana coal (from any source) translates into about fifty additional rail miles at $.02 per ton mile. A $3 a ton reduction would lead to about 150 additional rail miles. The mileages may appear insignificant compared to the distances between Montana and the Midwest, but an additional 100 miles or so in southern Minnesota and Wisconsin can make the difference for a number of large utilities purchasing millions of tons of coal.

Conclusion: What Can be Done to Prevent Another Reduction in Montana's Economic Base?

Montana suffered permanent losses in its economic base between 1979 and 1983 due to shutdowns and closures. These losses of jobs and income are not likely to be replaced in the near future. There may be a further erosion of the state's economic base due to cutbacks in coal mining. Events which have already occurred or are likely to take place in the next few years may lead to a shrinking of Montana's midwest coal market area and the possible loss of one-third of the state's coal production. This translates into 300 to 500 fewer well-paying noncyclic and nonseasonal jobs with labor income of $10 to $18 million per year. The potential losses in coal mining would add to and compound the effects the decreases in copper mining, smelting, railroads, and other basic industries.

Montana may be able to maintain its coal market area by reducing mining costs, the coal severance tax, and/or rail transportation costs. A $1 to $3 a ton reduction, for example, in any combination of these factors, could increase the competitiveness of Montana coal in the markets of southern Minnesota and Wisconsin.

Quick action will help to maintain Montana's coal market area. A number of major coal contracts are scheduled to expire in the early 1990s, and the utilities involved may now be evaluating alternative sources of coal. In addition, some utilities are now selecting sites for yet-to-be announced generating plants to be built after 1993. Prompt reductions in mining costs, the coal severance tax, and/or rail transportation costs will improve the competitive position of Montana coal in midwestern states.

Montana's Coal Industry: Facing an Uncertain Future

Paul E. Polzin
Professor and Director of Forecasting
Bureau of Business and Economic Research
University of Montana
Missoula, MT 59812

I. Conclusion: Due to deterioration in Montana's competitive advantage, existing coal contracts may not be renewed and/or new coal contracts may not be signed. This may lead to the direct loss of 300 to 500 well-paying jobs with labor income of $10 to $18 million per year. Montana's competitive advantage may be improved by reductions in the following:

   A. The Coal Severance Tax.

   B. Coal mining costs.

   C. Transportation costs.

II. Montana's Economy.

   A. A slow recovery from recession began in 1983 and continues today.

   B. Montana's economy will not regain prerecession 1979 peak until late 1985 or 1986.

   C. Montana has experienced permanent reductions in its economic base resulting in the loss of more than 7,000 jobs.

      1. The loss of a transcontinental railroad (The Milwaukee Road).

      2. The closure of primary metal refineries in Anaconda and Great Falls.

      3. The shutdown of a large plywood plant and sawmill in Missoula.

Exhibit 7 -- HB 607
April 11, 1985

4. The closure of all Anaconda mining operations in Butte.
5. The loss of Burlington Northern Railroad jobs due to reorganization and automation.

D. The prospects for new basic industries are limited.

1. A few new small mines.
2. A few small manufacturing plants.
3. Expansion of nonresident travel and tourism.

III. The Contribution of Coal Mining to Montana's Economy.

A. Coal mining employs 1,300 persons in Montana with labor income of $53 million.

B. Coal mining accounts for 1.6 percent of Montana's economic base as measured by employment, and 3.6 percent as measured by income.

C. Coal mining jobs are high paying and steady.

IV. What Happened to Montana's Coal Boom?

A. Demise of synthetic fuels.

B. Change in air pollution regulations.

C. Moderating growth in demand for electricity.

V. The Outlook for Montana's Coal Industry.

A. Current contracts call for increase of about 6 million tons per year by 1987. No growth thereafter.

B. Contracts totaling 15.4 million tons per year with Minnesota and Wisconsin utilities will expire in 1995 or earlier.

C. Two new electric generating plants planned, one in Minnesota and one in Wisconsin.

D. Montana's competitive position will deteriorate relative to Wyoming.

1. Scheduled reduction in Wyoming's Coal Severance Tax.
2. A second railroad now serving Wyoming coal fields.
3. New Wyoming mines closer to midwest markets.
4. Revised formula to calculate federal coal royalties.
5. Increases in mining and other costs work to disadvantage of Montana mines.

P E T I T I O N

WE, the citizens and taxpayers of Rosebud County, State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Alvin L. Hendrickson	Box 372 Colstrip	3/8
Joan Hendrickson	P.O. Box 372 Colstrip	3/8
Bob Parker	P.O. Box 697 Colstrip	3-8-85
Lorin Finnicum	P.O. Box 876 Colstrip	3/8/85
Tami Giesick	P.O. Box 374 Colstrip	3-8-85
Steven K. Giesick	P.O. Box 374 Colstrip	3-8-85
Bob Giesick	Box 693 Colstrip mt.	
Naomi Finnicum	Box 876 Colstrip mt.	3-8-85
Greg Wilder	Box 1497 Colstrip Mt.	3-8-85
[illegible]	Box 1690 Colstrip mt	3-8-85
Roy L. Walde	P.O Box 1632 Colstrip mt	3-8-85
[illegible]	Box 476 Colstrip	3/8/85
Eugene C. [illegible]	P. Box 2549 Colstrip	3-9-85
A. Coffin	Box 248 Colstrip, Mt	3-09-85
Mark Koffler	Box 502 Birney MT	03/09/85
[illegible]	Box 1923 Colstrip mt	3/9/85
John Swanson	Box 1150 Colstrip	3-9-85
[illegible]	Box 1606 Colstrip	3-9-85
Norm Jensen	Box 1104 Colstrip	3-9-85
[illegible]	Box 1312 Colstrip	3-9-85
Donald A Saulsbury	Box 1195 Colstrip	3-9-85
[illegible]	Box 2031	3-9-85
Elisa Saulsbury	Bx 1195 Colstrip	3-9-85
Debbie Kron	Box 1090 Colstrip	3-9-85
M Kron	Box 1090 Colstrip	3-9-85
Andrew C Croquist	Box 1676 Colstrip	3-9-85
Bob Kittelmann	Rt 2 Forsyth	3-9-85
Carole Kittelmann	Rt. 2 Forsyth	3-9-85
Maurice C Maslowski	Box 73 Colstrip	3-9-85
[illegible] Picard	Box 295 Colstrip	3-10-85

Exhibit 8 -- HB 607
April 11, 1985

P E T I T I O N

WE, the citizens and taxpayers of Rosebud County, State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Monte J Steffan	6779 Colstrip, Mt.	3/8/85
M. Dion Jr	Box 1090 Colstrip mt	3-8-85
Richard A Black	6633 Browning Dr. Colstrip	3-8-85
Sonja D. Spang	4C Cactus, Colstrip	3-8-85
Leo J Dorn	22 Hawthorne CT, Colstrip	3/8/85
Sonia L Lang	31 A Larkspur Colstrip	3/8/85
Susan Bleth	10 Olive Colstrip	3/8/85
Aurla Ann Beam	Box 539, Lame Deer	3/8/85
Kathleen L. Dorn	22 Hawthorne Ct - Colstrip	3/8/85
Richard L. Dale	P.O. Box 310, Colstrip, Mt.	3/8/85
Northey Tretheway	P.O. Box 1125 Colstrip, MT	3/8/85
Donald J. Wilcox	PO Box 872 Colstrip MT	3/8/85
Bonny A Fredericksen	PO Box 117, Colstrip MT	3/11/85
Scott W. Harty	Box 1986 Colstrip Mt.	3-11-85
L. R. ... Champ	Box 1302, Colstrip, MT	3/11/85
Janice E Newmiller	P.O. Box 1683 Colstrip mt.	3/12/85
Merix D Walden	PO Box 66 Colstrip MT	3/12/85
Alva Sell	PO BOX 894 Colstrip MT	3/13/85
Maggie McPherson	Box 1533, Colstrip Mt.	3/13/85
Shirley Perrin	Box 984 Colstrip mt	3/14/85
Gary Rogle	Box 1089 Colstrip	3/14/85
Rodger Lofsen	Rt 1 Box 02 Rosebud	3/14/85
John Freiberg	716 Garland Miles City	3-14-85
Richard R. Horton	Box 1618 Colstrip	3-14-85
Dick F. Schmarofsky	Box 482 Forsyth	3/14/85
Verna Ellison	Box 393 Colstrip	3/14/85
Cathy Kallock	Box 658 Colstrip	3/14/85
Delores Boehling	Rte 1 Box 2074 Forsyth	3/14/85
Bill Schye	Box 26 Colstrip	3/14/85

P E T I T I O N

WE, the citizens and taxpayers of Rosebud County, State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Vicki Lessig	Colstrip	3/11
Fred A. Heppner	Colstrip	3/11

1
M

P E T I T I O N

WE, the citizens and taxpayers of Rosebud County, State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Pamela Picard	Box 295	3/10/85
Mary Haughian	Box 1044	3/10/85
Marta L. Novasi	Box 484	3-10-85
Joan Cline	Box 1830	3-11-85
[illegible] Toland	#42 Juniper	3/11/85
Lois Olmstead	Box 907 Colstrip	3/11/85
[illegible]	Livingston Mt	3/11/85
[illegible]	PO Box 864 Colstrip	3/11/85
Barbara Moncur	Box 3 Colstrip	3-12-85
Kent J. Lang	Box 1414 Colstrip	3/12/85
Terry L. Sprenger	P.O. Box 787 Colstrip	3/14/85

Montana International Trade Commission
Suite 612, Power Building
Helena, Montana, U.S.A. 59601
Telephone 406-443-7910
Telex (TWX) 910 963-2454

RECEIVED
FEB 15 1984
MONT. P. S. COMMISSION

February 15, 1984

Mr. John Driscoll
Commissioner
Montana Public Service Commission
Helena, Montana 59620

Dear John,

Thank you for the opportunity to comment on the Staggers Act and changes in the ICC implementation rules thereof now being considered in Congress.

As you know, Montana's coal production has decreased 16% since 1981 from a peak of 33.3 million tons to 27.8 million tons last year.

While there are a number of contributing factors, rail transportation freight rates and competition or lack thereof are significant factors.

Rail transportation now equals about 60% of the delivered price of Montana coal. The Montana 30% Coal Severance Tax equals about 5% of the delivered price.

It's also worth noting, that while Montana and Wyoming coal production was about even in 1971 with Montana producing 7.3 mmt and Wyoming 8 mmt, in 1982 Montana produced 27.8 mmt and Wyoming produced 106 mmt.

Based on available projections, by 1987 Montana's coal production will be about 40.6 mmt. Wyomings will be 153 mmt annually.

Montana has one railroad. All coal producers, farmers, the forest industry and others are all captive shippers. Wyoming has three railroads.

Since passage of the Staggers Act, rail rates for coal have increased over 15% per year. The other industries have suffered likewise.

I believe that H.R. 2584 and S. 1082 could clarify Congressional intent and provide "guidance" to the ICC's implementation and enforcement of the Staggers Act.

Exhibit 9 -- HB 607
April 11, 1985

Since the passage of the Act the decision and actions of the ICC have, I believe, adversely harmed all captive shippers in Montana.

Because of Montana's drastic coal production declines, I am particularly concerned about the survivability of this important Montana industry, which has been severely wounded along with the utilities who purchase Montana coal.

The following ICC actions and policies are crushing shippers:

1. Adoption of a very restrictive definition of "revenue adequacy" under which only a handful of carriers are deemed to have adequate revenue,

2. Differential price scheme proposals in which a grossly disproportionate amount of fixed costs of the carrier are borne by coal shippers,

3. Promulgated definition of "rail market dominance," which virtually makes it impossible for a shipper to demonstrate the need for rate review by the ICC,

4. Proposed plan for determining maximum reasonableness for coal transportation rates allowing railroads to increase rates an additional 15 percent each year, above inflation,

5. Reluctance to enforce the Long-Cannon amendment to the Staggers Act which imposes on the ICC the responsibility of determining that the railroad has eliminated non-compensatory traffic and averted cross-subsidization of competing traffic by captive shippers,

6. Adoption of an inflationary index which tends to disregard railroad productivity and efficiency gains, and

7. The allowance of only upward adjustments in rates and not requiring a downward adjustment when costs (inflation) actually decrease.

I believe that H.R. 2584 and S. 1082 do address the relevavent issues. The Bills provide that railroad rates charged captive traffic must be reasonable and that the Commission must consider the relationship of the railroad rates to the cost of providing transportation service. The bills define standards for determining "market dominance" and prohibit the Commission from exempting captive traffic from regulation under the Staggers Act as amended. The Bills also establish rules for determining "revenue adequacy," which are in conformity with criteria commonly employed in business requiring adherence to sound business practices and procedures. The bills further require the ICC to consider railroad productivity and efficiency in establishing rates, and they provide that product and geographic competition are not to be considered in determining market dominance. Thus, the bills, if enacted, would enhance the effectiveness of the Staggers Act and will provide the necessary direction to the ICC in its administration of that law and in its regulation of railroads, especially those serving captive coal shippers.

In conclusion, I want to emphasize that my hurried response to your inquiry is by no means comprehensive for the coal situation nor all of the other captive shippers in Montana, including agriculture, forestry, manufacturing, steel and iron recycling and many others all who would, I suspect, like an opportunity to support necessary changes in the Act and ICC implementation thereof.

In Montana we run the risk of turning our basic industries into corpse without some changes in this Act.

Sincerely,

Mike Fitzgerald
President

State of Montana
Office of The Lieutenant Governor
Helena 59620

GEORGE TURMAN
LIEUTENANT GOVERNOR

February 15, 1984

MEMORANDUM

TO: John Driscoll, Commissioner, Montana Public Service Commission

FROM: Mike Shields, Office of the Lieutenant Governor

RE: Staggers Railroad Act Amendments

This memorandum is in response to your request for comments regarding the National Association of Regulatory Utility Commissioners position concerning amendments to the Staggers Act.

NARUC's focus on a legislative remedy is well founded. In my opinion, regulatory relief for the ICC is not a realistic possibility. The ICC is not politically balanced and clearly sees its roll to be champion of the railroads against attempts to moderate rate increases.

The courts are inclined to accept the expertise of the ICC on complicated rate increases and in any event the history of Congressional intent in regard to protection of captive shippers vs. rail revenues is not well defined. In most rate cases, the courts have upheld the ICC against appellants.

Thus, Congressional action offers the only realistic hope for relief. From my perspective, there is no significant interest in total reregulation of the railroads. But Congress can--and should--reaffirm its clear commitment to protecting consumers and shippers, where they are not protected by competition.

The Congress should:

--reaffirm its 1980 commitment to hold rail rates at reasonable levels "where there is an absence of effective competition."
--clarify the definition of financially healthy ("revenue adequate") railroads to narrow the jurisdiction of high "catch-up" profits.
--refine the definition of "market dominant" railroads in monopolistic situations.
--clarify what is meant by "reasonable" rates.
--specify the limitations of the ICC's power to deregulate traffic without Congressional authorization.
--review line abandonment procedures and practices.

It is interesting to note that the Staggers Act sets out some general guidelines--referred to as the Long-Cannon Amendment--intended as quidelines to the Interstate Commerce Commission in making determination on rate reasonableness. The law instructs the Commission to consider:

--the amount of traffic which is transported at revenues which do not contribute to going concern values and the efforts made to minimize such traffic;
--the amount of traffic which contributes only marginally to fixed costs and the extent, if any, to which rates on such traffic can be changed to maximize revenue;
--the carriers mix of rail traffic to determine whether one commodity is paying an unreasonable share of the carriers overall revenue.

Most observers agree that the provisions for defining marketing dominance and the so called Long-Cannon provisions have not worked to protect captive shippers. Even though a shipper has no practical alternative to rail shipment, it still must establish, through the economic test, the existence of market dominance. If the rates are within the prescribed quidelines (170% of variable cost), the rates are presumed to be competitive, even though competition, in fact, may not exist. At the 170% level, earnings on equity, after taxes, are estimated at around 30%. In other words, even under the guidelines set out by the Staggers Act, a shipper does not have legitimate standing before the ICC on a rate case unless he can establish that the carrier's rate is in excess of 170% of variable costs, or more than 30% of earnings on equity.

In fact, the ICC over the past three years has allowed rates considerably in excess of the threshold of the variable cost ratio. For example, in a case brought by the Aluminum Association, the ICC in July of 1981 reversed an initial decision that market dominance was present and that the rate charged on aluminum moving from the pacific northwest to destinations in the south, midwest and east was unreasonably high. In reversing the administrative law judges decision, the ICC found that market dominance did not exist even though freight rates on aluminum ingot averaged 220% of variable costs and, in some cases, exceeded 250% of cost. This decision caused another administrative law judge to dismiss two pending coal rate cases on the grounds that the aluminum decision indicated that it was useless for further rate making cases before the ICC.

As you know, in another case, an administrative law judge decided in December, 1981 (McCarthy Farms, Inc. vs. Burlington Northern), that market dominance did not exist for the shipment of wheat and barley from Montana and that the variable rate of revenue to costs exceeded 200% and was therefore unreasonable. Over two years have passed, and the ICC has yet to make a finding in this case and has reopened it for new evidence.

A recent study by the U.S. Energy Administration estimates that if present trends in rail haul prices continue for western coal, production can expect to decline over base projections by 7.4% in 1985, 15.2% in 1990, and 13.3% in 1995.

Along with the 15% annual price increase rule, the ICC has also established the "stand-alone" guideline for judging the the reasonableness of rates on market dominant traffic. This means that the shipper cannot be charged more than the "stand-alone cost" of serving the traffic. In effect, this offers no constraint at all to rail rates, as the ICC has set the "stand-alone cost" so high for most traffic that it works to justify price increases. On a volume of 500,000 tons moving 1500 miles, the ICC estimated stand-alone costs for the Union Pacific to be 1800% of variable costs.

But while there is still the appearance of some regulation of railroad rates over the shipment of coal on domestic markets, the ICC voted in June 1983 to exempt export coal rail traffic moving through U.S. ports, including Great Lakes ports, from all regulatory control. In making this decision, the ICC accepted the argument of the railroads that the coal export market is highly competitive and, therefore, interstate shipment to deep port loading areas does not need regulation since no single region, railroad or coal supplier dominates the export market.

The economic impact on the U.S. coal industry from the loss of the export coal market can be devastating. Assuming that rail rates on export coal will increase by even 25% in real terms, the National Coal Association estimates that the gross revenue loss to the industry would approximate $990 million in 1985, $1.2 billion in 1990, and $1.1 billion in 1995. Moreover, anticipating the rate increases in U.S. coal export, foreign buyers have started to hedge their orders according to reports in Coal Week International.

As you know, there has been growing concern that the effect of the Staggers Act and, more importantly, that recent ICC interpretations have abandoned captive shipper provisions and that new legislation is needed to redefine or to reassert the intent of the Staggers Act and to provide some consumer relief. Basically, what the Ford/Rahall legislation would do is reassert that is was the intent of the Congress in passing the 1980 Staggers Act to make special provisions for continued regulation of rail rates in areas of market dominance. First, the bills would make it clear that the burden for justification of the reasonableness of rail rates in excess of 190% of variable costs rest with the carrier and not the shipper. Second, the provisions would reassert the presumption of market dominance and, by making them conclusive presumptions, would remove any exercise of discretion from the ICC. The bills would also limit the use of exempted powers used more and more by the Commission to deregulate transportation as was the case for coal export.

I doubt that these legislative corrections are sufficient to rectify the present disadvantages to captive shippers. But they are a step in the right direction. More far-reaching and assertive provisions maybe required to protect the captive shipper in an increasingly monopolistic rail system than simple fine tuning of the Staggers Act. Many critics argue that the variable costs ratios and price increase index established in the act are themselves excessive.

I have attached a copy of a 1982 article by Frederick C. Dunbar entitled, "The Uncertain Route of Railroad Deregulation and What It Will Cost Utilities," which appeared in Electric Perspectives. This article is an excellent summary of recent ICC actions. It comments specifically on the impact of recent rail rate increases on coal producers.

As I pointed out during the Coal Tax Oversight Subcommittee hearings on January 19, 1984, transportation costs now make up from 40 to 70% of the delivered price of Montana coal. Transportation costs more than any other single factor will influence future coal production levels in Montana.

I hope that these comments will be of assistance to you. I have taken the liberty of forwarding the background materials of the National Association of Regulatory Utility Commissioners to Rich Bechtel and Leon Billings in Washington, D.C.

If you have any questions, please do not hesitate to let me know.

DEPARTMENT OF COMMERCE

TED SCHWINDEN, GOVERNOR
1424 9TH AVENUE
STATE OF MONTANA
(406) 444-3494
HELENA, MONTANA 59620-0401

February 24, 1984

RECEIVED
FEB 27 1984
MONT. P. S. COMMISSION

The Honorable John Driscoll
Commissioner
Montana Public Service Commission
Helena, Montana 59620

Dear Commissioner Driscoll:

In accordance with your request as to the identification of problem areas in the Staggers Act that needs review and possibly some new legislation on behalf of Montana grain shippers, I submit the following suggestions for your consideration:

Railroad Accounting Principles Board

49 USC § 11161, Railroad Accounting Principles Board, should be reenacted, granting it a new term of existence; there must be a mandatory implementation date specified; the board must be authorized for funding, and actually funded.

49 USC § 11162, Cost Accounting Principles, should be appropriately changed to be compatible with the time frame of 49 USC 11161.

That (c) be amended to broaden the regulatory purposes stated, and ensure the availability of these principles in proceedings involving challenges to the reasonableness of rail rates implemented by any interested party.

Suggested wording:

> "The cost accounting principles established by the Board shall require that cost information be reported or disclosed for all regulatory purposes defined by the Board. The Board shall, as a minimum, require cost information that reasonably would be required to determine the reasonableness of rail rates when challenged by an interested party."

49 USC § 11163, Implementation of Cost Accounting Principles, should be changed to specifically spell out that the ICC has no jurisdiction to implement rules relating to establishing rate guidelines that are not directly tied to costs of providing the service, and the cost accounting principles promulgated by the Board.

Suggested wording:

> "§11163. (a) Implementation of Cost Accounting Principles. Upon the establishment of cost accounting principles by the Railroad Accounting Principles Board under section 11162 of this title, the Interstate Commerce Commission shall promptly promulgate rules to implement and enforce such principles. Provided, however, the Commission shall not promulgate any rule purporting to implement a scheme, plan, or proposal of its own that would establish or tend to establish a maximum rate for hauling any regulated commodity that was not directly related to the cost of transporting the commodity between the tariff points specified for the particular rate. It is provided further that the Commission cannot promulgate rules relating to cost determinations from which reasonableness of rates would be determined when challenged by an interested party, unless the rules being promulgated are to implement the cost accounting principles promulgated by the Board. Not less than once every five years after the promulgation of the original rules, the Commission shall review the rules to verify their compliance with the principles enunciated by the Board."
>
> (b) 49 USC § 10709(d)(3) shall be amended to conform to (a) above.

Market Dominance

Purpose/ Benefit: To tighten the definition of market dominance so that the ICC cannot give weight to product and territorial competition or impractical modal competition. This could reestablish a captive shipper status in some areas where the ICC is expected to deny the existence of market dominance and deny it has rate jurisdiction.

Action: Amend paragraph (a) of 49 USC § 10709 to read as follows: (underlined wording to be added): (a) In this section, "market dominance" means an absence of practical and effective competition from other carriers or modes of transportation only, for the transportation and like shipment quantity to which the rate applies. Specifically not to be considered are geographic and product competition.

(Alternative Action - Second Choice)

Purpose/ Benefit: To force the ICC to give consideration to various relevant economic factors in determining the existence of market dominance.

Action: Amend paragraph (a) of § 10709 by adding the following:

In determining the existence of market dominance, the Commission's consideration shall include, but not be limited to:

(1) The number and size of other firms in the market.
(2) The height of entry barriers.
(3) The number and size distribution of buyers.
(4) The history of the conduct of firms operating in the market.

Source of Alternative: FTC's urging the adoption of consideration of those factors in Atchison, T. V S.F. Ry. Co. V I.C.C. 580 F. 2d 623 (1978) at 630.

In addition to the forgoing specific suggestions, it appears to me that other general areas should be examined, such as:

1. Revenue adequacy. Some system must be devised that more adequately evaluates the true financial condition of each railroad, than the system presently utilized by the ICC.

2. Inflation additives. Inflationary costs should be changed to consider other factors than those offered by the AAR. for example, productivity should be considered.

3. The ICC's carte blanche giving it the authority to pick and choose, whether arbitrarily or capriciously, to exempt transactions, classes of business or commodities from regulation, makes an impossible situation for any sort of meaningful regulation. If we have total deregulation, let's call it that and deal with it accordingly.

Respectfully submitted,

Raymond W. Brault

Raymond W. Brault
Transportation Specialist III
Litigation and Analysis Bureau
Transportation Division
444-4272

MARCH, 1985

CURE

• CONSUMERS • UNITED • FOR RAIL • EQUITY •

1050 Thomas Jefferson Street, N.W.—Seventh Floor Washington, D.C. 20007 (202) 331-9400

House & Senate Members Unveil Legislation To Curb High Railroad Rates Costing Consumers, Farmers & Shippers Billions

Using the historic Senate Caucus Room as a backdrop, C.U.R.E.'s legislative package was formally unveiled at a crowded press conference on February 20th.

With supporting charts which dramatically depicted accelerating rail rates and the railroad's huge surplus of internally generated revenues since 1980, three Senators, five Members of the House and the Governor and Lt. Governor of Texas urged adoption of the Consumer Rail Equity Act as a means of protecting captive shippers and consumers and assuring maximum competition between railroads.

Announcing his commitment to the legislation, Senator Mark Andrews (R-N.D.) said, "we are here today to legislatively restate the ICC's obligation to begin at long last to provide that essential balance between carriers, shippers and the public."

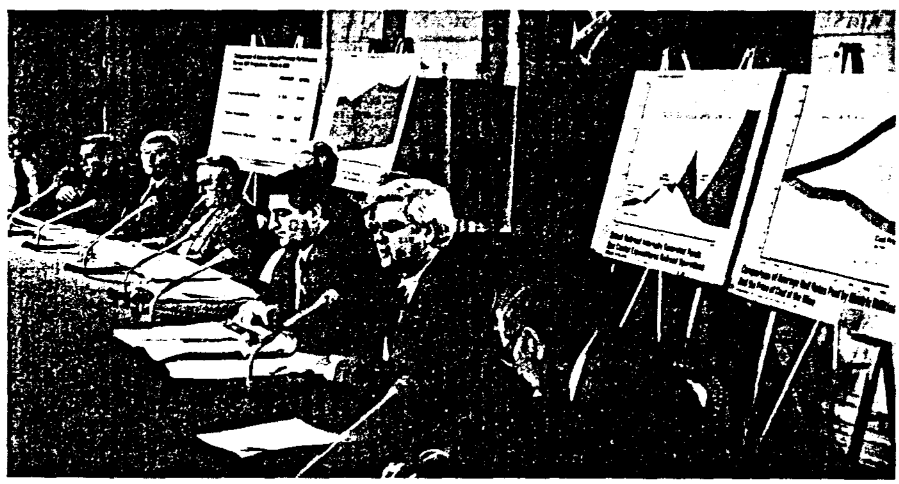
The bill is designed to "correct documented grievances against the shipping public by a renegade ICC," Andrews said. He went on to characterize the ICC as "a public commission that seemingly considers itself an appendage of the railroad industry rather than a guardian of the public interest."

Senators Russell Long (D-La.) and Wendell Ford (D-Ky.) joined Senator Andrews in sponsoring the new legislation, noting that national support for this action has mushroomed along with rail rates.

Senator Ford said the cost of shipping Kentucky coal by rail increased nearly 40 percent since deregulation, hurting the ability of U.S. coal to compete in world markets.

"We can no longer pump up the railroad coffers at the expense of electric ratepayers," he added.

Representatives Billy Tauzin (D-La.), Nick Rahall (D-W.V.) and Harold Rogers (R-Ky.), leaders of the legislative effort in the House, were joined by original cosponsors J. J. Pickle (D-Texas) and Tom Bevill (D-Ala.). All emphasized the impact on consumers, jobs and industry in their states of the ICC's failure to implement the Staggers Act as Congress intended. Pickle suggested that if things didn't improve, "maybe we should deregulate the ICC!"



▶**Members of Congress, Texas Gov. Mark White, Lt. Gov. Bill Hobby announce commitment to legislation.**

Governor Mark White of Texas spoke of the almost total absence of transportation alternatives for Texas shippers. The room exploded with enthusiastic applause when White remarked that "50 years ago we got the people of Texas to stop robbing the railroads—now if we can get the same deal out of the railroads, we'll be satisfied."

At a luncheon rally prior to the press conference, supporters of the Consumer Rail Equity Act heard Congressman Tauzin aptly describe the legislative challenge to perfect the Staggers Act.

(Continued on page 6)

CURE
• CONSUMERS • UNITED • FOR RAIL • EQUITY •

Questions & Answers About The Consumer Rail Equity Act

Q Doesn't this legislation reregulate the railroads?

A No, rail rates for captive shippers were *not* deregulated by the Staggers Rail Act of 1980. Congress recognized that captive shippers lacked transportation alternatives, and therefore could not rely on market competition to regulate rates. The Consumer Rail Equity Act does not expand the Staggers Act authority of the Interstate Commerce Commission to regulate rail rates; does not extend ICC regulation to competitive rates; preserves the present railroad contracting authority and continues the present deregulation of contract rates. Rather than change the basics of the Staggers Act, the legislation attempts to assure that the captive shipper protections in the Staggers Act are implemented.

Q Why is legislation required? Can't present law be implemented in a way that will solve the problems and resolve the respective complaints?

A The captive shippers' complaint entails four main problems: the present railroad "revenue adequacy" test; the ICC's "market dominance" test; the present oppressive burden of proof on captive shippers; and the present rate reasonableness test, including the "stand alone" cost concept. At least three of these points concern the decisions of the ICC rather than the provisions of the Staggers Act. Thus, theoretically, the ICC could change these decisions.

However, the courts have repeatedly upheld the ICC's "revenue adequacy" determination. In February, 1984, the Supreme Court let stand the present market dominance test in *Western Coal Traffic League v. U.S.*, 719 F. 2d 772 (5th Cir. *en banc* 1983), *cert.* denied, 104 S. Ct. 2160 (1984). The "stand alone" cost concept was upheld by the U.S. Court of Appeals for the D.C. Circuit in *Potomac Electric Power Co. v. ICC*, 744 F. 2d 185 (D.C. Cir. 1984).

In light of these court decisions, the ICC is unlikely to change its manner of implementing the Staggers Act. Even if the Commission did seek to implement the Staggers Act in a balanced fashion, its decisions would certainly be challenged by the railroads in prolonged court proceedings. In any event, many shippers see little reason for optimism in view of the ICC's past record.

Q If captive shippers don't pay the rates of which they complain, won't railroads go bankrupt?

A No. The Consumer Rail Equity Act does not roll back railroad rates.

Since 1980 the internally generated funds from railroads operations (net income after dividend payments, depreciation and deferred taxes) exceeded capital expenditures by nearly $11 billion. Furthermore, the railroad industry spent $6 billion over the 1980-84 period on acquisitions in the railroad industry, and other sectors, such as energy and non-rail transportation companies.

Furthermore, if railroads require increases above present levels, they can still document their case before the ICC and carry the burden of proving the reasonableness of the proposed rate.

Captive shippers will continue to pay higher rates than competitive shippers to ensure a reliable rail system. However, they should not be required to pay excessive rates imposed by an unregulated monopoly. ■

▸**Congressmen Nick Rahall, Billy Tauzin, Hal Rogers dress for battle.**

Summary of the CONSUMER RAIL EQUITY ACT

Protection Against Unreasonable Rates for Captive Shippers:

- The legislation retains the jurisdictional threshold provided in the Staggers Rail Act. Thus, the legislation will not re-regulate any transactions that are not presently regulated.
- The legislation will protect the sanctity of all railroad contracts and continues the Staggers Act judgment that contract rates are deregulated.
- The legislation replaces the ICC's present arithmetic determination of railroad "revenue adequacy" with a more probative determination that includes not only an economic test but a review of a railroad's stock performance, bond ratings, recent acquisition history and other indicia of financial health. If captive shippers are to provide the revenues needed to assure railroad "revenue adequacy," then these shippers must be assured that the ICC has made an accurate assessment of the railroad's financial health and needs.
- The legislation replaces the present "market dominance" test, which requires a shipper to prove that it has no transportation alternative and no opportunity to use other products or to obtain the same product from another geographic area. The new "market dominance" test will consider only whether the shipper has economically feasible transportation alternatives. "Market dominance" is an important concept because only those shippers who have reached the jurisdictional threshold in rates *and* are "market dominant" can seek ICC rate protection.
- The present law requires "captive shippers" to prove that a rate above the jurisdictional threshold is "unreasonable". The legislation will provide that the railroads must prove that a rate above the jurisdictional threshold is "reasonable".
- The ICC says that a rate is "unreasonable" if it exceeds the "stand alone" cost–that is the cost a shipper would incur if it built its own railroad to move the product in question to its destination. The ICC "rate reasonableness" test not only fails to provide a reasonable upper limit on rates being charged captive shippers, it also allows the railroads to differentially price between captive shippers on an arbitrary basis. Our legislation will replace the "stand alone" cost concept with a requirement that the railroad must equitably distribute its requirement for additional revenues across its class of captive shippers.

Maximizing the Opportunity for Competition Between Railroads:

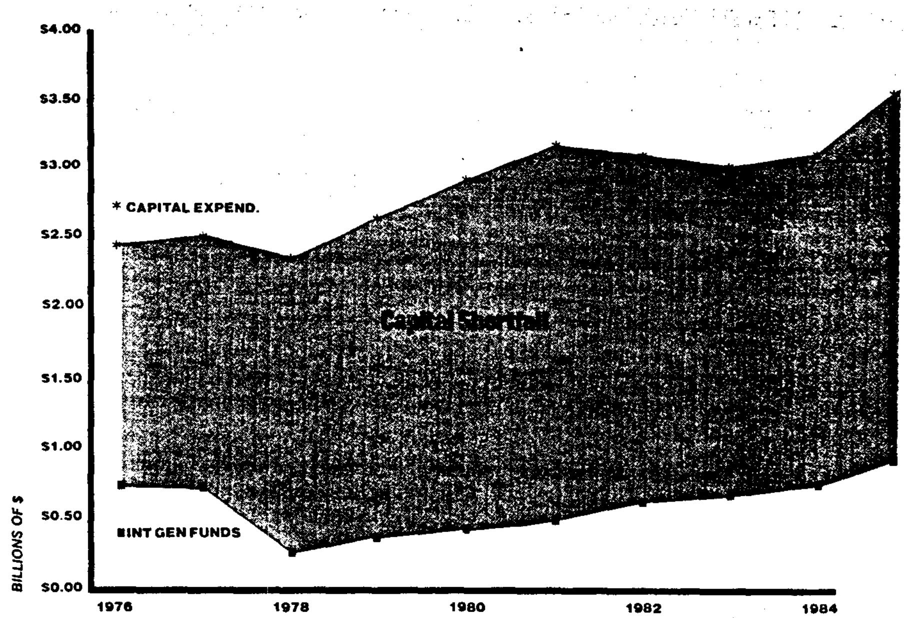
- Many shippers have the potential to ship on competing railroad systems. This competition tends to minimize the rates these shippers must pay. Unfortunately, competition between railroad systems often depends upon working agreements between the competing railroads, including agreements regarding joint rates and through routes, reciprocal switching and use of terminal facilities.
- The Staggers Act provides the ICC with the discretionary power to order such arrangements on reasonable terms when necessary to assure competition.
- Many shippers complain that the ICC is not exercising its authority even where the showing has been made. The legislation makes mandatory the ICC's present discretionary authority in these areas.
- Recently, the railroads agreed with certain shippers to seek ICC rule changes in some of these areas, but legislation is essential to assure that the needed changes are in fact made. ■

The Railroad Industry's Disappearing Capital Shortfall

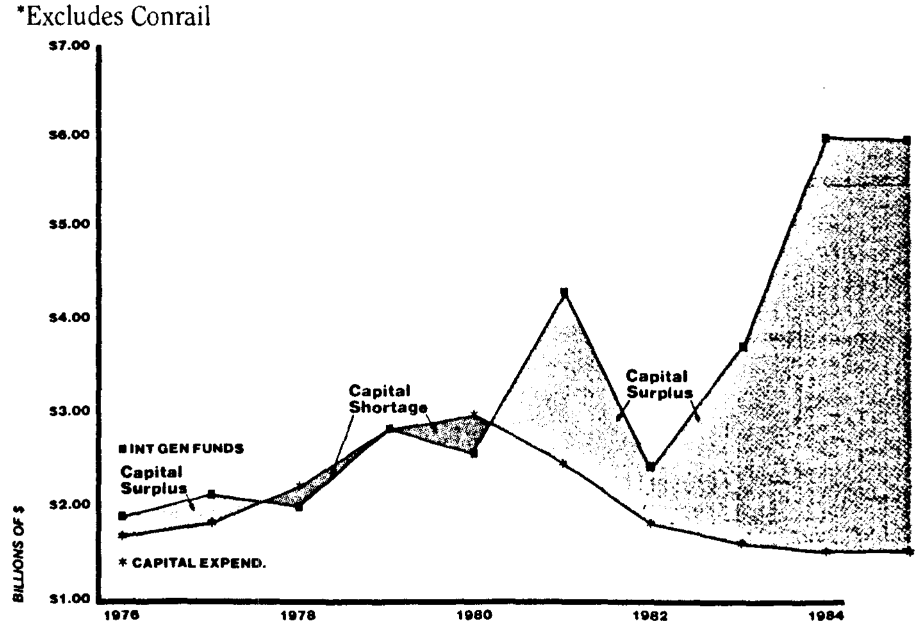
A 1978 Department of Transportation study framed much of the debate surrounding the Staggers Rail Act. The study projected that during the 10-year period, 1976-1985, American railroads would experience a capital shortfall of $21.6 billion. (Figure 1).

Instead of the doom and gloom projected by that DOT study, America's railroads have experienced just the opposite. (Figure 2). Instead of a $21 billion shortfall, the railroads have enjoyed a capital surplus of some $10.5 billion.

Many of the nation's major railroads —carriers which were already financially stable before the Staggers Act— have now become extremely profitable operations. ■



DOT FORECAST (1978)
U.S. RAILROAD INDUSTRY* CAPITAL SHORTFALL
*Excludes Conrail



U.S. RAILROAD INDUSTRY* CAPITAL SURPLUS
*Excludes Conrail

Railroads Rally Industry To Protect Staggers Status

With railroad help, a group of major U.S. corporations has been organized to preserve the Staggers Act in its present form.

Calling themselves the Committee Against Revising Staggers (C.A.R.S.), the companies formally organized at a meeting in Washington, D.C. on January 29. C.A.R.S. announced that its purpose is to let Congress know that the Staggers Act is working well and does not need to be changed.

The membership of C.A.R.S. includes some corporate giants like Sears Roebuck, General Motors and Bethlehem Steel—companies whose sheer size makes for amiable negotiations with the railroads. Other members of C.A.R.S. include shippers who frequently have a choice between rail and alternative forms of transportation and enjoy a competitive marketplace.

The C.A.R.S. membership list even includes some companies who didn't know they were members, according to reports received by C.U.R.E. Some companies that support the objectives of C.U.R.E. were included without their consent.

C.A.R.S. claims that C.U.R.E. "would resubmerge the railroad industry in the regulatory quagmire from which it has only recently emerged"—a point C.A.R.S. made before its members ever saw the legislation C.U.R.E. is supporting.

In letters to members of Congress, C.A.R.S. co-chairmen William Melville of Kennecott and John Archer of Crown Zellerbach are adamant in their opposition to any changes in the Staggers Act. They argue that Staggers is working because railroad service levels have improved and railroads are earning more money. Furthermore, C.A.R.S. contends that Staggers in its present form does in fact provide "available avenues for redress."

The group's position regarding the Staggers Act may be best summarized by a letter to one Senator suggesting that he "should feel good about what has been accomplished under Staggers." ■

▶Coalition members don C.U.R.E. railroad engineer hats for Congressional visits.

(Continued from page 1)

High Railroad Rates

"Congressmen don't pass bills," Tauzin said. "We can help you make the case, but it's your coalition that will pass the bill."

Congressman Rogers likened the coming legislative effort to a battle that would require dedication, unity and strong commitment. But victory is achievable, he said, "because our cause is just and our coalition is strong."

Congressman Rahall, a long time advocate for increased protection for captive shippers, stated that the broadened coalition of support for this legislation was essential to victory.

C.U.R.E. members and coalition participants left the rally and press conference armed with C.U.R.E. Coalition railroad engineer hats for an afternoon of Congressional visits.

The Consumer Rail Equity Act was officially introduced on February 20, in the Senate as S. 477 with nine cosponsors. Similarly, the bill was introduced in the House as H.R. 1190 on February 21 with 12 cosponsors. ■

The Original House-Senate Sponsors of the Consumer Rail Equity Act

Congressmen Tauzin (D-La.), Rahall (D-W.V.), Rogers (R-Ky.), Stenholm (D-Texas), Murtha (D-Pa.), Bevill (D-Ala.), Bosco (D-Calif.), Boucher (D-Va.), Pickle (D-Texas), Jacobs (D-In.), Kindness (R-Ohio), and Eckart (D-Ohio).

Senators Andrews (R-N.D.), Long (D-La.), Stevens (R-Ak.), Ford (D-Ky.), DeConcini (D-Az.), Johnston (D-La.), Melcher (D-Mon.), Gore (D-Tn.), and Bentsen (D-Texas). ■

Railroads Denounce Act

To the surprise of no one, the railroad industry has come out swinging against the Consumer Rail Equity Act of 1985.

In what he described as the first press conference held in 13 years by the Association of American Railroads (AAR), AAR President William Dempsey on February 20 announced the legislation "dead on arrival." He attacked the proposed legislation as an effort to revise Staggers out of existence. Dempsey argued that the legislation would lead to a deterioration of railroad service and scoffingly denounced it as the "Utility Welfare Act."

Not to be outdone, AAR Executive Vice President Richard Briggs was quoted in *U.S. Rail News* as calling C.U.R.E. policies "about as modest as Xaviera Hollander, as subtle as Joan Rivers and as close to minor reform as was the Third Reich."

The tenor of the railroads' reaction is reflected in a paper released at the Dempsey press conference which said C.U.R.E. exemplifies the meaning of George Orwell's "doublethink" and "newspeak." The paper argued that C.U.R.E.'s legislative goal "is to plunge railroads back into a regulatory scheme more stringent than has been seen in recent history."

The AAR paper also argued that because the railroads were found to have market dominance in 29 cases at the ICC involving coal, this showed that the ICC takes its "protective" role seriously. What the paper did not say was that the ICC, having found market dominance, has never found any of these captive shipper rates to be unreasonable. ■

Where To Write

For more information concerning the exercise of railroad monopoly power and its adverse effect on American consumers contact:

Consumers United For Rail Equity
1050 Thomas Jefferson Street, N.W.
Seventh Floor
Washington, D.C. 20007
202/331-9400

Amend HB607, 3rd Reading (Blue) Copy

1. Page 5, line 23.
Following: "(1)"
Strike: "A"
Insert: "Subject to the provisions of subsection (4), a"

2. Page 6, line 3.
Following: "(2)"
Strike: "A"
Insert: "Subject to the provisions of subsection (4), a"

3. Page 6.
Following: line 15
Insert: "(4) The credit allowed in subsections (1) and (2) is available to a coal mine operator only upon joint application to the department by the coal mine operator and a qualified purchaser. The department may not grant the credit applied for unless the applicants establish that, but for the credit, the contract would not have been awarded to the applicant coal mine operator. Evidence that a competing coal mine operator submitted a bid to the purchaser that, but for the credit, would be lower than the applicant coal mine operator's contract price with the qualified purchaser figured on the price per million BTUs delivered to the qualified purchaser's plant is conclusive and binding on the department.

Exhibit 10 -- HB 607
April 11, 1985

NORTHERN PLAINS RESOURCE COUNCIL

Field Office
Box 858
Helena, MT 59624
(406) 443-4965

Main Office
419 Stapleton Building
Billings, MT 59101
(406) 248-1154

Field Office
Box 886
Glendive, MT 59330
(406) 365-2525

TESTIMONY OF ANNE CHARTER
HOUSE BILL 607
SENATE TAXATION COMMITTEE
April 11, 1985

Exhibit 11 -- HB 607
April 11, 1985

My name is Anne Charter. I ranch in the Bull Mountains and I was Chairman of the Board of the Northern Plains Resource Council in 1975, the year the coal severance tax was passed. The philosophy at this time was to prevent another Anaconda-type domination of our state and to set standards for incoming industry to operate under. I would like to make the point that to compromise this tax in any way is a breach of faith and an opening for the erosion of our protective legislation. You have to decide if this is what you want - for if you pass this bill this is what you will get.

What you won't get is new coal development lured in by a simple tax break. This is documented by the Duffield-Silverman report which completely undermines the assumptions on which the Governor's coal tax rebate proposal is based.

1) Any possible increase in production due to tax reduction won't offset tax revenue losses;

2) Tax reduction can't be directly related to contract renewals;

3) The significant factors which have promoted coal development in Wyoming do not include the differences between Wyoming's and Montana's severance tax;

4) Revenue losses due to the 30% reduction as proposed for new production will grow from $6 million in 1990 to $21 million by 2000.

It looks like the coal tax is the least significant factor.

If you don't believe this, you'd better be sure that in 1987 the legislature will have the information it needs to know whether this so-called "window of opportunity" made any difference or whether it just went into the back pockets of the coal miners and coal haulers

This bill, if passed, will go down in history as one of the most infamous pieces of special interest legislation ever passed by the Montana Legislature.

It benefits one utility, one mine, and one railroad. It's a subsidy. It's corporate welfare at a time when needy people are being taken off our welfare roles to balance the budget.

Need I urge you to vote against this bill?

Thank you for your attention and consideration.

Mr. Chairman, members of the committee, my name is Nadine Oberg, and I am speaking to you today on behalf of the Montana State Democratic Women's Club.

One of the primary functions of the Democratic Women's Club is the preparation and drafting of resolutions that go into our State Party Platform. These resolutions arise out of the communities each of us live in. They reflect the opinions and ideals of our peers, our co-workers, our families, and our neighbors and friends. As activists, we not only help to shape the political environment we live in, we also reflect the desires and ideals of our fellow citizens. Our fingers are literally on the pulse of the average Montanan. The Montana State Democratic Women's Club takes pride in the fact that we contribute so greatly to this democratic process.

For the past 10 years and more the Democratic Party Platform has endorsed and supported the 30% Coal Severance Tax. The overwhelming support for this wise investment of today's coal profits for tomorrow's safekeeping has never been doubted for a single moment. We know our state and its people realistically.

We realize that Montana is an isolated state, with a low population and limited access to markets.

We realize that we have limited and expensive transportation.

We realize that it is difficult to compete economically with states that have access to ocean ports, or populations in the millions.

We realize our long winters leave us with a shorter tourist season than most states.

We do realize that in many ways our location, our few people, our remoteness from the main thoroughfares of Ammerican commerce is to our detriment.

But we realize as well how many envy us our quality of life.

We realize how lucky we are to live in the midst of so much vast and unpolluted beauty.

We realize how blessed we are to enjoy some of the richest mineral deposits nature can bestow, right here in our state.

And we realize that there are lessons to be learned from the past.

We have only to look to Butte and Anaconda to see the kind of thing that can happen when we are too eager for the magic formula of developement now, and industrialization now. Ten years ago when the Coal Severance Tax was first enacted, who would have dreamed of the devastating impact of a world-wide recession on these communities? Did anyone then envision the smelters silent, the mines filling with water?

And what of the men and women who made their livings in these communities? Where are they working now? Will their children follow in their footsteps to become miners and engineers? Where is the tax base to fund their children's schools?

The ore was depleted, used up, and what remains is no longer economically recoverable. And all of the wealth of all that ore resides in museums in California and New York and Paris, in the pockets and bank vaults of those who came - and went when the ore was gone.

The ore is gone, but nothing at all remains in its place. All the toil, the hopes, and the billions went <u>out</u> of Montana, and we are left only with the rubble of the slag heaps, the rumble of the water beneath the streets of Butte, and the stark spector of continued unemployment for hundreds of healthy Montanans.

The gold, and the silver, and the copper, and the nickel. And now, the coal.

The Montana State Democratic Women's Club emphatically opposes the passage of HB 607. For the sake of our children's future, and their children's future, we urge you to keep in mind the overwhelming support for this tax since its inception. Any erosion of the coal severance tax will be but the beginning of a steady wearing away of our investment for our children's future.

We must perservere through this latest world-wide recession, and not be swayed by those that argue that somehow our economic troubles are Montana's fault. We must unswervingly stand by our sound decision to share our wealth at its own fair value - and not give it away.

The lessons of long-term planning to be taken from our past mistakes must reinforce our resolve to profit from them. Too much is at stake for us to lightly disregard all that we have lost in the past for the sake of a quick buck today.

Our future depends in large measure on how this Committee and this Legislature responds to the proposals of HB 607. The Montana State Democratic Women's Club strongly urges you do not pass this legislation.

-END-

TESTIMONY IN OPPOSITION TO HB 607

By Paul Smith, Montana Environmental Information Center

April 11, 1985

Mr. Chairman and members of the Senate Taxation Committee, I'm Paul Smith and I'm here on behalf of the members of the Montana Environmental Information Center in oppsition to HB 607. I'm a rancher and lawyer from Boulder. And I'm the chair of the Montana EIC Board of Directors.

Our opposition to HB 607 is rooted in our belief that HB 607 will ultimately lead to a permanent reduction in the coal severance tax without justification. The real key to understanding how this permanent reduction in the tax could take place lies in the structure of the test established in HB 607. That will be the subject of my testimony today.

While HB 607 attempts to set up a test for coal companies to "put up or shut up," the bill offers no basis upon which to judge the response of the coal companies. When the statutory period of HB 607 runs out in 1987, there will be no way of knowing whether or not the rebate was successful.

The problem with judging the success of the rebate is three-fold. First, HB 607 would not make public the information necessary to know whether or not the rebate was the edge which allowed a coal company to land a certain contract. Section 6 of HB 607 specifies that only the administration will have access

Exhibit 13 -- HB 607
April 11, 1985

to the sales agreements. This critical information will only be made public by order of the governor.

Second, even the Governor will not have sufficient information to judge the success of the rebate. Information on transportation costs are essential to knowing the delivered price of coal at the burn site. The delivered price is the determining factor in whether or not new sales contracts are signed. Transportation cost information is not required in HB 607, but certainly is required for even the best informed observer to say with impunity that the rebate made a difference.

Third, HB 607 would provide no information about the one factor which determines whether or not the rebate is effective in attracting increased coal development. That factor is the bids with which Montana coal company bids are being compared. For example, if a Montana bid is successful over competing bids by a margin wider than can be attributed to the rebate, then it was factors other than the severance tax rebate which allowed the Montana bid to be successful.

We need to know that our rebate will not be wasted on contracts which Montana would have received regardless of the rate of the coal severance tax. Otherwise, the revenue lost to the rebate is wasted.

By the same token, the lowest bid for a given contract is relevant when a Montana bid fails. For example, if Montana failed to win a bid, but the lowest bid is much lower than a Montana coal producer could offer even without the severance tax, then the severance tax cannot be blamed for the loss of that bid. It must be attributed to the numerous other factors which effect coal development.

In summary, HB 607 sets up a test for the coal companies but offers no reasonable means of grading that test. That is a fundamental weakness of the legislation.

Montana EIC believes that to pass HB 607 without serious regard for how we will judge the success of the rebate is foolhardy at best. To do so will only set the state up for permanently reducing the coal severance tax without a solid economic justification.

We urge you to vote "Do Not Pass" on HB 607.

Amendments - Sen. Bill Yellowtail   Third reading (blue) copy

1. Page 9, line 9
   Following: "operators"
   Insert: "and the qualified purchaser shall also provide copies of coal haul contracts for all qualified coal purchased in that year"

2. Page 10, lines 7 and 8
   Following: "INSPECTION" on line 7
   Strike: "--" on line 7 through "EXCEPTIONS" on line 8

3. Page 10, line 8
   Strike "(1)"

4. Page 10, lines 10 through 22.
   Following: "INSPECTION" on line 10
   Insert: "."
   Strike: "EXCEPT" on line 10 through "jurisdiction." on line 22

Exhibit 14 -- HB 607
April 11, 1985

MONTANA DEMOCRATIC PARTY

TESTIMONY

House Bill 607
4/11/85

Exhibit 15 -- HB 607
April 11, 1985

Mr. Chairman, Members of the Committee. I am Tony Jewett, Executive Director of the Montana Democratic Party and the Democratic Party comes before this Committee in opposition to this legislation.

Over the past several months, since this legislation was first proposed, we have seen the bill and the debate over the bill pass through a number of phases. Among the phases is one that has had a particular effect on the Democratic Party of Montana. Because it was the Democratic Party who first conceived of the Coal Tax, has championed it as a classic state's rights issue, and who has defended it since its inception, this bill is one of particular concern to us. Throughout the debate, it could be legitimately said that the major concerns of Democrats in this legislation, both those who support it and those who don't, are twofold.

First off, if we open this window of opportunity, how will we tell if it is in fact working. Others who have testified before me have pointed to the fact that much of the information necessary to gauge what effects the lowering of the tax will have on coal production will simply not be available for public scrutiny.

Montana Democrat Central Committee • Steamboat Block, Room 306 • P.O. Box 802 • Helena, MT 59624 • (406) 442-9520

The second major concern of many Democrats, again those who support the legislation and those who oppose it, is whether this window of opportunity, once opened, can in fact ever be closed.

If this legislation has any fatal flaws, it is in the absence of attention to these two very major issues.

And if this legislation passes as it is presently drafted, on January 1st, 1987 when the next legislature convenes, the pressures will be enormous to overturn the sunset of this bill and permanently lower the coal tax. If anyone thinks that will not be the case, then think back on the shenanigans played with this bill by the coal companies to date as they have tried to amend the bill this session to effectively lower the tax on a permanent basis. And when that pressure mounts in 1987, two factors will be at play which will poison what should be a very reasoned and very non-political decision for the future of Montana: 1) one will be a lack of sufficient data on which to base a decision 2) and the second will be the opportunity to base the decision on partisanship rather than the merits and facts of the issue. Those two factors will dominate simply because this legislation provides no safeguards against them.

Others have offered solutions to the problem of insufficient data, and the Democratic Party supports those changes to the bill.

The Democratic Party would appreciate this Committee's consideration of an amendment to this legislation which we feel would address the other major flaw inherent in the bill, that is whether or not the window can ever be closed if opened.

We would ask the Committee to consider adding a new section to the legislation which calls for the placement of a Constitutional Referendum on the November 1986 ballot. This referendum, if passed by the people of Montana, would require that any change in the level of the Coal Tax, from its present 30%, either an increase or a decrease, would require a 3/4 vote of each chamber of the Montana legislature.

This measure, if approved by the people, would effectively place the debate over the level of the coal tax outside of partisan and special interest pressures. Neither coal companies, nor environmental groups, nor the Democratic Party or the Republican Party could partisanize the discussion. The discussion would be controlled by facts: if the reduction is working, then the facts would dictate a permanent lowering of the tax; if it is not working, then the facts would dictate that the tax stay at the same level, at least for the time being.

We offer this amendment in the best interests of both this legislation and the state of Montana. The revenues associated with the Coal Tax are far to great to be infringed by anything other than a throughly reasoned decision, and because of this we would request that this Committee consider this amendment quite seriously.

AMENDMENT TO HOUSE BILL 607

Submitted in Testimony before the Senate Taxation Committee by the Montana Democratic Party on April 11, 1985

1. page 12, line 1

Following: "1984"

Insert: "NEW SECTION. Section 12. A Constitutional Referendum shall be placed on the November 1986 ballot asking Montana voters to approve or disapprove a measure allowing no infringement on the level of Montana's 30% Coal Tax other than by a vote of 3/4 of the members of each chamber of the Montana legislature.

[ ] FOR amending the Montana Constitution to allow for a change in the level of Montana's Coal Severance Tax only by an affirmative vote of 3/4 of the members of each chamber of the state legislature.

[ ] AGAINST amending the Montana Constitution to allow for a change in the level of Montana's Coal Severance Tax only by an affirmative vote of 3/4 of the members of each chamber of the state legislature.

MONTANA COAL SEVERANCE TAX REVENUE

	Total Revenue	Allotted to Educational Trust Fund	Allotted to Current Operation of Schools: Interest from Trust Fund & Local Impact	Allotted to Current Operation of Schools: School Equalization
FY 76	$ 23,964,643	$ 2,203,181	$ 45,076	$ 2,203,181
FY 77	35,906,056	3,590,606	348,669	3,590,606
FY 78	34,372,066	2,742,014	447,265	2,810,392
FY 79	42,689,164	3,085,254	582,852	3,201,679
FY 80	75,125,009	8,995,772	1,424,000	5,210,070
FY 81	70,415,074	7,041,502	1,173,000	3,520,751
FY 82	86,186,846	8,618,685	2,376,000	4,309,342
FY 83	80,044,981	8,004,498	3,572,000	4,002,249
FY 84	82,823,411	8,282,343	5,108,000	4,141,172
FY 85	91,810,526*	9,181,053*	6,054,000*	4,590,526*
Total	$623,357,776	$61,744,908	$21,130,862	$37,579,968
			$58,710,830	

*Estimated

State taxable valuation for 1984 $2,330,824,567
Revenue from 1 mill levy $ 2,330,825

The coal tax revenue for FY85 is equivalent to the revenue from a statewide mill levy of 39 1/3 mills.

Exhibit 16 -- HB 607
April 11, 1985

F	FY 76-79	FY 80	FY 81	FY 82	FY 83	FY
CONSTITUTIONAL TRUST	$16,940,293	$ 23,024,226	$ 35,207,511	$ 43,093,423	$ 40,022,491	$ 41,411,
GENERAL FUND	$48,997,264	20,222,579	13,378,906	16,375,501	15,208,546	15,736,
EDUCATIONAL TRUST	$11,621,055	8,995,772	7,041,502	8,618,685	8,004,498	8,282,
SCHOOL EQUALIZATION	$11,805,858	5,210,070	3,520,751	4,309,342	4,002,249	4,141,
RENEWABLE RESOURCES	$2,951,464	1,302,518	880,188	1,077,336	1,000,562	624,
ALTERNATIVE ENERGY	$2,951,464	1,514,667	1,760,376	2,055,346	1,801,012	1,863,
SITE ACQUISITION, ART	1,475,733	171,799				
PARKS ACQ. & MGMT TRUST	1,475,733	2,089,639	1,760,376	2,154,671	2,001,125	2,070,
COUNTY LAND PLANNING	1,180,586	521,007	352,075	430,934	400,225	414,
LOCAL COAL IMPACT	20,336,847	9,030,162	6,161,314	7,541,349	7,003,936	7,247,
COAL AREA HIGHWAYS	13,330,484	1,786,708				
COAL COUNTIES	3,865,147	872,294				
STATE LIBRARY		383,568	352,075	430,934	400,225	411,
CONSERVATION DISTRICTS				99,325	200,112	207,
WATER DEVELOPMENT						411,
TOTAL	$136,931,928	$ 75,125,009	$ 70,415,074	$ 86,186,846	$ 80,044,931	$ 82,823,

Source: Montana's Financial Reports Fiscal Year 1976 through 1982, Miscellaneous Tax Division, Dept. of Revenue, & Office of Budget & M

The Big Sky Country

MONTANA STATE SENATE

Senator Thomas E. Towe January 16, 1985

ARGUMENTS AGAINST LOWERING THE COAL TAX

1. COAL TAX IS NOT A SIGNIFICANT FACTOR IN THE TOTAL PRICE.

Mining Costs	=20% of delivered price	From
Freight	=60% of delivered price	1977
Tax (all taxes)	= 9.8% of delivered price	FERC
Profit (Net Income)	=10.2% of delivered price	Report

Therefore, lowering the severance tax by 33 1/3% = 2.6% of total price. The same effect could be produced by cutting:

a) Profit by 25%
or b) Mining Costs by 13%
or c) Freight by 4 1/3%

2. WYOMING HAS MANY ADVANTAGES.

a) Less mining costs -- overburden to seam thickness ratio 30% less cost.

b) Geared up sooner -- before federal coal leasing moritorium.

c) Over built -- 60,000,000 ton per year excess capacity (Montana has 15,000,000). Therefore, can afford to cut price and compete better.

d) Closer to markets in South -- $1.60 to $3.00 per ton.

e) More private coal in Montana. Royalties expected to go up and not deductible. Federal royalties are deductible in both states.

f) Rail competition means 1 to 3 mills per mile cheaper freight from Wyoming.

3. YET, WE STILL UNDERSELL WYOMING IN 9 OUT OF 10 COMMON

Exhibit 17 -- HB 607
April 11, 1985

BURNSITES WHERE BOTH MONTANA & WYOMING COAL IS SHIPPED. (Measured by BTU per pound delivered.)

--Montana is 280 miles closer to Minneapolis (NSP), which is $5.04 savings at $.018 per ton mile.

--Average coal tax last quarter was $2.88 total.

4. MONTANA HAS MORE NEW CONTRACTS SINCE THE COAL TAX THAN BEFORE (7 OUT OF 13 CONTRACTS SINCE 1975 OR 53.8%)

--57.9% of total annual coal shipments contracted for have been contracted since 1975.

--Wyoming has only 52% since 1975 (37.6% of their annual coal shipments).

--The largest contract in the history of the world was in Montana since 1975.

--Two new contracts -- Colstrip 4 and Bellriver -- have just been entered into -- not yet producing. This will add about 9,000,000 tons annually.

5. THE REAL PROBLEM IS THE SLUMP IN THE COAL MARKET.

--World-wide problem.

--Pennsylvania, West Virginia, Illinois, Ohio -- massive unemployment for last 8 years. Montana has actually increased slightly.

--Midwestern Utilities (our prime market) overbuilt based on grossly overstated energy forecasts.

--Generally no new contracts will be signed until a new plant is built, then one contract for 20 years.

--Coal conversion mandated by Energy Policy Act of 1978 never took place.

--This situation is expected to change starting in 1995.

--Energy supply will again become short.

6. WYOMING WILL PROBABLY MATCH US DOLLAR FOR DOLLAR IN REDUCTION OF COAL TAX.

--Heavy Republican House and Senate is ready to introduce the bill.

--Waiting to see Montana's reaction.

--Governor's proposed credit (window of opportunity) will probably be seen as a reduction from 30% to 20% (details will be lost in translation)

7. BURLINGTON NORTHERN WILL PICK UP 95% OF ANY REDUCTION WE GIVE.

--BN has enormous stake in Montana coal shipping.

--They can't afford to lose this freight income.

--Either with or without the tax reduction, they will come in and bid a long-term freight contract (permissible under the Staggers Act) at just a fraction of a cent per ton under Wyoming bid to save the freight for their Montana line.

--Whether our tax is $3.00 per ton or $2.00 per ton, BN will bid just enough less to get the contract.

--They would like to get $14.00 per ton to Minneapolis but they could come down to $12.35 per ton and still be higher per ton mile than Chicago Northwestern, which serves Gillette, Wyoming.

--If BN matched their competition (Chicago NW) at $.0154 per ton mile, they would reduce the delivered price per ton by $2.08 or twice the savings of the Governor's proposal.

8. TO SUGGEST ANY REDUCTION NOW SUGGESTS THE COAL COMPANY ARGUMENTS ARE VALID, WHEN THEY ARE NOT.

9. ONCE THE COAL COMPANIES GET A REDUCTION TO 20%, WE WILL NEVER GET IT BACK UP TO 30%.

--If the coal companies do get more contracts, they will argue we have to extend the deadline because it worked. We won't be able to stop then.

--If the coal companies don't get more contracts, they will argue that they need more time to let it work. We won't be able to stop them.

--The time will expire on July 1, 1987. This means an extension will be the big issue of the 1986 election campaign. Big business PACs will swamp the next election with the request that the "window of opportunity" be extended -- whether we get new contracts (the coal companies put up) or not (the coal companies need more time).

--Finally, the coal companies will ask to move old contracts down to 20% because it is discriminatory to leave some at 20% and some at 30%.

--The amendment to reduce lignite to 20% was passed in 1975 and we never were able to get it back up to 30% even though they never have obtained any contracts or commenced any new production.

WHY ALLOW A FOOT IN THE DOOR WHEN WE DON'T NEED TO?

Thomas E. Towe

Thomas E. Towe

Figure S-2

Montana Coal Market Area for $9.50/Ton FOB Against $7.70/Ton Wyoming Coal.

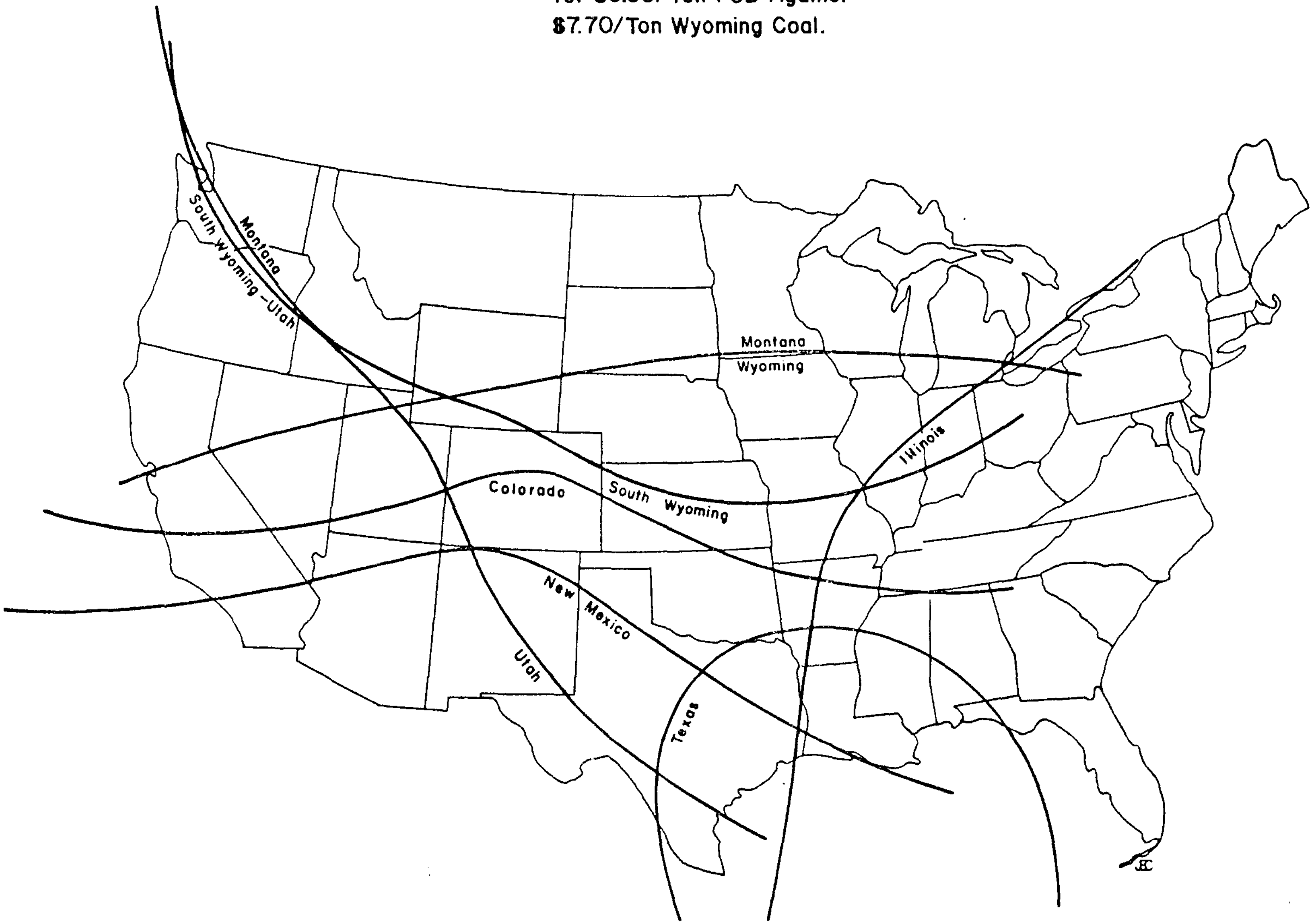


Exhibit 18 -- HB 607
April 11, 1985

Exhibit 19 -- HB 607
April 11, 1985

Thomas E. Towe
Senate Dist. 46
13 February 1985

IMPACT OF MONTANA'S COAL TAX

Delivered price of coal -- to Minneapolis, Minn.

Freight (BN Railroad)	$13.60	-	57.62%
Mine Price of Coal	10.00	-	42.37%
Severance Tax	2.16	-	9.15%
Coal Co. Profit (M. White)	1.72	-	7.29%
Coal Co. Profit (FERC)	2.40	-	10.20%
Reduction Under HB 607	.72	-	3.05%

Reduction of Coal Tax Under HB 607 - 72 cents
Reduction of Freight Rates by BN from
1.7 cents to 1.6 cents per ton mile - 79 cents
(Chicago Northwestern is at - 1.54 cents
per ton mile)

<u>Montana Mine</u>

Delivered Price of Coal to Minneapolis, Minn.*

Mining expense	$2.50	
Reclamation expense	.60	
Royalty expense	1.25	
Depreciation	.61	
Production taxes (at $10.00 per ton)	3.14	(State-$2.21, Fed.-$.50, & local taxes-$.43)
Real Estate Taxes	.03	
Administration & General	.15	
Total Mining Costs	**$8.28**	
Profit	1.72	
Total Mine Price	$10.00	
Freight at 1.7 cents per ton mile**	13.60	(800 miles)
Total Price Delivered	**$23.60**	

<u>Wyoming Mine</u>

Montana Price	$10.00 per ton	
Less small production cost***	1.81	$3.26 1/2 less
Less smaller tax	1.08	
Less smaller royalty	.375	
Wyoming Price	6.74	
Freight at 1.7 cents per ton mile	18.36	(1,080 miles)
Total Price Delivered	**$25.10**	

Therefore -- to compete -- Wyoming Mine has to sell:

$25.10   Wyo. price delivered
$23.60   Mont. Price delivered

$ 1.50   Price advantage for Montana.

$6.74   Wyoming mine price
less 1.50   difference

$5.24   Price for Wyoming to compete

But if Montana reduced price by $1.50 to $8.50 per ton (80 cents profit instead of $1.72)

- $5.24   Price for Wyo. to compete at $10.00 Mont. coal
- 1.50   Further reduction

$3.74   Price for Wyo. to compete at $8.50 Mont. coal

LOSS OF REVENUE TO MONTANA

Sherco #3 Contract:

$1.5 million to 2.5 million tons per year
x 20 years
-----
30 million tons
x 72 cents (tax reduction under HB 607

$21.6 million loss

But with Sherco #3 contract, the coal companies will say -- "We put up, now keep faith and reduce all tax to 20%."

$112,000,000   (tax projected for FY '87)
x 33 1/3%

$ 37,329,600   loss per year
x 20   years (with no increase in production)

$746.6 million loss

Also what is to stop BN Railroad from increasing freight rates to 1.79 cents per ton mile from 1.70 cents per ton mile (5.3% rate increase)

--.09 cents per ton mile = 72 cents extra cost of delivered coal
--33 1/3 % credit on coal tax (HB 607) = 72 cents less cost of delivered coal

----

* All figures but freight from Marty White, CEO, Western Energy, Butte Symposium, 22 Sept. 84
** Freight from John Hertog, 31 Jan. 85, Helena, Mont.
*** From James Murphy, Market Dept. Western Energy, Butte Symposium, 21 Sept. 84

DALE BUMPERS
ARKANSAS

COMMITTEES:
APPROPRIATIONS
ENERGY AND
NATURAL RESOURCES
SMALL BUSINESS

United States Senate
WASHINGTON, D.C. 20510

February 20, 1985

The Honorable Ted Schwinden
Governor
State of Montana
State Capitol
Helena, Montana 59620

Dear Ted:

I was very pleased to learn of your proposal to reduce Montana's coal severance tax by one third for new coal contracts. My concerns about your 30 percent coal tax are well known. Your proposal is certainly a step in the right direction as far as I am concerned. I have in the past introduced legislation to limit the severance tax a state can levy on Federal coal. However, I think it is to everyone's advantage to resolve this at the state level. In addition to the beneficial effects on utility rates in states which use Montana coal, your action will forestall and probably eliminate an effort by Congress to dictate state tax policy on Federal coal. It also illustrates that Montana is capable of making responsible decisions with respect to state tax policy.

I will continue to support limitations on what I consider to be inordinately high state severance taxes on Federal resources. Adoption of your proposal, however, would make a powerful argument that Montana is responsibly exercising its taxing authority. It would also provide a useful test of whether the resulting savings will actually be passed on to consumers, as I believe they should be.

I applaud your efforts and believe they show a good-faith effort to opponents of unreasonable energy taxation. I think it is an encouragement to both sides to work together to reach a reasonable and fair resolution.

Exhibit 20 -- HB 607
April 11, 1985

Be assured I will continue to monitor carefully the severance tax issue as it affects electric consumers in my state.

Best personal regards.

Sincerely,

Dale Bumpers

Dale Bumpers

DB/mdd

P E T I T I O N

WE, the citizens and taxpayers of Rosebud County, State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Monte J. Steffan	6779 Colstrip, Mt.	3/8/85
M. Drong Jr.	Box 1090 Colstrip Mt	3-8-85
Richard A Black	6633 Browning Colstrip	3-8-85
[illegible]	4C Cactus, Colstrip	3-8-85
[illegible]	22 Hawthorne CT, Colstrip	3/8/85
Sonia L Lang	31 A Larkspur Colstrip	3/8/85
Susan Bleth	10 Olive Colstrip	3/8/85
[illegible]	Box 539, Lame Deer	3/8/85
Kathleen L. [illegible]	22 [illegible] Colstrip	3/8/85
Richard L Dale	P.O. Box 310, Colstrip, Mt.	3/8/85
Northey Tretheway	P.O. Box 1125 Colstrip, MT	3/8/85
Donald J. Wilcox	PO Box 872 Colstrip, MT	3/8/85
Bonney A Frederiksen	PO Box 117 Colstrip MT	3/11/85
Scott W. Hanty	Box 1986 Colstrip Mt.	3-11-85
[illegible]	Box 1302 Colstrip, MT	3/ /85
[illegible]	P.O. Box 1183 Colstrip Mt	3/12/85
[illegible] Walden	P.O. Box 66 Colstrip MT	3/12/85
[illegible]	PO BOX 899 Colstrip, MT	3/13/85
Robbie McPherson	Box 1533, Colstrip Mt	3/13/85
Shirley Perrin	Box 984 Colstrip Mt	3/14/85
[illegible]	Box 1989 Colstrip	3/14/85
[illegible]	RR 1 Box 82 Rosebud	3/14/85
John Freiberg	716 Garland Miles City	3-14-85
Richard R. Horton	Box 1618 Colstrip	3-14-85
[illegible]	Box 482 Forsyth	3/14/85
Verna Ellison	Box 393 Colstrip	3/14/85
Cathy Kallock	Box 658 Colstrip	3/14/85
Delroy Roehling	Rte 1 Box 3074 Forsyth	3/14/85
Bill Schye	Box 26 Colstrip	3/14/85

Exhibit 21 -- HB 607
April 11, 1985

PETITION

WE, the citizens and taxpayers of Rosebud County, State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Alvin L. Hendrickson	Box 372 Colstrip	3/8
Jolan Hendrickson	P.O. Box 372 Colstrip	3/8
Bob Parker	P.O. Box 697 Colstrip	3-8-85
Lorin Finnicum	P.O. Box 876 Colstrip	3/8/85
Tami Giesick	P.O. Box 374 Colstrip	3-8-85
Steven K. Giesick	P.O. Box 374 Colstrip	3-8-85
Bob Giesick	Box 693 Colstrip Mt.	
Naomi Finnicum	Box 876 Colstrip Mt.	3-8-85
Greg Wilder	Box 1497 Colstrip	Mt. 3-8-85
Bud Comer	Box 1690 Colstrip	Mt. 3-8-85
Roy L. Walder	P.O Box 1633 Colstrip	Mt 3-885
[illegible]	Box 476 Colstrip	3/8/85
Eugene C. Wier	P. Box 2549 Colstrip	3-9-85
A. Coffin	Box 248 Colstrip, Mt	3-09-85
Mark Koffler	Box 502 Binney MT	03/09/85
Robbin Strand	Box 1923 Colstrip mt.	3/9/85
John Swanson	Box 1150 Colstrip	3-9-85
[illegible]	Box 1606 Colstrip	3-9-85
Norm Jensen	Box 1104 Colstrip	3-9-85
[illegible]	Box 1312 Colstrip	3-9-85
Donald A Saulsbury	Box 1195 Colstrip	3-9-85
Donald [illegible]	Box 2031	3-9-85
Elisa Saulsbury	Bx 1195 Colstrip	3-9-85
Debbie Kron	Box 1090 Colstrip	3-9-85
M Kron	Box 1090 Colstrip	3-9-85
Andrew C Cragwist	Box 1676 Colstrip	3-9-85
Bob Kittelmann	Rt 2 Forsyth	3-9-85
Carole Kittelmann	Rt 2 Forsyth	3-9-85
Maurine Maslowski	Box 73 Colstrip	3-9-85
Frank Picard	Box 295 Colstrip	3-10-85

P E T I T I O N

WE, the citizens and taxpayers of Rosebud County, State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Pamela Picard	BOX 295	3/10/85
Mary Haughian	BOX 1044	3/10/85
Marta L. Novasi	Box 484	3-10-85
Joyce Cline	Box 1830	3-11-85
[illegible]	#42 Juniper	3/11/85
Lois Olmstead	Box 907 Colstrip	3/11/85
[illegible]	Livingston MT	3/11/85
[illegible]	PO Box 864 Colstrip	3/11/85
Darlene Moncur	Box 3 Colstrip	3-12-85
Kent J. Lang	Box 1414 Colstrip	3/12/85
Terry L. Sprenger	P.O. Box 787 Colstrip	3/14/85

P E T I T I O N

WE, the citizens and taxpayers of Rosebud County, State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Vicki Lessig	Colstrip	3/11
Fred A. Heppner	Colstrip	3/11

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PETITION

WE, miners and taxpayers of the State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Preston Bleum	Box 161 Colstrip	3-11-85
Thurman J. Boon	P.O. Box 51 Colstrip	3/11/85
James A. McCaban	Box 191 Colstrip	3/11/85
Russell Dotson	Box 606 Colstrip	3-12-85
Wayne Lessig	Box 1666 Colstrip	3-12-85
Richard W. Hayes	Box 313 Colstrip	3/12/85
Fred Moorlley	Box 1118 Forsyth	3/12/85
Warren W. Tungsam	Box 175 Colstrip	3/12/85

P E T I T I O N

WE, miners and taxpayers of the State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Jim Holenbeck	Box 868 Colstrip	3/11/85
Lawrence A McCulloch	Box 172 Colstrip	3/11/85
Arnold West	Box 355 Colstrip	3/11/85
Louis E McCulloch	Box 631 Colstrip	3/11/85
Roger L Olson	Box 1864 Colstrip.	3/11/85
Marty Spurlock	Box 2034-1 Forsyth	3/11/85
[illegible]	Box 360 Colstrip	3-11-85
Barry Edward	Box 915 Colstrip	3-11-85
A M Willis	Box 116 Colstrip	3-11/85
Michael A Gurda	Box 2017 Colstrip	3-14/85

PETITION

WE, miners and taxpayers of the State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
	[redacted]	
George B. Armstrong	Box 114 Fallon Mt	3/11/85
Donald M. Widmer	Box 585 Harlowton	3/11/85
Bill L. Bell	General Del	3/11/85
Jerry Johns	710 N. Center Hardin	3-11-85
Edward A. Kredic	616 W Crook Hardin	3/11/85
Jerry A. Cr[illegible]	Terry Mont	3/11/85
James A. Laemmle	Huntley mt 59037	3/1/85
Bob Gleitner	1483 Colstrip	3-11-85
[illegible]	[illegible]	3-11-85
Roy Ellison	Box 394 Forsyth	3-12-85
Calvin Forest	Box 432 Colstrip	3-12-85
Robert Palmer	Box 933 Colstrip	3-12-85
Kenneth Hayter	Box 530 Forsyth	3/12/85
Gerald Kerr	Box 1045 Colstrip	3/12/85
William Hieronymus	Box [illegible] Colstrip	3/12/85
Pete Ellison	Box 305 Forsyth	
Don Pederson	Box 499 Forsyth	3-12-85
Gary Lyon	Box 311 Colstrip	3-12-85
Orlien Kunin	Box 866 Forsyth	3-12-85
Bert Willie	Box 123 Colstrip	3-12-85

PETITION

WE, miners and taxpayers of the State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Max W. Pilling	Sheridan WY	3-11
[illegible]	[illegible]	3-11
Rusty [illegible]	Forsyth, Mont	3-11
[illegible]	[illegible]	3-11
[illegible] Ferguson	Forsyth, Mont	3-11
[illegible]	Forsyth MT.	3-11
Greg S. Peters	Billings MT	3-11
Joseph A. Mann	Colstrip Mont	3-11-85
[illegible] Benson	"	[illegible]85
[illegible]	Manhattan	3-11-85
[illegible]	Forsyth Mt.	3-11-85
Wade C Keyes	Forsyth, MT	3-11-85
Wayne Johnson	Colstrip	3/11/85
Alfred [illegible]	Colstrip	3-11-85
Robert S. [illegible]	"	3/11/85
Arthur D Hayford	Hardin MT	3-11-85
Rocky [illegible]	Colstrip MT	3-11-85
[illegible]	[illegible] Hardin	3-11-85
C E [illegible]	Colstrip Mont.	3-11-85
[illegible]	[illegible] MT	3-11-85
Harold [illegible] Jr.	Colstrip Mt.	3-11-85
Joe Bucholz	Colstrip Mont	3-11-85
Toby C. Slough	Sarpy Cr Rt	3-11-85
Joe F. Abel	Colstrip	3-11-85
[illegible]	ASHLAND	3-12-85
Gerry Yeoman	Colstrip	3-12-85
Ron Alles	Colstrip	3-12-85
Bill [illegible]	Colstrip	3-12-85
[illegible]	Forsyth	[illegible]85
John [illegible]	Forsyth	3/12/85

PETITION

WE, miners and taxpayers of the State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Dick Wells	Rt 1 Forsyth	3/11/85
Toby A Johnson	Forsyth	3/11/85
Del Warren	Hysham	3/11/85
Craig Keyes	Hysham	3/11/85
Harold L Peterson	Box 124 Colstrip	3/11/85
Merel DeTienne	Fallon Mt.	3/11/85
Gordon Adelsoven	Colstrip Mt.	3-11-85
Dean Wagis	Colstrip Mt.	3-11-85
James Jimold	Roundup, Mt.	3-11-85
Eugene R. [illegible]	Colstrip MT.	3-11-85
Harold J Fasater	Forsyth, Mt	3-11-85
Roger Killknight	Lame Deer, Mt.	3/11/85
Austin Two Moons Jr.	Busby, MT.	3/11/85
Mike Peterson	Colstrip, MT.	3/11/85
[illegible]	Colstrip Mt.	3/11/85
Earl Lingham	Billings, Mt.	3-11-85
Donald H Wallace	Harlowton Mt.	3-11-85
Curtis A. Fowler	Hysham Mont	3-11-85
Larry Armfield	Hysham mont	3-11-85
Bob F. Davis	Billings, MT	3-11-85
Harold Schlenker	Forsyth Mont	3-11-85
Bob Cole	Colstrip Mont.	3-11-85
Russell Eytel	Forsyth Mont	3-11-85
[illegible]	Colstrip Mt	[illegible]
[illegible]	Colstrip Mt	[illegible]
Fred Chavez	Hardin, Mt.	3-11-85
Pascual C. Arriso	Billings MT. 59101	3-11-85
Kenneth E Rogers	Hysham, Mt.	3-11-85
Patricia K Hendley	Colstrip, Mt	3/11/85
T. R. [illegible]	Colstrip Mt	3-11-85

P E T I T I O N

WE, miners and taxpayers of the State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Dan K Stanley	P.O. Box 656 Colstrip	2-27-85
Thad Turner	Box 1015 Forsyth	2-27-85
Bill Dickson	Box 415 Colstrip	2-27-85
Carl E Erickson	Box 675 Colstrip	2-27-85
Leroy L. Meidinger	307 Hubbel M.C.	2-27-85
George Lemmel	Rt 1 Box 2049	Miles City
Don Myers	Box 974 Colstrip, Mt	2/27/85
Emmett R. Bigelow	Box 184 Colstrip Mt.	2/27/85
Donald C. Ludvigson	Box 2566 Miles City	2/27/85
Roy Buettner	Box 3073 Forsyth	2/27/85
Raymond L. [illegible]	Box 913 Colstrip	2-27-85
[illegible]	Box 523 Colstrip	2-27-85
Jerry C Cook	Box 402 Colstrip	2-27-85
George A. Pierce	Box 492 Colstrip	2-27-85
Jack Lufborough	Box 157 Miles City	2-27-85
James Beal	Bx. 866 Colstrip	2.27.85
Douglas Fraser	Box 686 Forsyth	2-27-85
[illegible] H Massey	Box 701 Colstrip	2-27-85
[illegible] Schwalble	Box 2051 Helena, Mt.	2-27-85
Leon Dodson	Box 1975 Colstrip	2-27-85
Larry Brown	Box 134 Colstrip	2-27-85
Henry Lorning	Box 1020 Colstrip	2-27-85
Thomas Hanser	Box 1468 Colstrip	2-27-85
Wayne Jacox	3726 Broken Yoke Billings	2-27-85
L. J. MacFarlane	#9 Juniper, PO Box 965 Colstrip Mt	2-27-85
Richard Schaefer	117 Snapper, Forsyth	2-27-85
Kevin Tukman	Box 1489, Forsyth	2-27-85
Dan Allerdings	Hardin, MT.	2-27-85

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NAME	ADDRESS	DATE
Ben Hanic	Po Box 388	2-27-85
Darwin Sell	Po Box 397	2-27-85
[illegible]	Box 792	2-27-85
Shirley Perin	Box 984	2/27/85
James J Tuma	Rosebud	"
[illegible]	Box 1989	2/27/85
[illegible]	Box 526	2/27/85
Donald [illegible]	2239 [illegible] Dr. Bill[illegible]	2/27/85
Dale W. Perin	533 Popler (Colstrip)	2/27/85
Scott [illegible]	P.O. Box 1677	2/27/85
Ron Adler	Box 577 Colstrip	2-27-85
Sherwood Christensen	Box 99 Colstrip	2-27-85
Clifford Schutt	Box 891 Colstrip	2-27-85
Bill [illegible]	Box 549 Forsyth	2-27-85
[illegible]	Box 611 Colstrip	2-27-85
Raymond [illegible]	Box 1357 Colstrip	2-27-85
Gordon Campbell	Box 874 colstrip	2-27-85
[illegible]	Box 590 FORSYTH MT	2-2[illegible]
[illegible]	RTE 1 Hardin	2-27-8[illegible]
Jeff Speller	Box 562 Colstrip, MT.	2-27-85
Frank Todsoff	Box 37 Rosebud Mt.	2-27-85
James W Ellison	Box 313 Colstrip Mt	2-27-85
John C Waltman	Box 43 Rosebud	2-27-85
Tim [illegible]	R1 Forsyth MT	2.27.85
Donald D. Wallis Sr	Box 143 Colstrip	2-27-85
Paul B. [illegible] Jr	Box 877 FORSYTH	2-28-85
Warren [illegible]	Box 501 FORSYTH	2-28-85
Robert W. Blanchard	Box 548 Colstrip Mt	2/28/85
T Mathis	Box 156 Colstrip	2/28/85
Lee Fischer	Box 914 Colstrip	2-28-85
Fred A. Heppner	Box 1003 Colstrip	2-28-85
John Heppner	Box 766 Colstrip	2-28-85

P E T I T I O N

WE, miners and taxpayers of the State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Monte C. Wilke	316 Woodrose	2-28-85
Dorothy J Durham	3 Sparrow	2-28-85
Verny Hanser	Box 113 Colstrip	3-1-85
Dallas R Gaskin	Box 231 Colstrip	3-1-85
Jon Chunkapura	Box 1204 Forsyth	6-2260
Kevin Petersen	Box 763 Colstrip	3-1-85
Don Peplow	Bx 910 Colstrip	3-1-85
Curt Brock	BOX 551 FORSYTH	3-1-85
Duane Palm	Box 939 Colstrip	3-1-
David Meyers	Box 392 Colstrip	3-1-85
Jim Mattson	Box 909 Colstrip	3-1-85
Bill Moore	Box 2111 Colstrip	3-1-85
Mike Morris	Box 1858 Colstrip.	3-1-85
Larry Nunnally	Box 1683 colstrip	3-1-85
Wade E Keyes	Box 1357 Forsyth	3-1-85
Bernie Kennich	Box 146 colstrip	3-1-85
Michael Taylor	Box 282 colstrip	3-1-85
Lewis J. Brady	Box 207 Ashland	3/1/85
Kim Acton	Box 414 COLSTRIP	3/1/85
Howard L. Hubbs	422 Missouri, Miles City	3/1/85
Elaine Kolczak	BOX 592 colstrip	3/1/85
Kerry J. Riley	Box 193 Colstrip	3/1/85
Bruce Kingrake	Box 2153 Colstrip	3/1/85
James Duncan	Box 6 Colstrip	3/1/85
Ted Woodley	Box 1448 Forsyth	3/1/85
Mike Howard Dayles	Box 299 Colstrip MT.	3/1/85
James H. Kitana	Box 597 Colstrip, MT.	3/1/85
Thomas L Rossetti	Box 693 Colstrip Mt	3/1/85

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PETITION

WE, miners and taxpayers of the State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Karl Roll	Forsyth, Mt	2-28-85
Bruce W. Brown	Colstrip Mt.	2-28-85
[illegible]	ColStrip, MT	2-28-85
[illegible]	Forsyth	" " "
Walter Sherman	Colstrip Mont	
Delbert [illegible]	COLSTRIP MT	2-28-85
George Stephens	Colstrip, MT	2-28-85
Joe Baker	Colstrip, MT.	2-28-85
Leon M. [illegible]	Colstrip Mt	2-28-85
[illegible] Struthers	Colstrip Mt	2-29-85
Leon [illegible]	COLSTRIP Mt	2-29-85
Gerry Bell	Forsyth Mt.	3-1-85
John [illegible]	Colstrip Mt	3/1/85
David L. Johnson	Colstrip Mt	3/1/85
William L. [illegible]	Helena Mont.	3-1-85
John M. Shaw	Sheridan Wyo	3/1/85
Arthur T. Hall	Colstrip	3/1/85

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Red

P E T I T I O N

WE, miners and taxpayers of the State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Jim White	Colstrip	2/25/85
Brady Johnston	Colstrip	2/28/85
John Taylor	Colstrip	2/28/85
Floyd Gange	Colstrip	2-28-85
George R. Fales	HARDIN	2/28/85
Paul D. Fisher	Billings	2/28/85
Walter Vance	Colstrip	2/28/85
Walter W. Tallsen II	Forsyth	2-28-85
Michael S Sessions	Colstrip	2/28/85
Ray Bondimo	Colstrip	2/28/85
Don Martin	Colstrip	2/28/85
John J Fountner	Forsyth	2/28/85
Daniel R Bates	Colstrip	2/28/85
Monty Billbro	Colstrip	2/28/85
Earl Hix	Rosebud Mt	2-28/85
Frank Rogers	COLSTRIP	2-28/85
William Hieronymus	COLSTRIP	2-28/85
Lyle B Dalstedt	Miles City	1-1-85
Larry Swift	Colstrip	1-1-85
Frank Mossbrucker	Billings	1-1-85
Leonard Neimiller	Fallon	3/1/85
Norm Kallock	Colstrip	1-1-85
Donald L Watson	Colstrip	3.1.85
Mike Bakich	Colstrip	3-1-85
Doug Meiners	Colstrip	3/1/85
Ted McPherson	Colstrip	3-1-85

PETITION

WE, miners and taxpayers of the State of Montana, support Governor Schwinden's "Window of Opportunity" Coal Severance Tax Bill.

NAME	ADDRESS	DATE
Richard Dunn	Colstrip Mont	2-28-85
Dennis G. Mieg	Colstrip MT	2-28-85
Wm Farrar	" "	2-28-85
Keith Rudet	" "	2-28-85
Dennis Cozzens	" "	2-28-85
[illegible]	" "	2-28-85
Gordon Nelson	" "	2-28-85
Perry Watson	" "	2-28-85
David L. Corf	Forsyth, Mt.	2-28-85
Alfred Bechler	Colstrip	2-28-85
[illegible]	Colstrip MT	3-1-85

We, the undersigned Absaloka Mine (Sarpy Creek, Hardin, MT) Coal Miners, are in agreement with Gov. Ted Schwinden on the "WINDOW OF OPPORTUNITY" program.
We feel that the attempt should be made to revitalize the Montana Coal Industry.

Date	NAME	ADDRESS
2-20-85	Don Weigand	322 W. 1st St. Hardin
2-20-85	Robert T. Watson	200 E 13th Hardin
2-21-85	Robert J Russell	Box 124 Hardin
2-21-85	Kenneth W. Little	840 W. Division Hardin
2-21-85	[illegible]	Box 754 Hardin
2-22-85	[illegible]	Box 35 Garryowen, Mt.
2-22-85	Leo W. Harmon	Box 2012 Hardin
2-22-85	William [illegible]	1110 Bonanza Hardin
2-22-85	Pete Plenty Hawk	Lodge Grass Montana
2-22-85	Randy Real Bird	Box 105 Garryowen, Mt
2-22-85	[illegible]	Hardin Mt
2-22-85	[illegible]	Hardin, Mt.
2-22-85	Dennis R Steffan	#40 Arrowhead, Hardin, MT.
2-22-85	Clinton [illegible]	Crow Agency Mt
2-22-85	[illegible]	Box 181 Hardin Mt
2-22-85	[illegible] Pretty Paw	Box 199 Hardin Mont
2-22-85	C K Graham	Hardin Mt
2-22-85	Byron M. [illegible]	Crow Agency Mt
2-22-85	Floyd Case	Hardin Mt
2-22-85	Robert Lee Stops	Crow Agency Mt
2-22-85	Steven W. Klein	Hardin, Mt

We, the undersigned Absaloka Mine (Sarpy Creek, Hardin, MT) Coal Miners, are in agreement with Gov. Ted Schwinden on the "WINDOW OF OPPORTUNITY" program.
We feel that the attempt should be made to revitalize the Montana Coal Industry.

Date	NAME	ADDRESS
2-19-85	Pat Toney	Hardin, MT
2-19-85	[illegible]	Hardin Mt
2-19-85	Floyd Link	Hardin Mt.
2-19-85	Michael Wagenear	Hardin Mt.
2-20-85	Gustave Neuwiller	Hysham, Mt
2-20-85	[illegible]	Hardin Mt
2 20 85	Ramon Rios	Hardin
2-20-85	Duane G. Steiger	Hardin
2-20-85	Alvin Suko	Hardin
2-20-85	Chas. Vandenlant	Hardin
2-22-85	Edwin Cummins	Hardin
2-22-85	Floyd Weisser	Hardin
2-22-85	Ervin Olp	Garryowen MT 59031 Box 92
2-22-85	Don Watson	Hardin
2-22-85	Micky Walsh	Hardin
2-22-85	Gary Dunphee	Hardin Mont
2-22-85	Ronald W Nortger	Hardin - Montana
2-22-85	Donald E Stacey	Hardin mont
2-22-85	James W. Crum	HARDIN - MONT.
2-22-85	Thomas Doyle	Hardin, MT.
2-22-85	Charles Gaterich	Hardin MT.

We, the undersigned Absaloka Mine (Sarpy Creek, Hardin, MT) Coal Miners, are in agreement with Gov. Ted Schwinden on the "WINDOW OF OPPORTUNITY" program.

We feel that the attempt should be made to revitalize the Montana Coal Industry.

Date	NAME	ADDRESS
	Michael [illegible]	Crow Agency MT
	Jerry Metcalf	HARDIN, MT.
	R. Chavez	Hardin [illegible]
	Bruce White Bear	Hardin Mont.
	David R Camp	HARDIN MT
	[illegible]	[illegible]
	Chris Smith	Hardin MT
	Jess Hill	Lodge Grass
	Larry Salmonsen	Hardin
	Bill [illegible]	Hardin
	Wayne [illegible]	Crow Agency Mt.
	Bruce White	Crow agency Mt
	[illegible]	Crow Agency
	Guthrie G Bird	Ft Smith
	ADRIAN BIRD	LODGE GRASS
	[illegible]	Hardin Mont.
	Gerald E Fritz	Hardin Mt.
	John S. Betts	Hardin Mt
	Delmer Wittmayer	Hardin Mont.
	Charles Mobley	Hardin MT
	James W Zelko	Hardin, Mont.
	Ted Slough	Hysham Montana

We, the undersigned Absaloka Mine (Sarpy Creek, Hardin, MT) Coal Miners, are in agreement with Gov. Ted Schwinden on the "WINDOW OF OPPORTUNITY" program.
We feel that the attempt should be made to revitalize the Montana Coal Industry.

Date	NAME	ADDRESS
2-19-85	Charles W. Hawkins	P.O. Box 381 Lodge Grass, mt.
2-19-85	Arnold Williams	PO 366 Crow Agency, Mt.
2-19-85	Kurt Allingham	Hardin, Mt.
2-19-85	Paul Schumacher	Hardin Mont.
2-19-85	Norman Norman	CROW Agency

We, the undersigned Absaloka (Sarpy Creek) Hardin, MT coal testers, wish it to be known that we are in agreement with Gov. Ted Schwinden on the "Window of Opportunity" program.
We feel the attempt should be made to revitalize the Montana Coal Industry.

Date	Name	Address
2/20/85	Billy J. Bost	P.O. Box 348 Hardin, MT 59034
2/20/85	John J Luther	Sarpy Rt. Hysham, MT. 59038
2/20/85	Wesley J Harvey	1026 N. Crow Hardin MT 59034