

MINUTES OF THE MEETING
NATURAL RESOURCES COMMITTEE
MONTANA STATE SENATE

April 15, 1987

The meeting of the Senate Natural Resources Committee was called to order by Chairman Thomas Keating on April 15, 1987, at 1:00 p.m. in Room 405 of the State Capitol

ROLL CALL: All members were present with the exception of Sen. Stimatz who was excused.

CONSIDERATION OF HOUSE JOINT RESOLUTION 49: Rep. Joan Miles, House District 45, introduced HJR 49 which was a request that the Environmental Quality Council conduct an interim study on the relationship between forest management and watershed effects and on the use of the best management practices for forestry in Montana. Rep. Miles stated that there had been an attempt to establish a forest practices program, but that the bill was killed in the House. However, the House Natural Resources Committee recognized that the relationship of forest management and watershed effects was a worthy subject to pursue for study. Other states have been involved in similar studies, and Rep. Miles distributed a fact sheet to the committee. (Exhibit 1)

PROPOSERS: Claudia Massman, Environmental Information Center, said she supported HJR 49 because the issue of watershed protection and forest practices is on-going and controversial. Ms. Massman reported that a study is necessary to resolve differences between industry and environmentalists.

Stan Bradshaw, Trout Unlimited, explained that the terms of cooperation expressed in the resolution emphasize cooperation rather than conflict between industry and environmentalists. Mr. Bradshaw asked the committee to support HJR 49.

Dana Field, Montana Audubon Legislative Fund, stated that wildlife was not specifically mentioned in the resolution, but wildlife is implicated by watershed protection. Ms. Field stated that Audubon is particularly concerned about forestry and roadbuilding practices because impacts on aquatic systems in small areas can have magnified and widespread indirect impacts on downstream fisheries and wildlife. Ms. Field asked the committee to support HJR 49 so that the interim study will find a way to encourage management practices that will protect multiple values. (Exhibit 2)

Keith Olson, Montana Logging Association, said that the forests of Montana are not just the places where loggers work. Mr. Olson said that loggers drink the water, breathe the air, and hunt and eat the game. Mr. Olson indicated that the Montana Logging Association wants to cooperate in any way possible.

Dennis Hemmer, Department of State Lands (DSL), testified that during the past two years, DLS has put together a voluntary program regarding best timber management practices, and the program has been working quite well. The Department advocates protecting water resources. The study embodied in the resolution would "dovetail" very well with the DSL program, and the study would give the public some understanding about timber harvest.

Rep. Cohen, House District 3, supported HJR 49.

OPPONENTS: There were no opponents.

QUESTIONS (AND/OR DISCUSSION) BY THE COMMITTEE: Sen. Weeding asked if the resolution would be a mandate for the EQC. Rep. Miles explained that EQC would have some open meetings after the session, and HJR would be one item EQC would consider as she understood the subject is a priority. However, there will be no separate funding required.

Sen. Gage inquired whether the study would "dovetail" with any wildlife habitat studies by the Department of Fish, Wildlife, and Parks (FWP).

Dennis Hemmer replied that FWP had not been involved in the accumulative cooperative; however, he encouraged the committee to keep their eyes on watershed during the present discussion.

In reply to a question by Sen. Keating, Hugh Zackheim, EQC, said that no additional manpower would be needed to complete the study.

Sen. Weeding asked Mr. Hemmer if Montana was already following good management practices under the accumulative effects co-op through Montana's Forestry Department. Mr. Hemmer replied that one of the things DLS is trying to develop is the best management practices for protection of watershed, grazing, and wildlife.

Sen. Keating wanted to know if EQC would audit the State Land's practices. Mr. Hemmer said he hoped EQC would come to understand the issues and proceed, recommending changes, etc.

Sen. Hofman asked Rep. Miles why would she think there should be a study, and she replied that the debate on HB 781 showed the Natural Resources Committee in the House that there are legitimate concerns. Furthermore, Rep. Miles reported that both Washington and Idaho are taking steps in the same direction to correct problems. Rep. Miles invited Rep. Cohen to further explain.

Rep. Cohen said there are a million acres of land producing timber owned by the State. There are also a little under a million acres that are privately owned--50% is owned by 40,000 private citizens, and 50% is owned by three corporations. Management practices have a lot to do with what kind of watershed Montana has or will have. The goal is sustained timber harvests. Property taxes could possibly be reduced on standing timber if people would voluntarily enter into "best practices" agreements. Rep. Cohen said that the aforementioned concerns among others brought about HJR 49.

CLOSING: Rep. Miles advised the committee to concur with HJR 49, and she said the place to start good management practices is to get everybody together--industry and environmentalists--for a cooperative approach. In the light of the Federal Clean Water Act, Montana is going to be required to address the issue. Rep. Miles indicated that there is some dispute over extent of erosion and sedimentation, and the situation should be examined. Rep. Miles closed by saying that there is no preconceived assumption that there is a need for a Forest Management Practices Act.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE JOINT RESOLUTION 49: Sen. Gage requested that the minutes reflect that there is a need to interact with the Department of Fish, Wildlife, and Parks regarding wildlife habitat and recreation in the study.

Sen. Hofman wanted to know which was the big concern in the study--water or timber harvest. Sen. Keating replied that the concern was timber harvest over-all and what effects the harvest has on watershed. Also, practices by DSL seem

to be a concern. Sen. Keating said DSL has a multiple-use mandate, but apparently, there's not enough information to answer questions about these effects.

Sen. Halligan moved that HJR 49 BE CONCURRED IN.

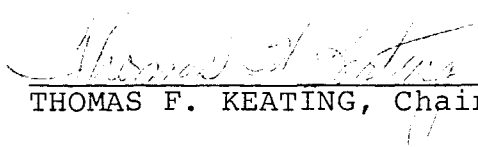
Sen. Gage said he hoped that Montana didn't try to "re-invent the wheel" and he suggested that Montana could rely on the efforts of Washington and Idaho.

Motion CARRIED.

ADDENDA TO HOUSE BILL 534 HEARING, MARCH 13, 1987: Sen. Keating called the committee's attention to letters from Montana Power Company, Cenex, and Exxon and reminded the members that the companies were going to submit Letters of Intent for the record. (Exhibit 3)

Sen. Yellowtail MOVED that the companies' Statements of Intent be entered into the record as well as any subsequent Letters of Intent that may be received before the end of the session. Motion CARRIED unanimously.

There being no further business before the committee, Sen. Keating adjourned the meeting at 1:35 p.m.



THOMAS F. KEATING, Chairman

ROLL CALL

SENATE NATURAL RESOURCES COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date April 15, 1988

NAME	PRESENT	ABSENT	EXCUSED
Sen. Tom Keating, Chairman	✓		
Sen. Cecil Weeding, Vice Chairman	✓		
Sen. John Anderson	✓		
Sen. Mike Halligan	✓		
Sen. Delwyn Gage	✓		
Sen. Larence Stimatz			✓
Sen. Larry Tveit	✓		
Sen. J.D. Lynch	✓		
Sen. Sam Hofman	✓		
Sen. William Yellowtail	✓		
Sen. Elmer Severson	✓		
Sen. Mike Walker	✓		

Each day attach to minutes.

DATE

4/15/87

(5) COMMITTEE ON

Natural Resources

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppos
DANA FIELD	MT AUDUBON LEGIS. FUND	HJR 49	✓	
Dennis Hemmer	Dept of State Lands	HJR 49	✓	
Don Allen	McWood Products Firm	HJR 49	✓	
Stan Bradshaw	Trout Unlimited	"	✓	
Candice Morman	M EIC	HJR 49	✓	
Jeanne Kolbraak	MWF	HJR 49	✓	

(Please leave prepared statement with Secretary)

STATE OF IDAHO

The State of Idaho just completed a successful process to revise its water quality regulations as they relate to timber management. The effort was directed by an interagency team on nonpoint source pollution, and included the participation of the Idaho Department of Lands, the Division of Environment (Department of Health and Welfare), the forest products industry, and other interest groups.

The Idaho process resulted in:

- consensus changes in water quality standards;
- procedures for monitoring the effectiveness of best management practices;
- a "feedback loop" system, so that specific practices can be altered if sediment problems are found.

The program will be administered by new staff in the Department of Lands and the Division of Environment. Some of these staff positions are funded by federal dollars made available to the states through the Water Pollution Control Act. No new legislative authority was required; rather, water quality standards were developed through a consensus process for adoption by the Board of Health.

STATE OF WASHINGTON

In 1986 the State of Washington, the timber industry, environmental groups, and Indian tribes completed negotiations on a Timber, Fish, and Wildlife Agreement. The consensus agreement puts into place a system of up-front, site-specific planning to address potential water quality problems that might occur from timber harvest operations.

Environmental interests have gained consideration of riparian habitat in forest management and establishment of voluntary basin-wide management plans by industry (to address the cumulative effects of timber harvest operations). Industry has gained more operating flexibility and more regulatory stability.

IMPLICATIONS FOR MONTANA

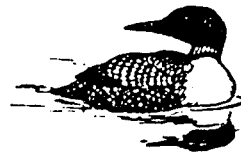
Both the Washington and Idaho examples show that progress can be made through cooperation between industry and environmental groups. They could provide a good model for Montana because they are dealing with similar environmental concerns and similar industry needs. The results in Idaho and Washington should be a more stable regulatory framework for industry and improved water quality for all users.

Of course, Montana can choose not to study the issue and not to act. But there are some dangers with this course. First, industry faces an uncertain regulatory framework, with potential legal action under both state laws and under the new tougher nonpoint regulations under the reauthorized federal clean water act. Second, we may see degradation of some watersheds -- degradation that could be avoided with a little more information and attention.



Montana
Audubon Legislative Fund

P.O. Box 924
Helena, MT 59624



Testimony in support of HJR 49

April 15, 1987.

Mr. Chairman and Members of the Committee;

My name is Dana Field and I represent the Audubon Legislative Fund, which is composed of members of the National Audubon Society, which has 2500 members in nine chapters throughout Montana.

The Audubon Fund strongly supports this resolution.

The House Natural Resources Committee saw evidence last month that forest practices can and do affect the runoff from these watersheds, that timber management practices can affect several other valuable natural resources, and that current laws may not be adequate to assure both sustained timber production and the protection of these other resources.

It seems a little odd that the benefits of good forest management to wildlife and fisheries are not mentioned in the 'whereas's' of this resolution except by implication. Recreation is mentioned though, and we feel it is important to emphasize that the economic benefits of hunting, fishing, and tourism depend on the wildlife resource. The resolution recognizes that timber harvest activities can affect the quality and quantity of water flowing from forest watersheds. Audubon is concerned about forestry and roadbuilding practices because impacts on aquatic systems in relatively small areas can have magnified and widespread indirect impacts on downstream fisheries and wildlife. Erosion and sedimentation can upset the stability of stream channels and hence the stability of riparian ecosystems that our wildlife is so dependent on.

Current laws only react to such damage after it has been done. Audubon hopes that you will pass this resolution and that the interim study will find a way to encourage best management practices that will protect these multiple values.

Thank you.

SENATE NATURAL RESOURCES
EXHIBIT NO. 2
DATE 4-15-87
BILL NO. HJR 49

W. P. SCHMECHEL
CHAIRMAN OF THE BOARD
and
CHIEF EXECUTIVE OFFICER

SENATE NATURAL RESOURCES

EXHIBIT NO. 3

DATE 4-15-87

BILL NO. HB 534

April 14, 1987

The Honorable Thomas F. Keating
State Capitol Building
Helena, MT 59620

Dear Senator Keating:

As you are aware, sulfur dioxide levels in the Billings area have been the subject of much discussion in this legislative assembly. To accommodate all interests, H.B. 534 has been approved by the House and Senate and is on the Governor's desk for his consideration.

In accordance with the legislation, industries in the Billings area are required to submit plans for voluntary reductions in sulfur dioxide levels. By this letter, I will outline Montana Power's plans for such reductions. Those plans include:

1. Intermittent control and reduction of sulfur dioxide emissions from our Corette Plant in Billings during those periods of the year when meteorological conditions cause high ambient pollution potential.
2. The continuation of monitoring and reporting of the Corette Plant's sulfur dioxide emissions.
3. Funding of, installation and operation of one ambient monitoring station in the Billings area for tracking ambient sulfur dioxide levels.

We have committed to these actions before the legislature and in discussions with the Department of Health and Environmental Sciences.

The exact details of these commitments are being discussed by Montana Power personnel with representatives of the other involved industries and state and local governments.

Montana Power supports the efforts to reach an agreement that would implement the reduction plans. Your interest in this matter is shared by all of us. We look forward with a positive desire to accomplish a good result.

Sincerely,

Paul Schmechel

SENATE NATURAL RESOURCES

EXHIBIT NO. 3, a-1

DATE 4-15-87

BILL NO. HB 534

Copies of April 8, 1987 letter to:

The Honorable Ted Schwinden
The Honorable Bill Norman
The Honorable Thomas F. Keating
The Honorable Bruce Crippen
The Honorable Robert L. Marks
The Honorable Tom L. Jones
The Honorable Tom Hannah

State Board of Health & Environmental
Sciences

The Honorable Conrad Burns
Yellowstone County Court House
Billings, MT 59101

The Honorable Dwight McKay
Yellowstone County Court House
Billings, MT 59101

The Honorable Grace Edwards
Yellowstone County Court House
Billings, MT 59101

Mr. Lou Day, Manager
Cenex Refinery
P. O. Box 909
Laurel, MT 59044

Mr. Robert Holtsmith, Manager
Conoco
P. O. Box 2548
Billings, MT 59103

Mr. Carlton Grimm
Montana Power Company 40 E. Broadway
Butte, MT 59701

Mr. Larry Zink
Montana Sulphur & Chemical Co.
P. O. Box 31118
Billings, MT 59107

Mr. Nick Shine
Western Sugar
P. O. Box 30878
Billings, MT 59107



CENEX • Post Office Box 909 • Laurel, Montana • 59044-0909 • Phone (406) 252-9326

The Honorable Ted Schwinden
Governor

Senators

Bill Norman
President of the Senate
George McCallum
President Pro Tempore
Fred Van Valkenburg
Democratic Floor Leader
Gary Akelstad
Republican Floor Leader
Tom Keating
Chm-Natural Resources

Representitives

Bob Marks
Speaker
Tom Hannah
Majority Leader
Dennis Iverson
Speaker Pro Tempore
John Vincent
Minority Leader
Tom Jones
Chm-Natural Resources

The attached memo is in response to the "statement of intent" attached to House Bill 534.

It lists measures that will be undertaken by CENEX to monitor, and reduce, sulfur dioxide emissions at the Laurel Refinery.



CENEX • Post Office Box 909 • Laurel, Montana • 59044-0909 • Phone (406) 252-9326

Louis J. Day
Refinery Manager
Petroleum Division

To Whom It May Concern:

LETTER OF INTENT

CENEX has been asked to consider a proposed agreement and to determine what efforts it can make toward voluntary reductions of sulfur dioxide from its Laurel Refinery. This letter sets forth the intent of CENEX with regard to these matters.

CENEX intends to enter into an agreement to do the following:

1. CENEX will decrease its annual fuel oil firing SO₂ emissions by whatever means are available to it so as to reduce the emissions of sulfur dioxide by 400 tons per year from its October, 1981, to September, 1982, base reference year fuel oil sulfur dioxide emissions.
2. CENEX will fund the capital costs of an ambient air monitor for the measurement of sulfur dioxide concentrations near Laurel at a site to be mutually agreed upon with the Montana Department of Health. Further, CENEX will fund the operating expenses to maintain this monitor annually provided that at least two other similar monitors are funded by others and jointly maintained in Yellowstone County, Montana. This monitor shall remain the property of CENEX and shall be operated and maintained until such time that the calendar year results indicate the sulfur dioxide level to be less than 70% of the applicable ambient standard for sulfur dioxide for Yellowstone County at which time CENEX shall have the right at its sole option to cease maintaining and operating the monitor. If the legislature passes a monitoring law, then the funds expended by CENEX shall go toward its required funding share.
3. CENEX will participate in the implementation of an Intermittent Control System (ICS) wherein CENEX will roll back its emissions of sulfur dioxide by as much as 15% of the base year (excluding sulfur plant emissions) utilized by the participants. The timing and necessity of roll backs shall be controlled and determined by a technical committee under approved rules and through the use of competent meteorological data and technical methods applicable to 24 hour sulfur dioxide ambient concentrations.
4. CENEX will furnish the Montana Department of Health with calculated weight sulfur dioxide emissions data on a calendar year basis. This data will be furnished once per year on a mutually agreed date. CENEX will perform in-stack emissions verification tests once per year where applicable to confirm its calculated emissions of sulfur dioxide.

SENATE NATURAL RESOURCES

EXHIBIT NO. 3a-4

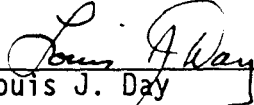
DATE 4-15-87

BILL NO. HB 534

The above provisions are specifically made contingent upon the passage of House Bill 534 in its current form and its enactment into law. In the event said bill if for any reason is invalidated, this letter agreement shall be null and void, and CENEX shall have no further obligations hereunder. Further, in view of concern expressed that House Bill 534 might be legally challenged, CENEX reserves the right to maintain all litigation presently pending before the Department.

DATED this 6th day of April, 1987.

CENEX


By Louis J. Day

COMPANY, U.S.A.

POST OFFICE BOX 1163 • BILLINGS, MONTANA 59103-1163

SENATE NATURAL RESOURCES

EXHIBIT NO. 36-1

DATE 4-15-87

BILL NO. HB 534

REFINING DEPARTMENT
BILLINGS REFINERY

H H HUBBLE
MANAGER

April 8, 1987

The Honorable Thomas F. Keating
Chairman, Senate Natural Resources Committee
Capitol Station
Helena, Montana 59620

Dear Senator Keating:

In keeping with the Fiftieth Legislature's request and intent of House Bill 534, the Exxon Billings Refinery respectfully submits our voluntary plans for sulfur dioxide (SO₂) monitoring improvements and emission reductions. We hope the attached response will serve to inform the Legislature, affected parties, and Yellowstone County citizens of our planned air quality improvement steps.

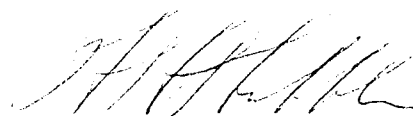
Exxon will continue the voluntary 2,100 ton per year (15 percent) SO₂ emission reduction implemented December 29, 1986. We plan to maintain this SO₂ emission reduction step as part of our ongoing operations.

Further, Exxon will participate in a technical committee to help develop plans for short-term emission reductions aimed at enhancing air quality during periods of inversion. Exxon will also participate in the development and funding of a Billings ambient SO₂ air quality monitoring program. We expect to complete and implement these plans later this year.

Finally, to improve area emissions monitoring, Exxon will develop a plantwide SO₂ emission calculation. The calculations will be implemented by the end of summer and will be utilized in the preparation of our annual SO₂ emissions report.

We hope this information satisfies the intent of the Fiftieth Legislature and provides the affected parties with the details needed to understand what Exxon will be doing. Please feel free to contact Mr. T. N. Schug or myself with any questions or comments.

Very truly yours,



HHH/efs
Attachment

EXXON COMPANY, U.S.A. BILLINGS REFINERYRESPONSE TO THE LEGISLATIVE INTENT OF HB-534

The following items are in response to the Statement of Intent preceding House Bill 534, and also present the commitment Exxon has made to the Board of Health, the Legislature and the people of Billings to reduce and monitor SO₂ emissions.

SO₂ Emission Reductions

A. On December 29, 1986, Exxon voluntarily implemented a 2,100 ton/year (15 percent) SO₂ emission reduction. This step, operation of a two-tower sour water stripper to recover previously burned hydrogen sulfide, or an equivalent 2,100 ton/year SO₂ emission reduction, will continue to operate as an ongoing refining process. This equipment will be operated to maintain safe and efficient recovery of hydrogen sulfide. In so doing, there will be times when mechanical repairs will require equipment shutdown. When this occurs, normal reporting procedures will be followed to ensure appropriate regulatory agencies are aware of the outage. We anticipate 14-21 days of downtime will be required every two to three years.

B. Exxon will also participate on a technical committee to establish meteorological and other factors which should trigger short-term SO₂ emissions reductions. Exxon will prepare procedures to cut our SO₂ emissions during these periods.

Emissions Estimates

To improve Billings area emission monitoring, Exxon will develop a plantwide SO₂ emission calculation. The calculation results will be provided on a calendar day basis in our annual SO₂ emissions report. In order to confirm the validity of these calculations, Exxon will conduct periodic SO₂ testing on the coker and cat stacks (not to exceed a one-year frequency between testing). Should discrepancies be found, data will be corrected in our annual SO₂ emissions report.

Ambient Monitoring

Exxon supports the continuation of ambient SO₂ monitoring. Exxon will fund part of an ambient monitoring network (of up to three monitors) in the Billings air shed. The siting and criteria for future elimination of these monitors will be agreed upon by the technical committee noted above. Monitors will be maintained to meet state ambient SO₂ monitoring requirements.

MONTANA SULPHUR & CHEMICAL COMPANY

EAST OF BILLINGS ADJACENT TO EXXON REFINERY
P.O. BOX 31118

Billings, Montana 59107

April 13, 1987

SENATE NATURAL RESOURCES

EXHIBIT NO 3-c-1

DATE 4-15-87

BILL NO. HB 534

TELEPHONE
Office: 406-252-9324
Telex: 319-486

TELEPHONE
Plant: 406-252-7101

The Honorable Thomas F. Keating, Chairman
Senate Natural Resources Committee
Capital Station
Helena, MT 59620

Dear Senator Keating:

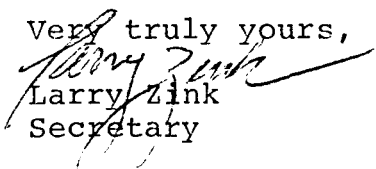
Enclosed is a copy of a letter describing Montana Sulphur & Chemical Company's past and present efforts in the interest of maintaining and improving the ambient sulfur dioxide air quality in the Valley. This is presented to you to meet the intent statement of Montana House Bill 534 (the "SO2 Bill") regarding "Industry plans." As you may know, in addition to its other activities, this Company has operated since 1956 as a "de facto" air pollution control facility near Billings, handling and recovering sulfide containing streams from two refineries in a manner which substantially reduces area emissions of sulfur dioxide.

While we have taken a neutral position relative to the specific merits of HB 534 as passed by the Senate and House, the Company does support the underlying proposition that the Federal Air Quality Standards adequately protect human health and welfare, with a margin of safety, and that these Federal standards also appropriately serve the best interests of the State and people of Montana. In most other areas of environmental quality regulation (water, land, hazardous waste, for example) the state has in fact administratively adopted federal procedures and standards, even for materials which are intrinsically more toxic, lasting, and noxious than sulfur dioxide. On the other hand, we also realize that many people desire to maintain more stringent standards than the Federal with regard to sulfur dioxide, and we also recognize their right to be heard.

Montana Sulphur is actively supportive of measures which we believe will result in actual improvements in area air quality, and a renewed spirit of cooperation between the State and Industries. We are supportive of the State DHES-proposed Stipulation Agreement, which provides for some immediate reductions, ambient monitoring, reasonable emissions reporting, a reasonable review of state standards vis-a-vis the new Federal scientific studies, and a mechanism with the potential for coordinating some intermittent reductions aimed at reducing short term ambient concentrations during adverse area ventilation conditions.

Regardless of where you find yourself standing on this complex political issue, we appreciate your interest in finding a positive solution. Should you have any comments or questions please call me.

Very truly yours,


Larry Zink
Secretary

{ENCLOSURE}

MONTANA SULPHUR & CHEMICAL COMPANY

EAST OF BILLINGS ADJACENT TO EXXON REFINERY
P.O. BOX 31118

Billings, Montana 59107

TELEPHONE
Plant: 406-252-7101

April 8, 1987

SENATE NATURAL RESOURCES

EXHIBIT NO. 3 c - 2

DATE 4-15-87

BILL NO. HB 534

TELEPHONE
Office: 406-252-9324
Telex: 319-486

Governor Ted Schwinden
The Fiftieth Montana State Legislature
The Yellowstone County Commission
The Montana Board of Health & Environmental Sciences

RE: House Bill 534

The Montana Sulphur & Chemical Company Facility represents the largest single Air Pollution Reduction Facility in the Valley and also serves, under contractual arrangements the two Billings Refineries. The company is entirely Montana owned and operated and presently employs 38 people at wages considerably above the state average. Almost all of our products are exported from Montana and therefore provide a continuing multimillion dollar inflow of new funds into the Montana economy.

The company was founded in 1955 with the concept of recovering from refinery process and fuel streams sulfur compounds which were being burned prior to our start up. We convert these compounds into useful products. This activity produces new useful materials and reduces sulfur dioxide emissions from the refineries and the fuels they produce at the same time.

Our physical plant includes the capacity to desulfurize about 18,000,000 SCF of sulfide containing fuel gas per day and our Claus sulfur recovery unit has a probable peak capacity of about 275 Long Tons Sulfur Per Stream Day. We have additional capacity for production of purified hydrogen sulfide from the same raw material of up to about 100,000 lbs. per day.

Our operations have been quietly reducing the ambient sulfur dioxide levels in the Valley since we started up in 1956. Last year alone, for instance, we at Montana Sulphur recovered sulfur equivalent to 137,623,000 pounds of Sulfur Dioxide emissions. This recovery rate is over double the total remaining emissions from all six industries. We are confident that our operation is at least as efficient as any similar installation of its age in the area and that our on line factor is not excelled anywhere due to the design of our plant and the diligence of our operators.

Our current sulfur dioxide emissions are based on utilization of considerably less than one half of installed capacity, and our emissions would be expected to increase should capacity utilization increase as we expect it will. We will need to have the ability to use our full installed capacity at some point in the future. This does not

necessarily translate to an increase in area emissions or ambient levels of Sulfur Dioxide.

Each ton of sulfur dioxide emissions escaping from our facility represents, in effect, a reduction of Twenty tons, approximately, of sulfur dioxide formerly emitted from the refinery or the combustion of fuel it produces. The overall effect of higher production rates (and emissions) at Montana Sulphur is actually a net emission reduction in the area.

Recent monitoring results confirm that even though Montana Sulphur emissions have increased in recent years, as the refineries have diverted more sulfur containing gases to our plant, overall area emissions and ambient air concentrations have actually decreased. The Department of Health's own study further indicates the opinion, which we share, that the remaining emissions from our facility have relatively little impact on area sulfur dioxide levels.

Montana Sulphur & Chemical Company has already taken many steps aimed at the reduction of emissions from our facility. These steps, many taken years ago, include

- a. the voluntary installation of redundant processing equipment to assure virtually uninterrupted operation of our Claus sulfur train,
- b. addition of reactors to the train to increase recovery efficiency,
- c. addition of interconnecting ductwork to allow use of reactors by more than one train (which improves online factor and efficiency),
- d. installation of automatic process control to continuously adjust the air rate to the Claus unit as refinery feed gases change in composition as well as flow rate, which increases overall plant yield,
- e. installation of automatic inlet stream monitor on one stream to allow reduction in the periods of flaring,
- f. generally increased sulfur removal efficiencies on fuel gas streams burned at this facility and also at Exxon.
- g. acceptance of new streams of sulfur containing gases. For example, the Exxon Refinery has taken steps to recover and direct up to 2000 Long Tons Sulfur Equivalent of hydrogen sulfide from their sour water processing to Montana Sulphur for sulfur removal. This latter move should result in a net reduction of up to about 8,500,000 lbs of Sulfur Dioxide emissions per year. We look forward to seeing what effect this estimated 15% change will have on the Lockwood monitoring data.

Subject to the existence, of course, of economically suitable contractual arrangements with our suppliers and customers, Montana Sulphur & Chemical Company proposes to

1. continue processing of sulfur containing gases customarily received from the Billings refineries;
2. continue processing of additional gas streams produced by new

EXHIBIT NO. 3-c-4DATE 4-15-87BILL NO. HB 534

sulfur dioxide emission reduction efforts at the refineries, such as the Sour Water Recovery Processing recently implemented at Exxon;

3. Continue to explore with other refiners and industries potential possibilities for sulfur recovery from sources such as Sour Water Processing;

4. Continue to work cooperatively with Conoco to provide additional gas compression facilities which are aimed at further improving the continuity of our sulfur processing for Conoco and thereby reducing the incidence of flaring;

5. Continue to work cooperatively with the State in developing the State proposed Stipulation Agreement under which we will, for a reasonable period of time, not less than two years,

a. Participate in the technical committee to coordinate short term emission reductions at industries which have volunteered for such reductions,

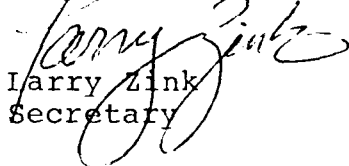
b. Participate financially in the jointly funded area monitoring program at a level commensurate with the mass emissions of this company in comparison to the emissions of other sources;

c. Participate in a program to provide daily or weekly emission estimates on a regularly scheduled basis.

These actions are made or proposed to be made in the interest of improving ambient air quality and fulfilling our role as a de facto air pollution control plant serving the two Billings refineries.

Should you have any questions or need further information on this matter, please contact me at your convenience.

Very truly yours,


Larry Zink
Secretary

STANDING COMMITTEE REPORT

APRIL 15

19.87

MR. PRESIDENT

We, your committee on.....**NATURAL RESOURCES**.....

having had under consideration.....**HOUSE JOINT RESOLUTION**.....

No. **49**

THIRD reading copy (BLUE)
color

INTERIM STUDY ON FOREST MANAGEMENT AND WATERSHED

MILES (KEATING)

Respectfully report as follows: That.....**HOUSE JOINT RESOLUTION**.....

No. **49**

BE CONCURRED IN

XXXXXXXX
DO PASS

XXXXXXXX
DO NOT PASS

SENATOR THOMAS F. KEATING, Chairman.