

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION**

#### **SUBCOMMITTEE ON LONG-RANGE PLANNING**

**Call to Order:** By CHAIR MARY ELLEN CONNELLY, on February 22, 1991, at 7:00 a.m.

#### **ROLL CALL**

##### **Members Present:**

Rep. Mary Ellen Connelly, Chair (D)  
Sen. Bob Hockett, Vice Chairman (D)  
Rep. Francis Bardanouve (D)  
Sen. Ethel Harding (R)  
Sen. J.D. Lynch (D)  
Rep. Bob Thoft (D)

**Staff Present:** Jim Haubein, Principal Fiscal Analyst (LFA)  
Jane Hamman, Senior Budget Analyst (OBPP)  
Claudia Montagne, Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

#### **HEARING ON DEPARTMENT OF COMMERCE VISITOR INFORMATION CENTERS**

**1:A:000**

##### **Informational Testimony:**

Chuck Brooke, Director, Department of Commerce, and Sandra Guedes, Administrator of the Montana Promotion Division, presented the report, Montana Visitor Information Centers, prepared in response to the directive set forth in HB 550, 51st Legislative Session. They were to act as the lead agency in the development of a plan for Tourist Welcoming and Information Centers in Montana, which was to include a designation of the most beneficial and cost effective sites, a determination of the land needed, the estimated costs, architectural plans, operational plans, and a funding proposal. He distributed a copy of the report and the Technical Appendices, **EXHIBITS 1 & 2.**

**Ms. Guedes** reviewed the documents and gave a thorough discussion of the process, including the criteria used to select the seven sites. After long discussions with the School of Architecture, MSU, it was decided that it was cost effective to have a unique Visitor Information Center in terms of theme and design for each region of the state.

**Ms. Guedes** said they were suggesting using the Coal Tax money to

fund the construction, site development and part of the operational costs in the amount of \$4,200,000. There would be cost sharing of the operational budgets with the Montana Promotion Division in the amount of \$400,000 to \$500,000, primarily for staffing and the printing of literature.

**Mr. Brooke** this proposal was not part of the Administration's Long Range Building Program, since the research was not completed in time to be included in the administration's budget considerations. Addition of this project would take the state beyond the level of indebtedness that the administration is proposing; therefore, this project is not a priority of the administration. There was interest expressed by some legislators to pursue the project this biennium, and the Department stood ready to respond.

Questions from Subcommittee Members:

**SEN. HOCKETT** questioned the lack of a site on Highway 2 leading into Kalispell from the west. **Ms. Guedes** said they were limited by the bill as to the number of centers that could be funded after the potential sites were ranked according to research available. **SEN. HOCKETT** asked if the committee had considered using existing buildings for the centers. **Ms. Guedes** said yes, but costs to bring the buildings up to standard would have been as high as new construction.

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**SEN. HOCKETT** asked if there would be permanent staff on site at the centers which would operate year round. **Ms. Guedes** said at first they considered having the communities run the centers. However, to ensure an even quality of service, there would probably be two managerial staff members per year to assist local people. **REP. BARDANOUE** asked which coal money they were referring to. **Mr. Brooke** said their suggestion was meant to point the Legislature to a viable source of funding. The annual Coal Tax Revenue was an option, as well as a percentage from the corpus which would require a 2/3 vote.

**REP. BARDANOUE** commented on the attacks on the Coal Tax Fund and suggested they were conservative in the cost estimates. Had they considered tapping the bed tax? **Ms. Guedes** replied that operating costs would run \$800,000 per year, with \$400,000 to \$500,000 coming from the tourism funds. Other potential sources of revenue would come from cooperative agreements with other federal and state agencies, as well as corporate sponsorships and community cooperation and financial participation.

A general discussion followed about the appropriateness of this strategy to increase tourism as compared to advertising, the suitability of individual sites, and the selection process itself. **Mr. Brooke** referred the committee to Appendix D in EXHIBIT 2 for an overview of that process.

**SEN. HOCKETT** asked if they had considered building one center for

a start, using tourism dollars. **Ms. Guedes** said it would not be good to pit one community against the other in the selection of the one center.

**CHAIR CONNELLY** asked if these centers were a duplication of effort with the Chamber of Commerce. **Ms. Guedes** said the focus of the Chamber was different and that the scale did not fit with the intent of HB 550.

**SEN. HOCKETT** suggested that the Department consider the realities of money availability and challenge the communities to provide buildings, sites and operational costs. **Ms. Guedes** said they were following the intent of the bill - to develop a plan for the centers.

**REP. BARDANOUE** quoted the old saying "you should crawl before you walk", and suggested the Department and its committee set the highest priority, find out how it worked, how much it cost and how valuable it is. **SEN. HOCKETT** complemented the community of Dillon on its cooperative effort with the proposed project.

**CHAIR CONNELLY** closed the hearing.

**HEARING ON THE DEPARTMENT OF INSTITUTIONS LONG RANGE BUILDING  
PROJECT - GALEN HOSPITAL REPAIR PROJECTS**

**1:A:1140**

**Informational Testimony:**

**Keith Colbo, Galen Task Force**, presented the project priorities for the Galen Campus. **EXHIBIT 3** It appeared the campus would be operational for the next biennium, and he did not want to wait until the end of the session to present these priority needs. The original request included 24 items, at a cost of \$1,500,000. He worked with the physical plant people and the superintendent to pare the list down to the essential projects, which would cost \$450,000. There are \$17,000,000 in buildings and improvements on the Galen Campus, and regardless of the outcome of considerations on closure, the state investment must be maintained for current or alternate uses.

**Tom McCarthy, Director of Environmental Services, Physical Plant Manager, Warm Springs State Hospital**, of which Galen is a part, reviewed the new priorities, **EXHIBIT 3**. He suggested one change in priority, placing the repair of the Alcohol Service Center (ASC) roof as the first priority, with a reversion to the priorities as listed. He discussed the needs of the campus.

**1:B:000**

**Mr. McCarthy** said the only need not included is the water tower repair. He mentioned the study conducted after the 1987 session on water towers, and said sufficient funds had not been appropriated to repair all of them. They would be requesting money to repair the tower at Galen, since it is critical for

water supply and fire protection. **SEN. HOCKETT** asked why the water tower was not included. **Jim Whaley, A&E**, said they were operating under the assumption that the Galen campus would be closed, and as a result, none of the requests from Galen had been evaluated.

**SEN. LYNCH** asked for a figure on the water towers. **Mr. Whaley** said that last session had appropriated \$400,000 for water tower repair for five water towers. Bids were going out this spring, but additional money may be needed in the event of increased cost. **SEN. LYNCH** asked where the five towers were. **Mr. Whaley** said they were at Pine Hills, Mountain View, Columbia Falls, Warm Springs and Galen.

**Curt Chisholm, Director, Department of Institutions**, said if the Department was to operate Galen, the roofs would need to be fixed. He preferred doing what they could with the existing appropriation for the water tower rather than spending more money. The Department had not had time to re-analyze its position, and these six items were the critical ones in the view of the Plant Manager, whom he chose not to question. The issue was how to prioritize them, since **Mr. Whaley** did not agree that the ASC roof would be the number 1 priority. **SEN. HOCKETT** asked if it would be more economical to have the roofs done all at once. **Mr. Whaley** said the roofs would cost the same, but there would be some savings in set-up costs.

**SEN. LYNCH** asked about the Galen nurse's call system. **Mr. McCarthy** described the old system and said this request for \$52,000 was a response to the critical need for replacement of this vintage 1952 system.

**SEN. LYNCH** said **Mr. Chisholm** would probably be on the committee to study Galen, and asked him if there was any benefit with regards to getting federal funds in rapidly advocating for the 40 bed unit for Veterans. **Mr. Chisholm** said he had been told by DHES that the establishment of a veterans' component at Galen would constitute a new occupancy, forcing them into compliance with 1985, possibly 1987 Life Safety Codes. In his judgement, this would necessitate substantial renovations at that point in time. Even though it had been presented as a satellite of the Veterans' Home facility in Columbia Falls, it was questionable as to federal participation in a set-aside component within an existing facility. They had never received a clear answer from the VA on this issue.

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**REP. BARDANOUVE** said the state had a marginal campus, and asked if it was true that the federal government could get tough and close down that nursing home facility. **Mr. Chisholm** said there were two issues. He had identified patients, not only at Galen, but also at Unit 219 on the Warm Spring Campus and the Center for the Aged, who need ordinary nursing home care. They could be challenged on the issue that they have a right to be moved to an environment other than an institutional environment by a

Patients' Rights attorney. By virtue of the fact that they are operating under 1967 Life Safety Codes for the 185 beds in the Crockett, Terrill and Annex wings, the federal government is asking for compliance with 1985 Life Safety Codes. There may be some waiver clauses to that, but if they get into enforcing this new code compliance, the Department and state would be looking at substantial dollars.

REP. BARDANOUVE asked if this was the same situation as existed at Boulder, where for the past 10 years, they had just kept ahead of the Medicaid requirements. They had put millions of dollars into that institution in this cycle, and now the state would lose that investment. Mr. Chisholm said while they were not under the gun of the rigid active treatment requirements which existed at Boulder, they did have Licensure and Certification requirements from DHES. He was nervous about maintaining code compliance in the foreseeable future.

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REP. BARDANOUVE said he had tried to be objective, and found many problems at the Galen campus. He had offered the administration an alternative to closure - a two year study to look at uses for the campus. In the meantime, he advised doing the absolute necessary repairs. SEN. LYNCH agreed with the concept. Mr. Chisholm said he had talked to Mr. Colbo, whose organization has a bill requiring a two year study of the Warm Springs Campus. His suggestion was to include the Galen Campus in that study, as well as an infrastructure study of both institutions to have a total view for future decision making.

REP. BARDANOUVE commented on appointments to the committee to study these campuses, and said he did not want them stacked with special interest representatives, but rather wanted an objective, impartial group.

Mr. Colbo commented that members of the Galen Task Force did not want a stacked committee either. He described the committee structure: eight legislators selected by the President and the Speaker, and representatives of the Department of Institutions, Galen Task Force, Mental Health Association, etc.

#### HEARING ON HB 10 - OIL OVERCHARGE

Tape 1:B:610

#### Presentation and Opening Statement by Sponsor:

REP. BARDANOUVE, HD 16, Harlem, asked the representative of DNRC to give the presentation.

Van Jamison, Administrator, Energy Division, DNRC, gave an overview of the Oil Overcharge. EXHIBIT 4 Mr. Jamison said Ms. Hamman would review the process used by OBPP to make its recommendations as set forth in HB 10. He said these Oil Overcharge funds had been collected from oil companies for

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alleged violations of the Department of Energy's Pricing and Allocation restrictions which were in place from 1973 to 1981. DOE then awarded these funds to those individuals, such as trucking firms, airlines, etc., who could demonstrate a direct injury. Subsequent to that, monies were left which were now being used to compensate small consumers' injury. The remaining money was dispersed to the states, apportioned relative to the state's overall petroleum consumption. The states were then to develop energy related restitutionary programs, in essence to make whole those citizens injured by the oil overcharges.

**Mr. Jamison** said there were two types of Oil Overcharge monies: one, Exxon funds representing an individual corporate settlement which occurred prior to the universal crude oil settlement provisions contained in Stripper. This settlement carries different provisions than the Stripper provisions, and can only be used for any of the five existing federal programs administered by the state: State Energy Conservation Program, Energy Extension Service Program, Institutional Conservation Program, all administered by DNRC, and the Low Income Weatherization Program and the Low Income Energy Assistance Program, administered by SRS.

**Mr. Jamison** said the \$600,000 in Exxon funds contained in HB 10 was previously appropriated to SRS for Low Income Weatherization, whose plan was approved by DOE. Therefore, they cannot be removed from that program. The committee would have discretion with the remaining monies in the bill since they are all stripper well monies, and can be used for a variety of purposes: all five programs previously mentioned, as well as any energy related restitutionary program previously approved under the Chevron settlement agreement, and any previously approved sub part b plan (an activity in any state approved by the Federal Government in any prior settlement agreement similar to the activity proposed, or any restitutionary activity approved by the court).

**Mr. Jamison** said the Administration had been conservative in revenue estimations, and the program usually receives more revenues than anticipated. Those additional monies would be available for the 1993 Legislative Session.

1:B:915

**Ms. Hamman** reviewed EXHIBIT 4, in particular the allocation of funds for the prioritized projects. She updated the committee on activity since the last session. Last session, \$3,220,000 was appropriated for these purposes. Following the session, OBPP, DOA and DNRC worked with the grantee agencies to set up a new account in the Dept. of Administration to be sure that all unobligated cash balances were returned quickly to be invested. The Oil Overcharge payments that have been received were put into this same account. As the grantees needed the money, they drew down that single account. The budget office had expected to have \$1,000,000 to appropriate this biennium; however, \$2,826,000 is allocated in HB 10. Combination of management and payments

received account for the increase.

Regarding the allocation process, **Ms. Hamman** said the Governor appointed a Task Force, chaired by Rod Sundsted, the Budget Director, which reviewed and ranked the 14 proposals received, prepared recommendations, and directed drafting of the bill. She briefly reviewed the requests.

#### **Proponents' Testimony:**

**REP. RANEY, HD 82, Livingston**, introduced an amendment. **EXHIBIT 5** He was working with legislators, citizens, industry representatives, the Governor's staff, and department personnel to create "Energy in the Nineties", a decade-long plan designed to increase energy efficiency through energy conservation and the use of alternative energy. The structure for what they were proposing already existed in programs functioning in the state, one being the state program to retrofit buildings for energy efficiency through debt financing. They would like to extend that program to cities, counties and schools so that government would become the demonstration project for energy efficiency.

He described the present program, in which the energy savings in dollars is used to pay off the costs of retrofitting a building, be it bonds, or a loan from the power company. In this way, there is no increase in taxes. The purpose of this amendment is to extend this to local governments, redirecting the use of oil overcharge funds appropriated to DNRC for local governments away from the present mini grants to local governments so that all buildings can be retrofitted, and the program can exist not as a demonstration program, but a permanent one.

2:A:000

**Rep. Raney** said the \$126,000 in project 5, Technical assistance to local governments, would remain there, with the change that the recipients would now think long range. A long range plan would be brought back to the 1993 Session, and he predicted that most Montana buildings would be retrofitted within the decade.

#### **Questions from Subcommittee Members:**

**REP. BARDANOUVE** asked if organizations such as the Montana Association of Counties were supporting this concept. **REP. RANEY** replied that the "Energy in the Nineties" just started coming together two weeks previous, and therefore no organizations had been contacted. **REP. BARDANOUVE** asked if Montana Power had been approached on this concept. **REP. RANEY** said he had some discussions with Montana Power, but the most responsive party had been Pacific Gas and Electric. He had discussed the utilities and this buy-back with Van Jamison and suggested directing the question to him.

**Mr. Jamison** said there was a Request for Proposal (RFP) issued by the Bonneville Power Administration (BPA), asking for people to supply them with bids for resources, including efficiency

resources. State government may respond to that RFP, offering to them for sale efficiency in University and other state-owned buildings within their service territory. In the RFP, BPA describes how much power they want, and the characteristics the power must have. Montana Power Company (MPC) intends to go out in its next resource acquisition procedure with a competitive bid itself. This would provide an opportunity for local and state governments to respond and offer power resources in the form of efficiency for a price to MPC.

**Proponents' Testimony:**

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**Steve Powell, County Commissioner, Ravalli County,** said he did not have a problem with the philosophy and the long range perspective contained within the amendment. He asked for a considerable expansion of the funding in project 5, technical assistance to local governments, to be able to begin this long range approach, and to have any effect on energy efficiency.

**REP. BARDANOUVE** expressed concern regarding such an appropriation, that it would be spent without any real impact with a loss of the overall intention. **Mr. Powell** said he shared the concern, and felt confident in the program, in light of the impact of demonstration projects completed to date which had already paid back the original investment. He also addressed Rep. Bardanouve's earlier comment on utility response. It will be necessary to create an incentive for utilities to participate in these programs through a component in regulation.

**REP. RANEY** said that he had a different idea regarding local governments working with schools. He said their package would direct Superintendent Keenan to work with DNRC on retrofitting and the development of an energy conscious curriculum. The difference between this amended program and the existing one is that local governments are required to work with DNRC, the department that has the experts and the network with energy providers in the region. **REP. RANEY** said that rate-basing would have to become a significant part of this so that the power companies could include this purchase of conservation energy in their rate base. Bob Anderson of the PSC understood the concept.

**REP. SHEILA RICE, HD 36, Great Falls, President of Energy Share of Montana, and Vice President of Great Falls Gas Company,** testified in favor of the bill. She spoke to Section 5 which provides with matching funds for Energy Share of Montana. She reported what Energy Share of Montana had done with the \$100,000 received in the last session through the Oil Overcharge money. They had leveraged that amount almost 2:1 with local dollars, which in turn helped 155 people with fuel dollars, emergency furnace repair, or weatherization. Those clients were 125 to 150% of low income poverty guidelines, were untouched by other programs, and yet were very much in need.

**REP. RICE** emphasized the importance and value of dollars for



weatherization since this represents a cure for the problem of high energy costs themselves.

**Laurie Zeller, Conservation District Bureau, DNRC**, directed her comments towards Section 9 of HB 10, the Ag Energy Conservation Program. The \$500,000 appropriated in 1987 was used to show farmers and ranchers low cost means of lowering energy use. They funded 25 grants, most of which were still active, conducted a public awareness program, and organized an Ag Energy Symposium, sponsored by the Phillips County Conservation District. **EXHIBIT 6** As a result of feedback from that conference, their new focus was more demonstrations of solar and other energy and resource conserving practices installed on farms.

**Jim Barngrover, Alternative Energy Resource Organization (AERO)**, spoke in support of HB 10 and the Raney amendment. **EXHIBIT 7**

**Jim Morton, Director, Human Resource Council, Missoula, and the Chair, HRDC Directors Association, and Member, Local Government Energy Committee**, spoke in favor of HB 10, and addressed in particular the Low Income Weatherization Program. The Human Resource Councils operate the Fuel Bill Assistance Program and are the local administrators for Energy Share of Montana, and thus are well aware of the need for the program. He supported Commissioner Powell's request for additional monies for the technical assistance to local government program.

Regarding the BPA's RFP, **Mr. Morton** reminded the committee that BPA's territory was west of the divide, and they had a certain defined service territory as well. Much of eastern Montana was served by Montana Dakota Utilities (MDU), which was in excess capacity at this time, and whose need was to aggressively market that excess capacity, and to spread their fixed costs over a greater number of units. As a result, this utility would not be interested in this cost sharing proposal. Therefore, the Local Government Energy Committee program funded by Oil Overcharge was especially important in targeting the problem in eastern Montana. The money did require a match from the local government entity and was a long term measure. He asked that the funding of this program be brought up to current level (\$235,000).

**Mr. Jamison** asked to expand on the comments of Mr. Morton. He said that all believed Rep. Raney's amendment to be a very important step forward with respect to energy efficiency in the state and local governments' improving their economic situation. The amendment anticipates certain efficiency improvements that utilities will not buy, either because they are in surplus, or are a gas utility. Therefore, the amendment addresses the need for a debt service program, where the debt service would cost less than the energy would otherwise cost. He and Mr. Morton had discussed the possibility of sharing between the Weatherization Program and the Institutional Conservation Program the \$109,000 that the local government program would need added to its appropriation to bring it up to current level.

**Barbara Mullin, Weed Coordinator, Montana Dept. of Agriculture, and Administrator, Noxious Weed Trust Fund Grants Program,** recommended support of Section 6 of HB 10, which appropriates \$200,000 for the biological control and collection and distribution of agents for the control of leafy spurge and spotted knapweed. She described the program and discussed its accomplishments.

**Questions from Subcommittee Members:**

**SEN. HOCKETT** asked why Mr. Barngrover and Ms. Mullin were not supportive of the proposal to take some of the money going into the Weed Trust Fund and put it into long range research by adding researchers at the MSU Ag area. He said the Weed District had opposed this bill, introduced by Sen. Jergeson. **Mr. Barngrover** said AERO had been involved in this issue. There was another bill in Appropriations supporting, through the Extension Service, employment of a weed biologist and a weed microbiologist. Both positions would deal with the control of cropland weeds primarily. Generally, AERO was supportive of looking at weed management strategies.

2:B:000

**SEN. HARDING** asked about the transfer of funds; **Mr. Jamison** said the proposal was to add to Rep. Raney's amendments for the Local Government Technical Assistance Program an amount of \$109,000 for a total of \$235,000 by taking \$50,000 from the Low Income Weatherization Program, and \$50,000 from the Institutional Conservation Program. The \$9,000 difference would come out of the Institutional Conservation Program, since as the lowest priority program, it would be cut if the revenues did not reach the anticipated level. All parties agreed that, because this program was so important, they would have monies in their programs reduced so that local governments would have adequate resources to get this job done. There were tens of millions of dollars worth of efficiency improvements that local governments could potentially make through a program like this, and the appropriation was only \$235,000 to seed the creation and development of that program.

**REP. BARDANOUE** supported the amendment and said he would like to see more money put into that area.

**SEN. HOCKETT** referenced the underground fuel storage tanks, and asked how this program funded by Oil Overcharge would help those low income people and problems with their tanks. **John Geach, Underground Tank Program, DHES,** said this would help low income individuals replace their leaking underground tanks. They would look at and fund alternatives if natural gas if were now available. He did not know if this money could be used for the \$20/year registration. One of his concerns was that in order for a tank to be eligible for replacement, it would have to be leaking or over 36 years in age. This would address the source of the leak, but it could not be used for clean-up. Rep. Stang's bill would help somewhat, but there would still be a deductible

(1/2 of the first \$5,000).

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Mr. Jamison asked to address the safflower portion of the appropriation bill. This was a Montana product that could be used as an extender and/or fuel in medium speed diesel locomotive engines. Dr. Bergman, with the Montana State Extension Service in Sidney, had been screening and genetically engineering safflower strains that can be used without polymerization in these engines. He now has a variety called Montola 2000, which has better food and fuel characteristics than Canola.

Mr. Jamison said that negotiations were underway with Burlington Northern and Rail Link, who were both very interested in testing Montola 2000 in medium speed diesel engines. The economics were very good, in that it took about one liter of diesel fuel to grow 6 liters of Montola oil. Dupont was also interested in this product as a substitute for petroleum products, resulting in the forestalling of closure of the Oil Seed Processing Plant in Culbertson. The strain can be grown in eastern Montana and would provide a boost to primary economic development, as well as a secondary business development for eastern Montana.

#### HEARING ON OIL AND GAS POLICY ISSUES

Tape No. 2:B:470

#### Informational Testimony:

Tom Richmond, Oil and Gas Division, DNRC, corrected the impression he had left at the previous meeting that the wells they were taking care of were going to go on forever. Current problems stemmed from old wells, drilled in the early part of this century with poor technology compared to today's technology.

Regarding bonding, Mr. Richmond said it was impossible to bond for 100% of the liability. It was their hope to have some mechanism to hold people responsible for their activities, of which the bond would be only a part. In the past year, a policy had been implemented of inspecting wells when a transfer of ownership occurred in order to prevent the sale of a well to a potentially irresponsible operator. The intention was to put pressure on people to solve, rather than sell, their problems.

Mr. Richmond said that a bond could be increased, but it was impossible to get a surety bond in Montana. Also, an increase could potentially put some people out of business. He mentioned HB 143, passed last session, which set up an Oil and Gas Damage Mitigation account to deal with problem wells on an emergency basis. This account was funded only with monies from the termination of bonds. This was not enough, which was why they were asking for a grant. In addition, HB 199, introduced this session, would fund the account with revenues accruing to the RIT.

**Questions from the Subcommittee:**

**REP. THOFT** suggested setting aside the wells not plugged properly without any apparent responsible party. His concern was about the wells drilled today, for which the state would be responsible for plugging twenty years hence. The bonds were low; moreover, the producer was relieved of this bond upon beginning production. What is different today to prevent this scenario from occurring?

**Mr. Richmond** said the regulatory environment today is very different, even from what it was two years ago. HB 143 requires a drilling bond, covering the period of time from permitting through completion for production. Once it is paying into the RIT account, the bond is relieved. This same bond that before the bill was passed, applied to the entire life of the well, and was \$5,000 for a single well and \$10,000 for multiple wells. The change of operator procedure was also different.

**REP. THOFT** said that was not in law, but was something the Department could or could not do. **Mr. Richmond** agreed, saying they had an obligation to review the change, but it was not in statute. They no longer routinely approve these transfers.

**SEN. HOCKETT** suggested a scenario in which a marginal well drilled by Exxon is sold to an individual who has no assets. Exxon had been released from its drilling bond, and after the transfer, a problem develops which the new owner is unable to address. He asked if the situation at the present time is that the state would then have to pick up that problem. **Mr. Richmond** said he would only add that at the point of transfer from a major to an individual, the Board would look at potential problems before approving the change. **SEN. HOCKETT** suggested that the problems might not be visible at the time of the transfer, and again the state would be left with the problem.

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**Don Garrity, Attorney, Board of Oil and Gas Conservation**, asked to address the question. He pointed out that most of the problem wells were drilled long ago. Current regulations require a carbon steel casing. **Mr. Richmond** said current regulations required surface casing, set below the depth of all usable water in the area, to be cemented in place under pressure to be held for a minimum of 8 hours while setting. Once completed, there is casing run on the well all the way to the surface, or tied back into the surface casing, and cemented into place. Any dry hole must be plugged and abandoned. Plugs must be set by a third party with an invoice from them as evidence of completion.

**Mr. Garrity** said this shows that wells drilled and plugged today would not be a concern. What is a concern is the issue of a transfer from Exxon, once a producing well had become a marginal asset to them, to a person with little assets. He described at length the scenario and concluded that if the individual (new owner) cannot afford to adequately plug the well, the state could afford to do that because of all the money that has gone into the

RIT account over the years that well was producing.

**Tape 3:A:000**

**SEN. HOCKETT** said that was the best case scenario. **Mr. Garrity** agreed, saying the most dangerous wells were the deepest wells, and those had the most stringent requirements. **SEN. HOCKETT** said his concern was that such a deep well could start to flow brine water. What he was hearing was that there was no need to worry about potential contamination with the technology today. **Mr. Richmond** said that by that time, the pressure in the reservoir would have been depleted. However, there were enhanced recovery projects that could cause previously adequately plugged wells to leak, and he mentioned the Underground Injection Control Program, currently operated by EPA in the state, and for which the Board of Oil and Gas Conservation was applying for primacy. An operator who would cause such a leak in the process of enhanced recovery through injection would be liable for the damages.

**REP. BARDANOUVE** expressed concern about the situation in Sheridan County, as described by the residents. **Mr. Richmond** said those were deep wells that produced salt water with the oil, and he could not guarantee that there would be no problems. Those were some of the most modern wells in the state, completed with state of the art technology.

**REP. BARDANOUVE** asked if they had enough money now to do this type of work, and **Mr. Richmond** said they had an account with \$80,000 now, which was why they were asking for grant money.

**REP. BARDANOUVE** suggested that the oil industry itself set up a sufficient fund to take care of this situation, comparable to the fund for leaking underground tanks. **Mr. Richmond** suggested that is what the RIT fund was for. **REP. BARDANOUVE** said it was not intended for that purpose.

**REP. THOFT** said if the oil industry would say it would plug all the bad wells in the state, he would tell them to keep their RIT tax. Someone has to set aside enough money to take care of the wells. The RIT tax was the oil industry's insurance fund, and that was not what it was set up for.

**Doug Abelin, Northern Montana Oil and Gas**, defended the industry, saying that in the past 20 years, the philosophy and working practices changed. Setting up one fund after another to deal with the problem made it more difficult for the industry to survive. He suggested that the procedure set forth in HB 199 would assure enough money on a permanent basis when the need arises. As a rationale, the industry felt that a reasonable percentage of the RIT was provided for problem wells. He acknowledged that others had different desires for the use of the RIT. He gave the example of his support, as a representative of the industry, for the programmatic EIS now required, and said the industry was trying to do the best it could do.

**REP. BARDANOUVE** said there was not enough in the RIT fund to do the job in the future, to which **Mr. Abelin** replied that only 3% was being asked of the RIT for the Mitigation account. **REP. THOFT** commented that much of the RIT money was being spent to administer state government, and advised caution on that issue. He acknowledged that the technology and standards for drilling were better; however, he felt that the issue of plugging was still there.

**Mr. Abelin** distributed the Application for Release of Well from Bond. **EXHIBIT 8** This application had not been requested. He suggested that no new wells were being drilled.

**SEN. HOCKETT** asked how much money came into the RIT fund each year from the oil producer. **Ms. Barclay** said 67% of the total came from the oil industry, and the RIT Account was growing by approximately \$5,000,000 per year.

**SEN. HARDING** asked how many wells needed plugging right now and asked about leaking tanks. **Mr. Richmond** estimated there were approximately 2400 wells drilled prior to 1954 with no or inadequate plugging. They have been reviewing these, and those applied for in the grant application were the worst. Regarding the tanks, he said it was an operations problem. There were five field inspectors for the state, and eventually they would get to these. They also have a complaint system.

**Mr. Abelin** responded to Rep. Bardanouve's question about sufficient funds to plug wells. He said if there were 2400 wells needing plugging, it would be a long term project. As long as the industry continued to produce, it would continue its contributions to the RIT, which would constitute replacement funds going into the RIT.

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**Mr. Richmond** spoke regarding HB 143, saying it was not intended to get operators off the hook. That same legislation gave the board the authority to file liens not only against oil and gas assets, but against personal assets.

**REP. BARDANOUVE** asked how often the board had gone after someone in this way. **Mr. Richmond** said they had collected 5 or 6 bonds in the past 18 months, but had not filed liens, due to some language in the statute that made corporate officers responsible individually for the actions of a corporation. That language complicated matters and was in direct disagreement with corporate law.

**Mr. Garrity** suggested that the legislature in its wisdom had kept the bond low to extend to the small operator, as well as the Exxons of the world, the opportunity to work in the state. The problem with HB 143 with regards to the liens was that the bill avoids the fact that a corporation is legally a separate person, and that would be corrected.

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**Jim Jensen, Executive Director, Montana Environmental Information Center**, said that, in his view, the basic policy debate that is before the legislature is whether or not the state would accept the liability as an insurance provider for private industry, the oil industry in this case. That debate took place in the last session on HB 143, and the legislature did in fact make a decision to transfer insurance liability from the private sector to the State of Montana, using the Resource Indemnity Tax. The question then becomes one of tax policy - is the RIT an insurance fee on industry, or is it a tax for other purposes. This should be the focus of the debate: not whether or not there is enough money, but who should in fact for the future be providing the protection for the environment and making sure these wells are plugged and abandoned properly.

**Mr. Jensen** commented that if the insurance industry could not provide that protection, or risk management for the industry, the industry has an obligation to come up with its own self insurance mechanism. They have seen the RIT as that vehicle, and so far have convinced the legislature. Regarding Don Garrity's statement that the bill passed last session was defective because it allowed the state, through the Board of Oil and Gas Conservation, to go after individuals to collect damages, **Mr. Jensen** reminded the committee that an agreement had been made with industry in negotiations on HB 143 that the state would have the authority to pierce the corporate veil and go after an individual and his/her personal assets in addition to the corporate assets. In light of the obligation being assumed by the state and its taxpayers in HB 143, the legislature felt it was fair to ask something of private industry. He hoped that this Legislature would not go back on that agreement made in 1989.

#### Informational Testimony on Battle Creek Water Storage Site:

Regarding the Battle Creek Water Storage Project presented the day previous by Gary Fritz, DNRC, **REP. BARDANOUVE** said he had made calls to a landowner who would be affected, a spokesman for the west end of the Milk River Valley, and former Sen. Etchart. He discovered that the west end landowners were not opposing the small dam, nor were the affected landowners. He had invited Sen. Etchart to speak, since he lives at the east end of the Milk River Valley in the Phillips/Valley County region and would be the most affected.

**Former Sen. Etchart** said he was basically in favor of more storage. He reminded the committee that he carried a bill to declare a moratorium on appropriating more water out of the Milk River drainage, where this dam would be located. If water were impounded during flood stage, it would be beneficial to all concerned in that some of that excess water would be set aside. If it were impounded when existing water supply was short, it

would have a small impact on the water users. He thanked the department and the committee for their fine treatment of their grant application, but said that the federal government had let the irrigators on the Milk River down in that they had pursued the implementation of the treaty with the Canadians.

**Sen. Etchart** said it was their impression that the water would be divided on a percentage basis, and that the situation had degenerated to the point that the percentage is applied during the high spring flow months, when the Milk River system was unable to capture their percentage share of the runoff for the year. He questioned whether the federal government had taken into account the contracts signed prior to the Winters Doctrine, a case on the Milk River in which the Indians asserted their water rights. He supported the project, and suggested moving up the Milk River project in which the water supply would be increased through the size of pumps at Virgelle which could in turn replace the water impounded at Battle Creek.

**Sen. Etchart** said there was more need for water than for storage, and suggested that the Canadians could allow the Milk River users to divert more water out of the St. Mary's River as a means to accomplish this. He suggested pursuing the Canadians for a trade-off, allowing the Milk River water users to get their percentage of water on an annual yield basis instead of dividing it every 10 years.

#### MISCELLANEOUS ACTION ON RIT GRANT PROGRAMS

3:B:000

**Mr. Haubein** distributed an amendment to provide that WASTEC consider those two projects on the Berkeley Pit that had requested funding from the grant program. **EXHIBIT 9** **REP. THOFT** said he would like to see the amendment broadened so that any project, not only those two, could be considered by WASTEC. **Mr. Tubbs** said as he understood the WASTEC proposal, they would consider all potential projects. This amendment would give these projects some emphasis.

**Motion/Vote:** **REP. THOFT** moved to adopt the amendment. **EXHIBIT 9**  
Motion **CARRIED** 5 to 0, **SEN. LYNCH** absent.

**SEN. HOCKETT** asked to put additional funding for the Montana Salinity Control Association project on the list at the bottom of the authorized project list for Reclamation and Development Grants. Their funding request was cut in half, and after talking to the project director, he felt the supplemental funding was necessary for them to continue at their present level. **EXHIBIT 10**

**Motion/Vote:** **REP. THOFT** moved to adopt the amendment. **EXHIBIT 10**  
Motion **CARRIED** 5 to 0, **SEN. LYNCH** absent.



**Ms. Barclay** suggested an amendment the Department thought was necessary to allow the Board of Examiners to issue revenue bonds on the Broadwater Power Project after the Department's bond counsel and financial advisor evaluated that proposal. **EXHIBIT 11**

**Motion:** **REP. BARDANOUVE** moved to adopt the amendment. **EXHIBIT 11**

**Discussion:** **Ms. Barclay** suggested approval of the amendment today, recognizing that it may have to be amended in the Appropriations Committee to address questions of Legislative Council. **Mr. Haubein** said **Greg Petesch** said that there were long term questions relating to tax exempt status here which could not be answered readily. He could see no problem with this amendment being approved, but once the questions were answered, it might have to be amended again.

**Vote:** Motion **CARRIED 5 to 0, SEN. LYNCH** absent.

**Ms. Barclay** said the Department had two more amendments, which were a result of an auditor's review. **EXHIBITS 12 & 13** She said there was a disagreement between the accountants about how funds are encumbered. The amendment before the committee makes it very clear that the Department can obligate the funds to particular grants; at the end of the biennium, unless they are obligated, those funds are available to the grantee. The Department's position was that the subcommittee's approval in the legislation was sufficient; however, the accountants have insisted that there be specific language which makes it clear that money can be carried over with those obligations.

**Motion/Vote:** **REP. BARDANOUVE** moved to adopt the amendments. **EXHIBITS 12 & 13** Motion **CARRIED 5 to 0, SEN. LYNCH** absent.

**Ms. Barclay** asked that **Marvin Miller** address the committee. **EXHIBIT 14**

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**Mr. Miller** said the Little Bitterroot Valley Eastern Sanders County Conservation District and the Flathead Irrigation Project, with support from the tribal council, had asked that the Little Bitterroot Aquifer Study be re-authorized. This project was approved by the 50th Legislature with conditions that all three parties meet, and that the Bureau of Reclamation come in with considerable funding. Since that time, the project was not approved by the Bureau of Reclamation, and there is no matching money. However, the district and the irrigation district thought that considerable changes had taken place in the watershed. The two leading flowing wells had been plugged. In addition, there was now the possibility of aquifer contamination by ag chemicals through the spraying of Tordon.

**REP. BARDANOUVE** asked for the number of flowing wells. **Mr.**

**Miller** said there were many, most of which were drilled between 1919 and 1925 with 3 to 4 inch casings. There has been a loss of on the average 2 to 2 1/2 feet per year since 1985. The problems there are: 1, using more water than is being stored or recharged to the aquifer; and 2, many wells are leaking. The plugging of the two leading wells could provide a good measure of the impact on the aquifer.

**Mr. Miller** said the amendment re-authorized the money already approved with a slightly changed scope of work and eliminated the matching money from the federal government as a requirement.

**Motion/Vote:** **REP. BARDANOUVE** moved to adopt the amendment.  
**EXHIBIT 14** Motion **CARRIED** 5 to 0, **SEN. LYNCH** absent.

**Ms. Barclay** discussed the establishment of a minimum amount in each grant program to provide direction in the next session and the executive budget development process. Another question which remained was combining Water Development (WD) and Renewable Resource Development (RRD) Programs into one.

The Department felt an adequate minimum cap to be \$1,000,000 each for WD and RRD, and \$3,000,000 for the Reclamation and Development Grant (RDG) Program. Although these figures represent an increase, the estimates were reasonable considering the additional interest due to the growth of the corpus. In addition, some DNRC programs funded out of RIT, such as the Missouri River Reservation, will end partway through the next biennium.

**REP. BARDANOUVE** asked for the meaning of "cap", and **Ms. Barclay** said a more proper word might be minimum "floor". **SEN. HOCKETT** expressed the concern that setting this minimum would set a precedent, and the grant funds would never rise above that minimum. **Ms. Barclay** said that was a real danger, but **Mr. Tubbs** said it was wise to take the risk of that, considering that the grant accounts had been declining every year. **Ms. Barclay** said the Department's concern was that the trend had been to increase expenditures in other areas, thus showing a decrease in these grant programs. From that standpoint, she thought it wise for the Legislature to know it had at least this amount of money. The problem was to ensure that this floor did not become the cap as well.

**REP. BARDANOUVE** asked about the spending of other subcommittees out of the RIT account. **Ms. Barclay** said that DNRC and DSL had completed their budget hearings, and in both cases, the executive split was approved, which would track with the expenditures as projected in **EXHIBIT 15**. Not yet dealt with were Reorganization costs for natural resource agencies, the Pay Plan, money for the Water Courts (an additional \$60,000), in addition to the bills outstanding to take money off the top.

**Ms. Hamman** said that from the Executive point of view, the policy concern about having enough money for viable grants was supported. Establishing a floor would at least act as an expression of intent.

**Motion:** **REP. BARDANOUVE** moved to adopt the minimum grant account amounts: \$1,000,000 each for Water Development and Renewable Resource Development, and \$3,000,000 for the Reclamation and Development Grant Program for the next biennium.

**Discussion:** **Ms. Barclay** said these amounts are suggested with the assumption that SB 313, the Water Storage bill, would pass. The storage accounts would then be over and above the amounts in the WD and RRD accounts. A discussion followed on HB 199, which would take 40% of the RIT proceeds for the Oil and Gas Mitigation Account, and also for a Groundwater Monitoring and Characterization Program. **Ms. Hamman** asked for enabling language, and said she would work with the department to develop that language.

**Vote:** Motion CARRIED 5 to 0, **SEN. LYNCH** absent.

**REP. BARDANOUVE** asked that the committee be kept informed as changes occurred which would impact the RIT. **Ms. Barclay** agreed to do that.

**Ms. Barclay** discussed the merging of the two programs, WD and RRD. **Mr. Haubein** said he had a request in with the Legislative Council to draft language to this effect. He would like to review it with the department and the budget office, and then bring it to the subcommittee. **REP. BARDANOUVE** said it could be brought before the full Appropriations Committee.

**Mr. Haubein** asked to reconcile figures with everyone and have all amendments officially drawn up for action by the subcommittee. This will take place after transmittal.

**Anna Miller, Financial, DNRC**, distributed a summary of Coal Severance Tax backed issues to illustrate the department's arrival at the 10% interest figure on which it based its cost projections in the loan program. **EXHIBIT 16**

#### ADJOURNMENT

**Adjournment:** 11:35 a.m.

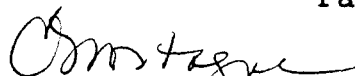
*M. E. Connelly*

MARY ELLEN CONNELLY, Chair

HOUSE LONG-RANGE PLANNING SUBCOMMITTEE

February 22, 1991

Page 20 of 21



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CLAUDIA MONTAGNE, Secretary

MEC/cm

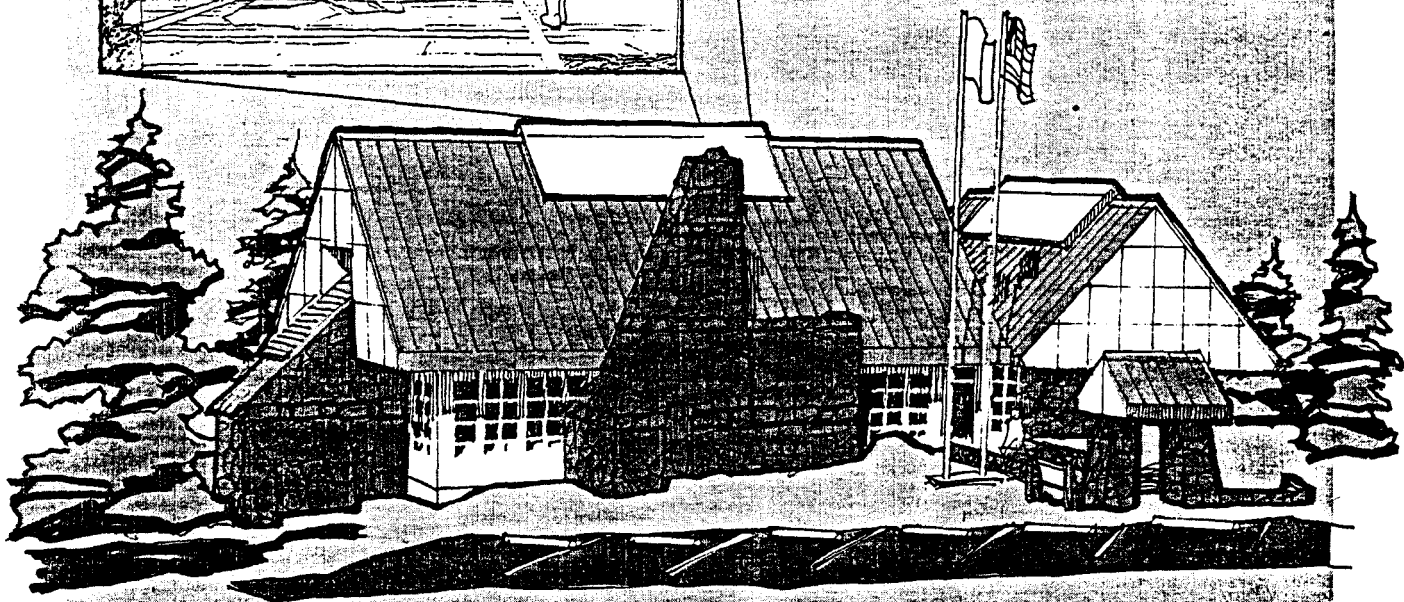
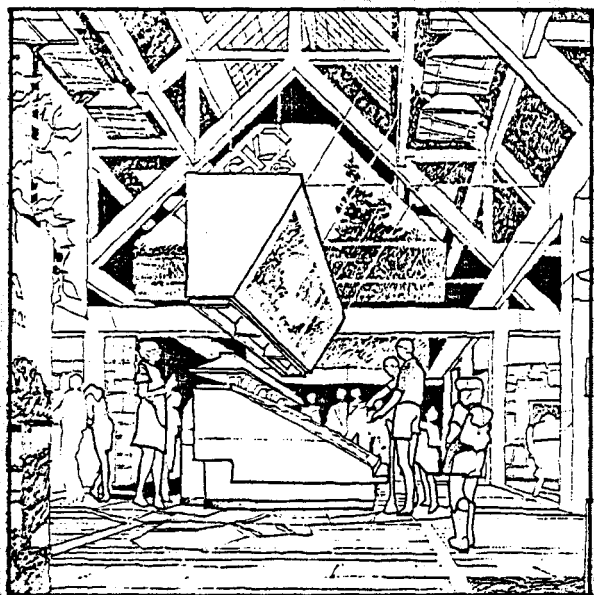
**HOUSE OF REPRESENTATIVES**  
**LONG-RANGE PLANNING SUBCOMMITTEE**

**ROLL CALL**

**DATE** 2-22-91

<b>NAME</b>	<b>PRESENT</b>	<b>ABSENT</b>	<b>EXCUSED</b>
REP. FRANCIS BARDANOUVE	✓		
SEN. ETHEL HARDING	✓		
SEN. BOB HOCKETT, VICE-CHAIRMAN	✓		
SEN. J.D. LYNCH	✓		
REP. BOB THOFT	✓		
REP. MARY ELLEN CONNELLY, CHAIR	✓		

HR:1991  
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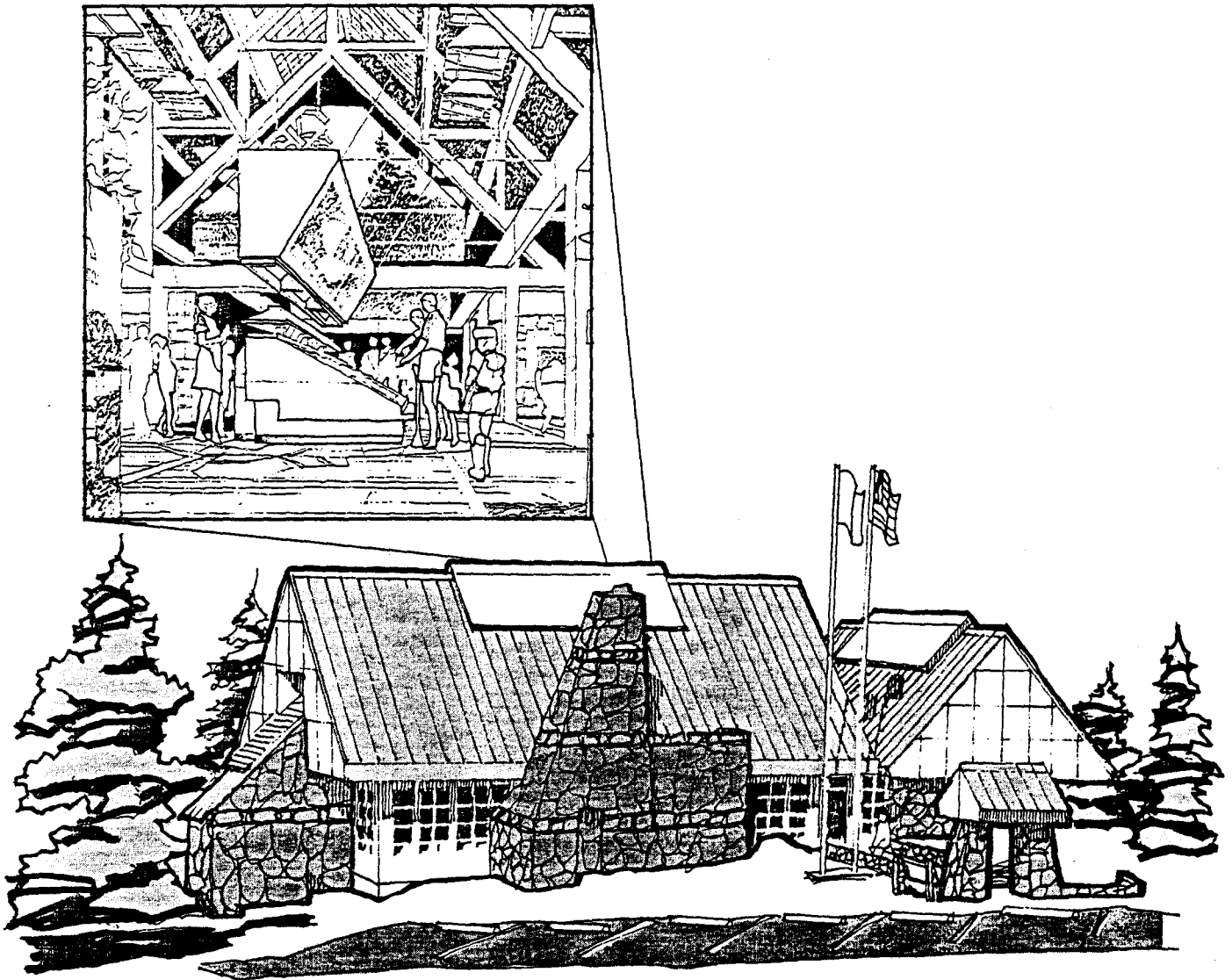


# Montana Visitor Information Centers

A Report to the 52nd Legislature

Montana Department of Commerce

EXHIBIT 2  
DATED 2-22-91  
Helding Range Building  
Program



# Montana Visitor Information Centers

## Technical Appendices

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Montana Department of Commerce

EXHIBIT 5  
 DATE 2-22-91  
 HB Long Range Building Program

**PROJECT PRIORITY TABLE  
GALEN CAMPUS**

<u>Priority</u>	<u>Project Title</u>	<u>Rationale for Priority Ranking</u>	<u>Cost</u>	<u>Source of Funds</u>
1	Roof maintenance Crockett & Terrill roofs - Galen	Critical bldg. is experi- encing leaks.	\$ 96,246.00	General Fund
2	Food service roof - Galen Campus	Critical to protect kitchen/dining from damage due to moisture.	\$ 59,392.00	General Fund
3	Repair of roof ASC - Galen Campus	Necessary to protect.	\$102,410.00	General Fund
4	Galen nurse call system	Necessary to accom- modate needs.	\$ 52,000.00	General Fund
5	Crockett & Terrill wing flooring - Galen Campus	Will likely become Medicare/Medicaid deficiency in near future.	\$ 50,160.00	General Fund
6	Annex & receiving roofs - Galen Campus	Necessary to seal out elements. Lack of repair will cause serious damage to bldg.	\$102,410.00	General Fund



## OIL OVERCHARGE

Oil overcharge monies are allocated to states by the federal Department of Energy (DOE) or the courts as a result of litigation against oil companies for overcharging for their products. The funds are awarded as restitution. States must use the funds to assist those who were harmed.

Oil overcharge monies may not be used to replace state funds and may only be used in authorized program areas. Under DOE regulations, oil overcharge monies are to be allocated by the Governor. He must make signed assurances to the court and DOE that the funds will be expended according to the established criteria. A plan must be submitted to DOE prior to expenditure of the funds. Oil overcharge funds may not be used to supplant state funds.

### Limits On The Use Of Funds

Oil overcharge monies may only be spent in the following program areas according to DOE regulations:

1. State Energy Conservation Program - DNRE
2. Constitutional Conservation Program - DNRE
3. Energy Extension Service - DNRE
4. Low-Income Energy Assistance Program (LIEAP) - SRS
5. Low-Income Weatherization Assistance Program - SRS
6. Highway and bridge maintenance and repair
7. Ridesharing programs
8. Public transportation projects
9. Residential or commercial building energy audits
10. Grant or loan programs for weatherization or other energy conservation equipment installation
11. Energy assistance programs
12. Airport maintenance programs
13. Reduction in airport user fees
14. Energy conservation or energy research offices or administration

### Single Program Plan

The DOE requires that states present a single plan for all oil overcharge monies. The executive budget proposes appropriation of oil overcharge monies in a single piece of legislation to ensure that DNRE can make formal application to DOE following the legislative session.

### Allocation of Funds

The allocation of funds is recommended in the following priority order:

1. Low-income home weatherization -- \$600,000 from the Exxon payments and \$600,000 from the stripper well payments appropriated to the Department of Social and Rehabilitation services for use in the home weatherization program created in 90-4-201, MCA.
2. Matching funds for low-income energy assistance. -- \$100,000 from the stripper well payments to the Department of Social and Rehabilitation Services to match private contributions to Energy Share, Inc. The funds will be used to assist persons not eligible for federal low-income energy assistance whose income is less than 150% of the federal poverty threshold published by the U. S. Bureau of the Census in the most recent edition of its publication, Poverty in the United States.
3. Biological agents for weed control -- \$200,000 from the stripper well payments to the Department of Agriculture to continue the collection and distribution of biological agents to control leafy spurge and spotted knapweed. The project will reduce energy consumption by reducing the need for repeated chemical applications.
4. Safflower oil as a diesel fuel substitute or extender -- \$200,000 from the stripper well payments to the Department of Natural Resources and Environment for the demonstration of vegetable oil fuel substitutes or extenders designed to reduce petroleum consumption and result in a new potential cash crop for Montana farmers. Stripper well funds will be matched at least dollar for dollar with federal and/or private contributions. The appropriation will be used to: (1) contract with Montana farmers to grow high oleic safflower strains such as Montola 2000, which was developed by Montana State University Agricultural Experiment Station through previous DNRE-funded research; (2) field test additive mixes to minimize polymerization in diesel engines that use vegetable oil fuel; (3) evaluate engine testing results from safflower fuel use; and (4) perform preliminary market development for Montola 2000 or other high oleic strains.
5. Technical assistance to local governments -- \$126,000 from the stripper well payments to the Department of Natural Resources and Environment to award a grant to a public or private entity to provide technical assistance to local government entities for the purpose of identifying energy conservation measures.

6. Agricultural energy conservation program -- \$100,000 from the stripper well payments to the Department of Natural Resources and Environment for use by the conservation districts in funding local projects such as solar livestock watering systems, stockwater tank insulation and solar heating, and farming techniques to more efficiently use irrigation water, pesticides, and fertilizers.
7. Low-income fuel oil tank assistance -- \$200,000 from the stripper well payment to the Department of Social and Rehabilitation Services to be used to assist persons meeting the eligibility criteria in pulling and removing tanks which are losing fuel to the ground pursuant to Title 75, Chapter 11, part 3.
8. Institutional conservation program -- \$700,000 from the stripper well payments to the Department of Natural Resources and Environment for use in the Institutional Conservation Program for schools and hospitals administered by the department pursuant to 10 CFR 455.

Amendments to House Bill No. 10  
First Reading Copy

Requested by Rep. Raney  
For the Committee on Long Range Planning

Prepared by Gail Kuntz  
February 21, 1991

1. Page 6, line 13.

Following: "purpose"

Strike: "of identifying energy conservation measures."

Insert: "developing a program for retrofitting local government buildings with energy conservation measures, similar to the state building energy conservation program established by 90-4-601 for state buildings. Priority must be given to developing a self-sustaining local government building energy conservation program. The program may be based upon mechanisms that include but are not limited to leveraging private and public funds, selling the energy savings to utilities, pooling groups of local government facilities into larger retrofit packages for financing or sale to utilities, and working with the department of natural resources and conservation to pool state and local government retrofit packages for sale to utilities. The department shall submit a report to the 53rd legislature that is based upon the work completed by the local government entity and that includes options and recommendations for a self-sustaining local government building conservation program and the legislation necessary to implement the program. The department shall award any money remaining after developing the program to local governments in the form of grants for small energy conservation demonstration projects."

PROJECTS FUNDED WITH OIL OVERCHARGE FUNDS

CD NAME	PROJECT TYPE	AMOUNT OF GRANT
Roosevelt	Irrigation Scheduling	\$20,700
Missoula County	Gravity Sprinkler Demo	\$16,188
Richland	Irrigation Scheduling	\$ 9,500
Carter County	Energy Related Public Awareness	\$ 2,000
Little Beaver	Solar Livestock Watering Demo	\$ 8,900
Bitterroot	Irrigation Scheduling	\$22,962
Jefferson/Madison	Cereal/Legume Rotation Demo	\$61,203
Missoula County	Weed Education Project	\$21,677
Upper Musselshell	Solar Livestock Watering Demo	\$10,150
Treasure County	Soil Moisture Monitoring	\$11,800
Rosebud	Conservation Tillage Demo	\$13,947
MSCA	Legume Inoculation Techniques Demo	\$35,000
Gallatin	Water Measuring Device Bulletins	\$10,400
Gallatin	Leafy Spurge Grazing (solar-power fencing)	\$ 1,200
Powder River	Solar Livestock Watering Demo	\$16,233
Mile High	Irrigation Pump Testing Program	\$44,800
Gallatin	Agrimet Weather Station	\$15,000
Fergus/Petroleum/ McCone	Living Snow Fences	\$30,000
Meagher	Solar Livestock Watering Demo	\$ 5,200
Gallatin	Swine Facility Retrofit	\$30,000
Bitterroot	Farm Energy Audits	\$44,355
Dawson County	Surge Irrigation Valve Demo	\$ 2,500
Flathead	Solar Observation Wells	\$12,265
Stillwater/Carbon	Soil Moisture Monitoring	\$20,000
Phillips	Irrigation Scheduling	\$31,288

Total Grants = \$500,000

TESTIMONY ON HB 10 PRESENTED BY  
JIM BARNGROVER OF AERO TO THE  
LONG-RANGE PLANNING SUB-COMMITTEE  
FEBRUARY 22, 1991

EXHIBIT 1  
DATE 2-22-91  
HB 10

I'm Jim Barngrover with the Alternative Energy Resources Organization (AERO). I'm here to testify in favor of HB10 and specifically in support of the section supporting agricultural energy conservation.

In the past this program, referred to in section 9 of this bill, has funded innovative demonstration projects which are aimed at reducing the amount of electricity and gas used in stock watering and irrigation systems and the amount of commercial nitrogen used in crop production.

The ag energy conservation program received about 3.5% of the total oil overcharge funds allocated in 1987. In this bill about 4.4% of the total oil overcharge appropriation is to this specific program.

Given agriculture's place in Montana's economy and the impact of energy prices and types on both our farm economy and the environment, we suggest that this figure could be adjusted.

We have drafted a friendly amendment we would hope you'd include in this bill:

Proposed Amendment to HB 10

P.6, line 25, Section 9. after "fertilizers". **Add** "If the total stripper well payments available to the state of Montana exceed the total of funds appropriated under sections <sup>4</sup> through 11 of this Act, then up to \$100,000 of these additional funds will be appropriated to fund activities under this section."

This modest amendment does not gouge any other worthy program outlined in this bill. We are aware that other provisions of this bill may cut on-farm energy consumption, such as diesel fuel substitution; but we think allocating additional resources (if they are available) to this program is a very worthwhile and timely investment in this state's agricultural sector and the environment. Thank you.

EXHIBIT 0  
DATE 2-22-91  
HB Long Range Planning

Form 21  
New 1-90

Montana Board of Oil and Gas Conservation  
1520 East Sixth Avenue  
Helena, Montana 59620-2301

Attachments Required  
See Instructions on Back

Filing Fee:  
\$125.00

## Application for Release of Well from Bond

Lease or Unit Name:		Field Name:		API Well Number: 25 -	
Well Number:	1/4 1/4 Location:	Section:	Township:	Range:	
Footage location of well from E/W and N/S lines of section:				County	
Date well was Completed		Producing Formation		Date of First Sales	
Operator name			Bond Number		
Address			Surety/Financial Institution		
City, State ZIP			Bond Amount		

### Certification

I certify that I am the Operator of record of the above described well, or the authorized representative thereof, and that the information contained on this form and any attachments are true and correct to the best of my knowledge. I hereby notify the Board of Oil and Gas Conservation that the above described well is producing oil, gas, or both in commercial quantities, and that the production therefrom is subject to the Resource Indemnity Trust Tax. I request that the Board of Oil and Gas Conservation remove the above well from my bond.

If this bond is eligible for cancellation upon removal of the above well, do you wish to :

Cancel bond	
Leave bond in effect for future use	

Note: Please see  
instructions  
regarding bond  
cancellation

Signature

Title

Date

Approved by:	Title:	Date:
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EXHIBIT 4  
DATE 2-22-91  
HB Long Range Plan

Amendment to House Bill 8, Introduced Copy.

1. Page 5, following Line 23, Insert: "(5) The recipient of the Water, Air, Soils Testing, and Evaluation Center Grant (WASTEC) shall consider the Pilot Plant Treatment of Contaminated Water from the Berkeley Pit Project and the Detoxification of Acid Mine Drainage from Berkeley Pit Waters Project which were submitted for consideration as Reclamation Grant Projects during the Fifty-Second Legislature."

Renumber subsequent sections accordingly.

EXHIBIT 10  
DATE 2-22-91  
HB 8 Long Range Planning

Amendment to House Bill 8

Reclamation Grants:

Following MSU's Biology Department's Trout Stream Restoration Project add Supplemental Funding for the Montana Salinity Control Association's Soil & Water Nonpoint Source Pollution Control and Management Project in the amount of \$62,500.



Proposed Amendment HB07

Add a new section to HB07 as follows:

New Section. Section \_\_\_\_\_. Authorization to issue revenue bonds.

(1) The board of examiners is authorized to issue bonds to finance or to refund Bonds issued to finance water development projects pursuant to Title 17, Chapter 5, Part 7 and Title 85, Chapter 1, Part 6, payable in whole or in part from the revenues generated from the project, without pledging the coal severance tax to the payment of such bonds. (2) Bonds issued pursuant to this section without the pledge of the coal severance tax shall be not considered coal severance bonds or a debt of the State of Montana.

DNRC AMENDMENT TO HOUSE BILL 008

Page 4.

Following: line 26

Insert: "(3) To the entities listed in [Section 2] this appropriation constitutes a valid obligation of these funds for purposes of encumbering the funds within the 1993 Biennium pursuant to MCA 17-7-302."

DNRC AMENDMENT TO HOUSE BILL 006

Page 5.

Following: line 11

Insert: "(5) To the entities listed in [Section 1] this appropriation constitutes a valid obligation of these funds for purposes of encumbering the funds within the 1993 Biennium pursuant to MCA 17-7-302."

Page 10.

Following: line 3

Insert: "(4) To the entities listed in [Section 2] this appropriation constitutes a valid obligation of these funds for purposes of encumbering the funds within the 1993 Biennium pursuant to MCA 17-7-302."

AMENDMENT TO HOUSE BILL 006

EXHIBIT 14  
DATE 2-22-91  
HB Long Range Plan.

Page 12.

Following: line 3.

Insert:" The 50th Legislature, in House Bill 007, Laws of 1987, approved a grant from the Renewable Resource Development account to Eastern Sanders Conservation District for \$86,300 for recharge enhancement of the Little Bitterroot Aquifer. Among the contingencies contained in the grant authorization is a requirement that a commitment must be obtained from the U.S. Bureau of Reclamation for federal matching funds. It has since been determined that federal matching funds will not be forthcoming. The grant for the above described entity is hereby authorized for 86,300 with the contingency for federal matching funding from the U.S. Bureau of Reclamation deleted. Further, the additional sampling of surface and ground water for herbicides and pesticides will be conducted.

Resource Indemnity Trust Interest Accounts  
1993 Biennium

	Water Development 30%	Renewable Resources 8%	Reclamation & Development 46%
Beginning Balance	810,949	0	604,812
Projected Revenues			
RIT Interest *	4,967,303	1,324,614	7,616,531
Coal Tax	359,597	359,597	0
Broadwater Income	200,000		
Middle Creek Dam Savings	491,000		
Loan Repayments	950,670	129,869	0
Other Sources	453,400	0	0
Total Funds Available	8,232,919	1,814,080	8,221,343
Appropriation			
Debt Service	1,229,964	380,231	0
DNRC	3,119,830	441,997	2,706,154
State Water Projects	991,000	0	0
Tongue River Dam	400,000	0	0
Reserved Water Rights	0	0	584,261
State Lands	0	0	1,607,235
Water Courts	948,125	0	0
State Library	0	200,000	177,000
EQC	0	0	26,451
Reorg. Costs	31,976	0	109,674
Pay Plan	196,449	21,858	334,771
Total Disbursements	6,917,344	1,044,086	5,545,546
Available Grant Funds	986,681	577,496	2,675,797
Water Storage	328,894	192,499	
Fund Balance	0	0	0

EXHIBIT 16  
DATE 2-22-91  
HB Long Range Planning

Coal Severance Tax Loans  
CST

Here is a summary of some of the Coal Severance Tax backed issues. Here you can see some of the rates were over 10%.

Prepared by:

Anna M. Miller  
DNRC

The following table contains for each Loan, the borrower, the original principal amount, the outstanding principal amount, the interest rate and original term. The interest rates set forth for the Loans financed from proceeds of the Series 1985A and 1985B Bonds are the current rates without adjustment as a result of the issuance of the Series 1990 Bonds. Such interest rates will be reduced, during the period such Loans now bear interest at 9.29%, 10.26% or 10.118%, from such rates to 8.38% per annum.

All of the Loans are current as to the payment of principal and interest except for the two loans to Lakeside Sewer District of Flathead County, Montana (the "District"). As of the date hereof, the District is delinquent in the payment of principal and interest in the approximate amount of \$233,000. The Flathead County Treasurer's Office has informed the Department that for fiscal year 1991, pursuant to a request by the District, it has certified an ad valorem tax levy on all taxable property in the District in the amount of \$350,700. The District anticipates that this amount, together with other available revenues, would be sufficient, if paid timely and in full, to bring its loans current in 1991.

<u>Borrower</u>	<u>Original Loan Amount</u>	<u>Loan Balance (as of 9/07/90)</u>	<u>Interest Rate and Original Term</u>
<b>SERIES 1985A</b>			
Anaconda-Deer Lodge County .....	\$ 500,000.00	\$ 451,150.83	9.29% - 20 years
Belgrade, City of .....	825,000.00	700,087.58	7.00% - 5 years; 10.26% - 15 years
Bitterroot Irrigation District .....	1,180,000.00	1,076,234.64	3.00% - 30 years
Charlo County Water District .....	34,500.00	29,249.26	9.29% - 20 years
Conrad, City of .....	250,000.00	212,927.67	7.00% - 5 years; 10.26% - 15 years
Culbertson, Town of .....	704,000.00	586,983.93	5.00% - 20 years
Ennis, Town of .....	180,000.00	153,227.50	7.00% - 5 years; 10.26% - 15 years
Fort Benton, City of .....	753,060.00	654,306.11	6.29% - 5 years; 9.29% - 15 years
Havre, City of .....	2,590,000.00	2,250,355.55	6.29% - 5 years; 9.29% - 15 years
Libby, City of .....	590,500.00	501,082.43	7.00% - 5 years; 10.26% - 15 years
Poplar, City of .....	477,260.00	414,449.85	6.29% - 5 years; 9.29% - 15 years
Power-Teton Water & Sewer District .	121,370.00	78,104.94	7.00% - 20 years
Upper Musselshell Water Users Ass'n.	250,000.00	179,353.81	10.118% - 20 years
Sage Creek Water District .....	623,000.00	581,622.06	7.00% - 5 years; 10.26% - 15 years
Shelby, City of .....	592,000.00	502,355.29	7.00% - 5 years; 10.26% - 15 years
Three Forks, City of .....	266,200.00	233,555.62	7.00% - 5 years; 10.118% - 15 years
Three Forks, City of .....	163,000.00	146,564.41	7.00% - 5 years; 10.118% - 15 years
<b>SERIES 1985B</b>			
Denton, Town of .....	\$ 185,000.00	\$ 171,091.53	7.29% - 5 years; 9.29% - 15 years
Dodson, Town of .....	35,000.00	32,946.53	7.29% - 5 years; 9.29% - 15 years
East Bench Irrigation District .....	757,297.00	715,064.59	3.00% - 30 years
East Helena, City of .....	434,434.00	404,750.92	6.29% - 5 years; 9.29% - 15 years
Ekalaka, Town of .....	195,000.00	174,710.18	7.29% - 5 years; 9.29% - 15 years
Glasgow, City of .....	3,200,000.00	2,971,549.43	6.29% - 5 years; 9.29% - 15 years
Lakeside County Sewer District .....	431,837.57	426,268.01	6.29% - 5 years; 9.29% - 15 years
Lakeside County Sewer District .....	758,162.43	747,894.06	6.29% - 5 years; 9.29% - 15 years
Lockwood Irrigation District .....	247,000.00	225,097.41	7.29% - 5 years; 9.29% - 15 years
Mill Creek Water and Sewer District .	950,000.00	919,160.64	3.00% - 30 years
Pondera Conservation District .....	555,000.00	555,000.00	Bond Anticipation Note at 6% due 12/01/90
Shields Canal Company .....	30,000.00	28,138.40	9.29% - 20 years
Whitehall, Town of .....	144,171.00	123,304.04	7.29% - 5 years; 9.29% - 15 years
White Sulphur Springs, City of .....	400,000.00	364,490.51	7.29% - 5 years; 9.29% - 15 years
Yellowstone County (Cedar Park) ....	482,500.00	348,499.56	5.29% - 5 years; 9.29% - 15 years
Yellowstone County (Homestead/Oxbow) .....	758,000.00	518,027.24	5.29% - 5 years; 9.29% - 15 years
Yellow Water Water Users Association	32,000.00	28,547.00	9.625% - 20 years

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<u>Borrower</u>	<u>Original Loan Amount</u>	<u>Loan Balance (as of 9/07/90)</u>	<u>Interest Rate and Original Term</u>
<b>SERIES 1987C</b>			
Harlem, City of .....	\$ 403,125.00	\$ 379,306.80	5.32% - 5 years; 7.32% - 15 years
Lima, Town of .....	250,000.00	231,125.90	5.32% - 5 years; 7.32% - 15 years
West Yellowstone, Town of .....	515,000.00	487,721.92	7.32% - 20 years
<b>SERIES 1988A</b>			
Bozeman, City of .....	\$ 726,079.00	\$ 702,383.00	4.23% - 5 years; 7.23% - 15 years
West Yellowstone, Town of .....	650,000.00	650,000.00	7.23% - 20 years
<b>SERIES 1989A</b>			
Gardiner - Park County Water District	\$ 360,500.00	\$ 350,976.47	5.90% - 5 years; 6.90% - 15 years
Miles City, City of .....	1,532,910.00	1,532,910.00	5.90% - 5 years; 6.90% - 15 years
Sanders County - Noxon .....	151,000.00	151,000.00	4.90% - 5 years; 6.90% - 15 years
Sun Prairie Village County Water & Sewer District .....	114,206.00	114,206.00	Bond Anticipation Note at 8% due 10/15/90



HOUSE OF REPRESENTATIVES  
VISITOR REGISTER

Long Range Planning SUBCOMMITTEE DATE 2-22-91  
DEPARTMENT(S) Commerce, Institutions DIVISION \_\_\_\_\_  
oil overcharge HB 10

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NAME	REPRESENTING	
<i>Tom McCarty</i>	<i>Montana State Hospital</i>	
<i>Dick Tonkildsen</i>	<i>MLGEO</i>	
<i>Steve Powell</i>	<i>Montana Local Government Energy Committee</i>	
<i>Jim Morton</i>	<i>HPDCs</i>	
<i>Ray Beck</i>	<i>DNRC</i>	
<i>Laurie Zelle</i>	<i>DNRC</i>	
<i>Veggy Farmeloe</i>	<i>MACD</i>	✓
<i>John Gracht</i>	<i>Dept. of Health</i>	
<i>Barbra Mullin</i>	<i>mt. Dept. of Agric.</i>	
<i>Jim Simpson</i>	<i>AERO</i>	
<i>Wm Garity</i>	<i>Oil &amp; Gas Conservation Board</i>	
<i>Tom Richmond</i>	<i>DNRC - OIL &amp; GAS DIV.</i>	
<i>Lee Rickman</i>	<i>DNRC - Oil &amp; Gas</i>	
<i>Laura Miller</i>	<i>DNRC</i>	
<i>John Tubbs</i>	<i>DNRC</i>	
<i>Marvin Miller</i>	<i>ABMG-</i>	

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