

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
53rd LEGISLATURE - REGULAR SESSION**

**JOINT SUBCOMMITTEE ON NATURAL RESOURCES**

**Call to Order:** By **CHAIRMAN ROGER DEBRUYCKER**, on February 1,  
1993, at 7:30 A.M.

**ROLL CALL**

**Members Present:**

Rep. Roger DeBruycker, Chairman (R)  
Sen. Cecil Weeding, Vice Chairman (D)  
Sen. Gerry Devlin (R)  
Sen. Greg Jergeson (D)  
Rep. John Johnson (D)  
Rep. William Wiseman (R)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Terri Perrigo, Legislative Fiscal Analyst  
Florine Smith, Office of Budget & Program  
Planning  
Theda Rossberg, Committee Secretary

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

**Committee Business Summary:**

Hearing: **DEPARTMENT OF NATURAL RESOURCES AND  
CONSERVATION**  
Energy Division  
Water Resource Division

Executive Action: **DEPARTMENT OF NATURAL RESOURCES AND  
CONSERVATION**  
Energy Division

**Van Jamison, Administrator, Energy Division, gave extensive  
testimony on this division. EXHIBIT 1**

**Tape 1, B.**

**Page 18 of EXHIBIT 1, testimony continues at: Consumer Education.**

**Questions:**

**SEN. WEEDING** said Mr. Jamison had mentioned ISTEPA. He hadn't  
heard any discussion about bringing the Highway Division and this

Division together. He wondered whether they have entered into any kind of inter-agency dialogue.

Mr. Jamison said they have had preliminary discussions with the Department of Transportation. The administration has proposed an intra-governmental collaborative process funded by oil overcharge monies. The Department of Natural Resources, Department of Transportation and the Department of Health will all come together to address the transportation service requirements.

REP. WISEMAN asked what kind of guarantees will be offered to Montana Power for getting this additional power.

Mr. Jamison said he was not sure that the Public Service Commission and the Montana Consumer Council will guarantee anything to the company. They formed a collaborative group called the Regulatory Reform Collaborative. That group is involved in the Department of Natural Resources, Public Service Commission, Montana Consumer Council, independent power producers (who weren't in the marketplace when Colstrip was proposed), the Montana Power Company, the Co-ops, Montana Environmental Information Center and Northern Plains. HB 390 clarifies this issue, and the Montana Power Company will be able to learn how the department might respond to what they propose.

They plan to seek additional funding from the federal government in the next biennium and, if successful, the objective will be to look at the Major Facility Siting Act in more detail.

REP. WISEMAN asked what Colstrip Four electricity is being sold for per kilowatt hour.

Mr. Jamison said he could get that information.

CHAIRMAN DEBRUYCKER asked what "Iced Tea" stands for.

Mr. Jamison responded that it was Intermodal Surface Transportation Efficiency Act of 1992 (ISTEA). It is also known as the Highway Bill, but everyone calls it the "Iced Tea."

REP. WISEMAN said the Denver Airport is building a new facility with 18 runways and there will be a huge demand for cement. He wondered whether any Montana cement will be going to Denver.

Mr. Jamison said Montana will be involved in the cement needed at that airport.

SEN. WEEDING said they were talking about using the ash in the highway asphalt mix at one time.

Mr. Jamison said they are working with the Department of Transportation to use ash in the asphalt.

SEN. DEVLIN asked what the main reason was for doubling the

budget from 1992 to 1993.

Mr. Jamison said \$986,000 of state special revenue was budgeted in 1993 for the Major Facility Siting Act and the Montana Environmental Policy Act. The reason for the large appropriation is to respond to permit applicants' needs immediately without having to wait 60 to 90 days for a budget amendment. They only use the spending authority as the money comes in.

CHAIRMAN DEBRUYCKER said the subcommittee would go over the budget items one at a time, with the LFA's review first and then the response from the department.

Terry Perrigo, Legislative Fiscal Analyst, reviewed Energy Division budget with the committee. EXHIBIT 2

Florine Smith, Office of Budget Program & Planning, said on the Equipment, the Executive will concur with the LFA equipment level. She had agreed with the agency to put some money back in for computer software and had forgotten to do that.

EXECUTIVE ACTION  
DEPARTMENT OF ENERGY

5% Personal Services Reduction:

Mr. Jamison said he would not ask the committee to reinstate the 3.00 FTE.

Motion/Vote: SEN. WEEDING moved to approve the Executive on the 5% FTE reduction. Motion CARRIED unanimously.

Equipment:

Mr. Jamison said this is their software budget which the OBPP explained. They need spending authority only of the federal funds.

Budget Modifications:

Mr. Jamison said this Modification reflects the change through the budget amendment process. See EXHIBIT 3 for explanation of the \$600,000 request.

Motion/Vote: REP. JOHNSON moved to approve the Executive for \$600,000 in FY94 for the Modification. Motion CARRIED unanimously.

Language:

Mr. Jamison said in the future they would not be asking for more money for this trust. They are asking for spending authority for \$400,000.

REP. WISEMAN asked what kinds of things they do with mitigation with the Power Company.

Mr. Jamison said the trust was not formed to mitigate the impacts associated with transmission lines. The transmission was proposed to go across several roadless areas. This trust agreement was entered into by several parties who didn't want those areas crossed by the transmission lines. The trust agreement was in place prior to the time the Board reviewed the transmission line for compliance.

Wayne Wetzel, Director, DNRC, said the Rock Creek Trust Agreement specifies the kinds of things the trust can be expended for. One of things is conservation education. The Rock Creek Advisory Council, of which he is a member, brings the proposals before the Board for approval. They usually have a grant program between \$20,000 to \$50,000 range per year. They have put in access sites, a nature trail with wheelchair access and a camp for under-privileged children.

They have done a number of scientific studies on insect production, water qualities, etc. Most of the money spent so far has been for the purchase of conservation easements. They recently purchased a conservation easement on the Neil Ranch on Upper Rock Creek.

SEN. DEVLIN asked how many years they have had these funds.

Mr. Wetzel said eight or nine years and the interest goes back into the trust fund and maintaining about \$1.5 million.

SEN. DEVLIN asked when, since the project has been ongoing for a number of years, they will run out of places to buy easements.

Mr. Wetzel said they did a study to determine what the likelihood of getting easements was on those properties. They did about 20 high priority properties and have three left to do.

Mr. Jamison said the Board of Natural Resources was named to be the trustees.

Tape 2, A.

SEN. WEEDING asked what the source of those funds was.

Mr. Jamison said those were a consortium of power companies that wanted to move Colstrip to the West Coast. Bonneville Power Co. was not involved.

Motion/Vote: SEN. WEEDING moved to approve the language on Rock Creek as written in the budget. Motion CARRIED unanimously.

Motion/Vote: SEN. WEEDING moved to approve the language on Lake Broadview as written in the budget. Motion CARRIED 5 to 1 with SEN. DEVLIN voting no.

Mr. Jamison said on Lake Broadview the money was to replace the waterfowl that was killed by the Power Company.

Vacant Position:

Mr. Jamison said that position is 100% federally funded. He anticipates the position will be needed to meet the increased retrofit for schools and hospitals. He urged the committee to reinstate the money for that position.

Motion/Vote: SEN. JERGESON moved to reinstate the Vacant Position. Motion FAILED 3 to 3.

Funding Switch:

Mr. Jamison said the last time the department adopted rules for the Facility Siting Act was in 1994. Because of the special session, this funding switch replaced general fund with fee income from Major Facility Siting projects.

SEN. WEEDING asked what would happen if this budget item is not approved.

Mr. Jamison said he would have to shift the personnel workload.

SEN. DEVLIN asked how much is being spent now for the Major Facility Siting Act.

Ms. Perrigo said in FY92 the division spent \$176,000 on Major Facility Siting Act activities and they had a budget of \$990,000. The \$40,000 that was added to the funding switch made the budget \$1.03 million. They only spent \$176,000.

Motion/Vote: SEN. JERGESON moved to approve the Executive for \$20,000 in FY94 and \$40,000 in FY95 for the funding switch. Motion FAILED 3 to 3.

HEARING ON  
WATER RESOURCES DIVISION

Gary Fritz, Administrator of the Water Resources Division, gave an overview on this Division. EXHIBIT 4

He reviewed a program chart with the committee. There are nine regional offices across the state which do mostly water rights. They are trying to get the regional office to handle some of these other programs.

He said there is a lot a talk about the Water Quality Management. They lost the Flood Plain Management position in the 5% reduction. They took the regional office engineers and made them responsible for some of that flood plane work.

They have drafted a Montana Water Plan which is strictly customer driven. EXHIBIT 5

Mr. Fritz said they get about 500 water applications for new water uses per year. Any changes in water rights have to go through the division. They process about 200 of those each year, about about 3,500 water wells under 30 gallons.

If a person sells land, he or she has to notify the department so they know who has the water rights. They process about 3,300 of those transfers per year, and they hold hearings each year on water right changes.

One of the complaints is the department continuing to issue water rights when there is no water in the streams. The Legislature can close water basins or water users can petition us to close a basin.

Mr. Fritz reviewed a chart showing the different water basin closures in Montana.

CHAIRMAN DEBRUYCKER asked why they permit beyond what the river runs or has run. The Teton River has been permitted to the 1969 flood. That doesn't make sense.

Mr. Fritz said there is a bill to close the Teton River Basin. They issued only one permit on the Teton since 1986. They added up the water claims for the 1973 water rights before the permitting process started. Some of the claims do exceed that flow. They try to transfer the inactive projects back to the local people.

They manage and repair the projects, especially dams, and have put hydro-power on state-owned projects.

The Legislature has identified 11 canal projects to be turned over to private users. They have to petition the department and ask to have these turned over to the private users.

Glen McDonald, Department of Natural Resources, showed some slides of the only state-owned hydro-power project in Montana located between Toston and Three Forks. It is a diversion dam for a canal system that provides for irrigation. The project was started in 1987 and was completed in 1990. Wayne Wetzel was the project manager when this plant was built.

#### Tape 3, A.

Mr. McDonald showed some photos and some slides on the dam 12 miles south of Bozeman. The original height of the dam was 110 feet and it was increased by 8.2 feet. The additional water was not provided to the irrigators, but to the City of Bozeman for its municipal water supply.

He reviewed some of the other projects that this division is involved in.

CHAIRMAN DEBRUYCKER asked if they control the Hi Line project.

Mr. Fritz said yes, it is a state-owned water project. The department is the owner of the water rights associated with all these projects.

He reviewed the Water Quality Management Program. EXHIBIT 5

He reviewed the Water Reservation Update Newsletter. EXHIBIT 6

The Water Measuring Program is where the Department identifies the stream and the people have to install measuring devices. The department identifies the streams and the Board has the power to require the measuring devices. They rely heavily on local input.

Ms. Perrigo reviewed the Water Resources Division budget differences with the committee. EXHIBIT 7

**Tape 3, B.**

Ms. Smith said in the operating expenses the Broadwater Dam, current level for consultant services, the Executive includes \$660,000 each year for the Broadwater Dam consulting services. The balance is in the Water Management Program for about \$150,000 per year. Regarding the Board of Well Contractors' legal fees, the Executive had a request from Karen Barclay in October, requesting a line-item appropriation for legal fees in the amount of \$10,000 each year.

Of the seven modifications, the one on the Rehabilitation of State Owned Water Projects for \$11,256,000 is federal funds and the balance is state special revenue funds. No. 7, the Weather Modification has been pulled. On No. 8, the State Water Plan, the Executive has not taken a position on this as it came in late, but they do want this committee to consider it.

Under funding, the RIT Tax proceeds of \$250,000 are tied to LC1404.

Mr. Fritz reviewed the budget items with the committee. EXHIBIT 7

**5% Personal Services Reduction:**

They are not asking or complaining about any of those FTE. One of those positions is the Manager of the Glasgow Regional Office. The Havre Regional Office Manager goes to Glasgow once every two weeks.

They microfiche all the water records for security purposes and there is a backlog there. Three FTE are in the Adjudication Program so that will take longer than it would have otherwise. Another position is an Administrative Clerk position in the records section. They are getting further and further behind in keeping up with records.

The non-general fund positions, one is the Dam Safety Engineer that worked in the state-owned water rehabilitation section.

This is related to the modification that will be funded by Fish, Wildlife and Parks Division. They will have to tell FWP that they can no longer afford to help them out. If they want DNRC to work on their dams, they will have to have the FTE and the funds to pay for it. On the Flood Plain Manager, the decision was made to transfer the work to the regional office engineers. The other FTE is in the Water Reservations' Proceedings. They believe they can do this work with the remaining FTE. Therefore, they are accepting these FTE reductions.

Overtime:

Mr. Fritz said they can accept the LFA budget on the Overtime.

Ms. Perrigo said currently there is about \$35,000 in overtime and benefits in the LFA level.

SEN. JERGESON asked on the FTE reductions, whether these people are working now or will be eliminated. He also wanted to know whether the man from Glasgow will be losing his job.

Mr. Fritz said no, he left to return to school in Chicago so that is a vacant position.

SEN. JERGESON asked about the Water Resource Specialist in Havre.

Mr. Fritz said no one is losing a job with these reductions because they are vacant.

SEN. WEEDING asked what kind of decreased services they expect by not filling these positions.


Mr. Fritz said it will take longer to get these tasks done. In Glasgow, 92% of their time is spent on water rights administration. They are criticized for taking so long to process water applications, but it will take even longer now.

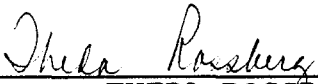
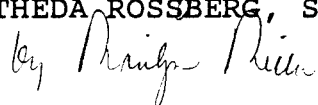
SEN. DEVLIN had received a letter requesting information on Personal Services, Program 25, for the Reserved Water Rights Compact Commission. EXHIBIT 8



ADJOURNMENT

Adjournment: 12:00 P.M.

  
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ROGER DEBRUYCKER, Chairman

  
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THEDA ROSSBERG, Secretary  


RD/tr

HOUSE OF REPRESENTATIVES

NATURAL RESOURCES SUB-COMMITTEE

ROLL CALL

DATE

2-01-93

NAME	PRESENT	ABSENT	EXCUSED
REP. ROGER DEBRUYCKER, CHAIRMAN	✓		
SEN. CECIL WEEDING, VICE CHAIRMAN	✓		
SEN. GERRY DEVLIN	✓		
REP. WILLIAM WISEMAN	✓		
REP. JOHN JOHNSON	✓		
SEN. GREG JERGESON	✓		

EXHIBIT 1  
DATE 2-1-93  
SB

Within the past several years, we have heard much about reinventing government and serving our clients smarter and better. Thrift and enterprise are invariably recommended. This morning, I hope to convince the Committee that my organization is meeting both tests.

First, I hope to convince the Committee, using two specific examples, that the Energy Division is one of the most profitable business centers you have within the Montana state government corporation. Secondly, I would like to outline what our programs do, how they are funded, and what kind of accomplishments, beyond a direct monetary return to the state, we have achieved. Thirdly, I would like to highlight some of the steps we've taken to be certain that the money we get goes to service and not bureaucracy.

Over the last 18 months, the Energy Division made the State of Montana \$953,538. During that same period of time, the Energy Division spent \$852,582 of state tax money. That's an 11.8% return on your investment; probably as good as any investment opportunity that presented itself to any of us in our private lives.

I'd like to give two concrete examples of how the Division achieved these results. One, we initiated a state natural gas procurement program for state institutions that consume large volumes of natural gas, and two, we made energy efficiency improvements within state-owned buildings that cost less to install than the energy payments that have been avoided.

I have asked Al Davis, Bureau Chief of the Planning and Analysis Bureau, and Tom Livers, Bureau Chief of the Conservation and Renewable Energy Bureau, to accompany me today. They will explain these programs to the Committee.

I think that Al and Tom have done an excellent job of describing how the Energy Division has profitted state government. What they haven't told you is that the State Building Energy Retrofit Bond Program was selected by the U.S. Department of Energy as one of "America's Best", Outstanding State Energy Grant Projects, and that Al and one of his staff have been recommended for incentive awards for initiating the gas procurement program. We're all quite proud of these accomplishments.

Addressing state government's energy service needs cost competitively is only a portion of our overall energy responsibilities. I'd like to describe some of the others as well as outline our organizational and funding relationships.

The Energy Division is composed of 3 bureaus: the Conservation and Renewable Energy Bureau, the Planning and

Analysis Bureau, the Facility Siting Bureau, as well as an Administrative Section that provides management and fiscal oversight of the three bureaus.

Within the Energy Division, there are five major funding sources. They are:

1. General fund,
2. Filing fees that are collected under MFSA and MEPA,
3. Funds earmarked in the alternative energy account,
4. Private funds paid to the Division by utilities to promote energy efficiency and renewable energy use; and
4. Federal funds provided by DOE and BPA.

Two major funding and program relationships exist within the Division.

First, the Administrative Section, Planning and Analysis Bureau, and the Facility Siting Bureau are supported by the general fund and MFSA and MEPA filing fees. Only the Facility Siting Bureau uses filing fees extensively to carry out its responsibilities. Most funding for the Planning and Analysis Bureau and the Administrative Section comes from general funds. The Facility Siting Bureau uses general funds to administer MFSA and uses filing fees to prepare EIS's. The current level budget request for the Facility Siting Bureau contains no FTE's for the preparation of EIS's. The personnel needed to prepare EIS's are incorporated in the budget under contractual services funded by the block MFSA/MEPA appropriation.

The second major program and funding relationship is the Conservation and Renewable Energy Bureau that receives funding from the repayment of loans and grants to the alternative energy research, development and demonstration account, private funding from utility companies, and federal funds provided by DOE and BPA.

#### **FACILITY SITING BUREAU**

The Energy Division administers the Montana Major Facility Siting Act and ensures departmental compliance with the Montana Environmental Policy Act. The Facility Siting Bureau handles most of these responsibilities.

#### **Major Facility Siting Act**

The Montana Major Facility Siting Act (MFSA) regulates the location, construction, and operation of large-scale energy facilities. The Act is intended to ensure that new energy facilities are built only when consumers need the energy they would supply, and that their construction and operation impose

minimum costs on society and produces the least impact on people and the environment. Alternatives to the proposed facility must also be developed and analyzed. The option recommended to the Board of Natural Resources and Conservation (Board) must represent the best balance among benefits, costs, and environmental impacts.

Prospective developers of major new energy facilities apply to the Department for a certificate of compliance with the Siting Act. The Facility Siting Bureau reviews the application in its role as staff to the Board. The Board decides whether a certificate will be granted. The Bureau's review normally requires environmental analysis and the preparation of an environmental impact statement (EIS). The Facility Siting Bureau prepared both a draft and a final EIS on the Montanore Mine Transmission Project in 1992. The Board will hold a hearing on February 2, 1993, in Libby and subsequently decide on certifying the project.

When applicants request, the Facility Siting Bureau provides preapplication assistance. Such assistance includes clarification of regulatory procedures and the information needed to complete the review. As a result of this consultation, the information submitted with the application is more likely to fulfill the Siting Act requirements, which expedites the permitting process. The Facility Siting Bureau provided preapplication consultation to Noranda Minerals Inc., Montana Power Company (MPC), and Rosebud Energy Inc. during the last biennium, and worked with a number of independent power producers participating in MPC's first competitive bid process for new energy resources. Preapplication assistance is also underway with MPC on the Missoula-Philipsburg Transmission Project.

Following Board certification of proposed facilities, the Facility Siting Bureau monitors project construction, and reclamation and mitigation for compliance with conditions imposed by the Board in the certificate. When the Board's conditions have been met, the Facility Siting Bureau recommends the release of performance and reclamation bonds. Construction monitoring is ongoing on MPC's Emigrant-Gardiner and Laurel-Bridger transmission line projects. During the past year, the reclamation bond was satisfied and released on MPC's Central Montana Project. Performance bond release is pending on the Laurel-Bridger Project.

The Facility Siting Bureau also reviews federal facilities proposed by the Bonneville Power Administration (BPA) and the Western Area Power Administration (Western) to determine whether they would comply with the substantive standards of the Siting Act. In these cases, the Bureau coordinates the environmental review through Memoranda of Understanding with the federal agencies involved and eliminates potential duplication of effort.

The Bureau also monitors construction and operation of energy facilities built in the state by BPA or Western, to ensure compliance with substantive standards of the Siting Act. The Bureau is presently working with BPA and the Kootenai National Forest on an EIS for the Northwest Montana Support Project. A collaboration environmental review with Western on the Fort Peck-Wolf Point Transmission Project is nearly complete, and another major Western project will begin in the current biennium.

Energy facilities that are covered by the Siting Act and are also subject to FERC jurisdiction require specific actions by the Facility Siting Bureau. The Facility Siting Bureau receives a copy of the federal application and files as an active party in the FERC proceeding on behalf of the state. MFSA directs that the Bureau assume lead state agency status in the preparation of a State Report and Recommendation that is based upon a review of the federal application and all other materials obtained through the intervention. The Report is the vehicle used to assert the state's interest in the certification and stipulations attached to it. The Facility Siting Bureau has prepared and executed an MOU with the eight other affected state agencies so that the state speaks with one voice in the federal certification proceeding. In the last biennium, the Facility Siting Bureau intervened successfully on the Thompson Falls Hydroelectric Project and the Altamont Gas Transmission Project using the cooperative mechanisms formed in the MOU. The designation of a single lead agency with the authority to assert the balanced needs of all affected state agencies has proved to be an effective means of presenting the state's interest in a federal proceeding.

On major hydro licensing projects, the Facility Siting Bureau must also assume lead agency status for two years of formal agency consultations which precede the filing of an application to FERC. One such effort is underway on the Missouri-Madison Hydro Relicensing Project. The Facility Siting Bureau oversees the input of all affected state agencies on the environmental, economic, and engineering studies needed to prepare the federal application and to mitigate the effects of project construction and operation. The Bureau will also intervene and file a State Report and Recommendation.

Whenever necessary, the Facility Siting Bureau adopts or revises Siting Act rules necessitated by changes in legislation or program policy.

As part of the environmental impact mitigation for the BPA 500-kilovolt line from Garrison West, the Bureau provides a representative to the Rock Creek Advisory Council, which advises the Board on the expenditure of funds that were set aside for mitigation purposes. The Bureau also provides all staff support for the Council, which meets approximately 14 times a year.

MFSA requires utilities to submit long-range projections of their plans to build new generating sources large enough to fall under the authority of the Act. The Energy Division reviews and evaluates these long-range plans and prepares summary data for distribution to the public. The summary data provides the interested public and various organizations with advanced notice of planned facilities and opportunities for participation in the siting process.

The Facility Siting Bureau represents the State of Montana on the Corridor Oversight Review Committee, which also includes representatives from the federal land management agencies. The Bureau is responsible for providing state input and perspectives on federal corridor planning efforts, and for ensuring that federal energy facility siting efforts comply with state environmental and engineering standards.

#### Montana Environmental Policy Act

The Facility Siting Bureau operates as the principal environmental assessment team for the Department and, when requested, assists other Montana state government agencies in complying with the Montana Environmental Policy Act (MEPA) and other state statutes. MEPA requires that decision makers be informed of the environmental consequences of prospective state actions. The extent of the required environmental analysis depends on the magnitude and significance of the actions that have been proposed. If the proposal is likely to result in significant environmental damage, an environmental impact statement (EIS) is prepared. The Facility Siting Bureau researches and writes legally sufficient EISs for the Department and other state agencies, pursuant to MEPA and other state laws, such as the Strip and Underground Mine Reclamation Act, the Hardrock Reclamation Act, and the Water Use Act. Outside agencies and other divisions in the Department must pay for our environmental and economic impact review. The Facility Siting Bureau's work on these permitting efforts is funded by fees assessed to the project applicant under state law. Environmental documentation and permitting instruments are prepared under contract, and must meet contractual or statutory deadlines.

When both state and federal agencies have jurisdiction over a proposed action, the Facility Siting Bureau cooperates with the federal agencies involved to produce joint state/federal environmental analyses, which eliminates duplication of effort from the process and reduces costs to the applicant. The EIS for Noranda's Montanore Project, for example, is a joint effort between the Facility Siting Bureau, BPA, the US Forest Service, and the Department of State Lands.

The Facility Siting Bureau supports other Department programs by conducting environmental evaluations, providing

project management, and reviewing and commenting on impact statements written by other agencies. During the last biennium, the Bureau worked under contract to complete the draft and final EIS's on Water Reservations for the Upper and Middle Missouri River. Work is underway on a similar effort for the Lower Missouri.

In some cases, such as with the Water Development/Renewable Resource Development and Reclamation and Development Grant Programs, the Facility Siting Bureau assists by evaluating applications for funding proposed projects. The Bureau analyzed and prepared evaluations for about two dozen projects during the last cycle. Again, the Facility Siting Bureau's efforts on these programs are funded by the Division that requests assistance.

#### PLANNING AND ANALYSIS BUREAU

The Planning and Analysis Bureau is funded primarily by the general fund. The Bureau has two major functions:

- 1) energy emergencies; and
- 2) energy policy, planning, economic and financial analysis.

#### Energy Emergencies

The Montana Energy Supply Emergency Powers Act gives the Governor the responsibility of responding to energy emergencies. The Act calls for continuous monitoring of energy supplies and demand in order to maintain the state's ability to respond to an energy emergency. These energy monitoring and contingency planning functions have been assigned to the Energy Division.

When I was before you at this time last session, the United States was bombing Iraq. At that time, the Gulf crisis raised the possibility of a worldwide petroleum shortage with potential supply problems and disruptions in Montana. During the conflict, the Planning and Analysis Bureau worked with the Governor and leadership of the Legislature to assure a coordinated state response. The Bureau briefed the Legislative Energy Policy Committee and provided its members with weekly briefing papers. We worked closely with the oil industry to assure adequate supplies of petroleum were available throughout the state. Since the war, we have scaled back our tracking of petroleum availability considerably. At present, we maintain the statewide computerized petroleum monitoring data base that was and will be essential to the Governor's emergency responses. We also continue to monitor current developments in the Gulf.

The Energy Supply Emergency Powers Act also addresses electricity. Our state and regional electricity surplus is disappearing. The region's utilities, including MPC, PacifiCorp,



and BPA, have just completed an update of their regional curtailment plan. An earlier version of that plan served as the basis for the state's current electricity emergency plan. Now that the regional utility plan revision is complete, utilities are asking the state to update its electricity shortage plan to be consistent with the regional plan. While we monitored the utility process, we have not yet updated the state plan because of other responsibilities and commitments. However, it is important that the state complete this task. The likelihood of an electricity shortage is increasing as electricity surpluses diminish, especially given our recent drought. In fact, as we speak, the Columbia Falls aluminum smelter has been required to partially curtail its operations to help meet regional electricity demands.

### Energy Policy, Planning, Economic and Financial Analysis

The Planning and Analysis Bureau provides the Governor, Director, Legislature, and other state decision makers, such as the Public Service Commission, with information, analysis, and recommended actions on energy issues that affect Montana. The Bureau is the only organization within state government with energy policy analytical capability and expertise.

What is particularly difficult about this function is that many energy issues are developed outside Montana and shaped by Congress and federal agencies, such as BPA and FERC, and the Departments of Energy, Transportation, and Interior. This places the state at the mercy of various institutions and organizations who may not consider energy or the interests of Montana in making their decisions.

The new highway funding bill, the Clean Air Act, and the National Energy Policy Act of 1992 are examples of the increasing amount of energy policy activities the state must undertake. These new laws explicitly recognize that energy, environmental protection, economic competitiveness, and personal mobility are inextricably linked together. As a result, Congress is using energy policy as a vehicle to address a number of social concerns and vice versa. The federal government is moving with or without us. It is crucial that the state participate in these federal processes to ensure that they get it right for Montana.

In most cases it is not the state or the federal energy agency that actually is the decision maker; it is other agencies or entities. The Bureau's responsibility is to evaluate and present Montana's concerns in forums these other agencies present. The Bureau's role in the energy policy area is constantly changing, usually in response to actions of these other entities. Budgets force us to pick and choose our issues and we try to only tackle those with significant implications to Montana.

The Bureau rarely has direct responsibility for implementing energy policy recommendations. Other organizations, which are often outside the state, do. What the Bureau does, through its analysis and involvement, is focus the debate on solutions that help, rather than hurt, Montana. The decisions that have resulted from the Bureau's analyses and involvement have ultimately benefitted ratepayers and taxpayers in the state.

Why are these energy policy decisions so important to Montana?

Montana is an energy producing state and our population and major industries are highly dependent on an affordable and reliable supply of energy. Energy is one of the largest economic sector in Montana. Montanans spend over \$1.5 billion per year on electricity, natural gas, and petroleum products. On the production side, coal, oil, natural gas, and exported electricity sales amount to over \$1 billion per year in Montana. While it is not always obvious, major changes to energy, environmental, and economic policies affect every energy consumer or producer in the state and are inextricably linked to the economic well being of the state.

I think the following examples of some of the Bureau's work will best illustrate the significance of the issues we confront and show how the Bureau has more than paid for itself.

#### The Clean Air Act

By reviewing early drafts of the bill and then working with the Senate Environment Subcommittee staff, the Bureau worked to remove a provision that would have required the Colstrip facilities to install additional scrubbers. Those scrubbers could have cost Montana ratepayers over \$300 million.

#### Committee for Regional Electric Power Cooperation

The Bureau participates in the Committee for Regional Electric Power Cooperation, which consists of energy officials and public service commissioners from the western states. The Committee works to facilitate electricity transactions and to coordinate planning and regulatory decisions throughout the western states given the different state regulatory structures. The Committee was instrumental in supporting the formation of the Western System Power Pool before the Federal Energy Regulatory Commission. The Western System Power Pool is a clearinghouse for short-term electricity transactions among western utilities. FERC was initially reluctant to support the utility initiative to create the pool, but the Committee was able to convince FERC to change its mind. This electronic clearinghouse has saved ratepayers millions of dollars by providing an expanded market for utilities in Montana to sell their short-term surplus

electricity and by providing greater opportunities to buy short-term electricity at the lowest price.

#### Natural Gas Rate Case

The Bureau's intervention in the MPC gas unbundling rate case resulted in a restructuring of MPC's gas utility and the pricing of its services. Another major change was to allow large customers to purchase natural gas from other sources and transport it on MPC's system. These changes will end up saving some major Montana industrial gas customers \$20-\$30 million over the next 3 years. Residential customers were also made better off because if these industrial customers would have left the MPC gas system, as they were going to do without a change in MPC's gas operations, the residential customers would have been stuck paying almost all the costs of the MPC gas system.

#### State Facility Gas Purchase

The best example of our success in using energy policy and economic analyses to benefit the state is the recently implemented natural gas procurement program for large state facilities. As a result of Public Service Commission Order 547C, several state facilities were presented with the same opportunity to save money as some of these major industrial customers.

Prior to this rate order, the utility both purchased and transported natural gas to state facilities and the state paid a utility bill just like we all do. The PSC rate order allowed certain state facilities the same opportunity as large industrial gas customers to shop for gas on the open market and then have MPC transport it. The problem was that neither state purchasing in the Department of Administration nor the qualifying state facilities (University of Montana, Northern Montana College, Montana Development Center, Montana State Hospital, Montana State Prison, and Montana State University) had any natural gas expertise. To take advantage of this opportunity, the state had to act quickly. As a result, these state facilities, at least for FY 92, were willing to continue paying the utility bills and buying natural gas as they always had done. The problem was that there was a significant cost to the state of continuing this practice.

The Bureau staff recognized that this was a golden opportunity for the state to save money and met on numerous occasions with the Department of Administration (DofA) to suggest that the Department initiate a state gas procurement program for the six qualifying state facilities. Without any natural gas expertise, DofA was reluctant. The Bureau then prepared spreadsheets that they presented to the agencies showing the cost savings associated with pursuing competitive procurement of

natural gas. The agencies agreed that the budget savings were worth pursuing, but once again they had no natural gas expertise.

Once the agencies agreed to pursue the competitive procurement, the Bureau served these agencies as natural gas experts. This involved looking for supplies of gas, working with MPC to transport the gas, helping DofA prepare a request for bids to solicit potential suppliers, and evaluating the bids.

The biggest problem facing the state in getting the gas in the first year was that there were no firm supplies of gas. MPC used this fact to try and convince state facilities to continue to take bundled natural gas services from MPC. The Bureau utilized its knowledge of the industry and regional pipeline system to arrange a backup supply for the state. Without this backup supply, the program could not have been initiated in FY 92. The Bureau then led negotiations that produced the MPC-State of Montana MOU obliging MPC to accept this back-up gas on behalf of the state at a remote point on the MPC system. The Bureau subsequently developed the computer system to manage this entire operation. It is now in the hands of the DofA and the facility managers.

This entire sequence is a remarkable achievement that would not have happened were it not for the Bureau. The rate order was dated October 3, 1992, and the state had to have a supplier in place by October 25, 1992, in order to take advantage of the savings in the first year. This has got to be a new record for state government. This new program has saved state government over \$800,000 since its inception last fall, and it is estimated it will save the state more than \$2.5 million over a 3-year period. These savings far exceed the cost of the Planning and Analysis Bureau for that same period.

### HJR 31

The 1991 Legislature gave DNRC specific directions on energy policy development. House Joint Resolution 31 directed DNRC to work with the Environmental Quality Council to develop a state energy policy. The Bureau provided the professional staff for this combined legislative and executive branch effort. Our combined effort yielded four major products:

- 1) an energy policy statement for the state;
- 2) a methodology for evaluating the costs and benefits of any energy related legislation that would result in state energy policies;
- 3) recommendations for an on-going policy development process modelled after the water policy process, which would be staffed by DNRC within existing appropriations; and

- 4) a series of recommendations for improving the efficiency of residential structures built within the state.

Throughout this 2-year project, the Bureau helped EQC define the issues and devise solutions. In addition, the Bureau provided extensive data support and statistical analysis.

It is particularly important to recognize that HJR 31 was a legislative effort staffed by executive agency staff. This cooperation, coordination, and utilization of limited staff resources is essential if we are to proceed with reduced state government resources. I know that EQC, too, was pleased with this project and has recommended it to become a permanent cooperative relationship.

### Collaboratives

One of the biggest changes in the energy policy area is the that traditional combatants in the energy arena are coming together to address energy policy and planning issues through collaboration. These collaboratives are comprised of the major stakeholders in a particular energy policy area. I think these collaborative efforts are good examples of what reinventing government means.

Two significant collaborations resulted in energy policy recommendations and the Bureau played a significant staff and technical role in each.

The EQC residential energy efficiency working group developed a series of policy recommendations on energy efficiency in residential structures. The EQC proposal is the first major movement on this contentious issue in the last 10 years.

The Bureau also participated in and provided technical expertise for the regulatory barriers working group. This collaborative group reviewed state laws and regulations for improvements and produced a bill that clarifies the planning authorities of the PSC and integrates the regulatory planning processes of the PSC and DNRC under the Major Facility Siting Act. This legislation is consensus legislation, developed and supported by groups like Northern Plains Resource Council, Montana Power Company, and rural electric cooperatives. At one time you could have made a lot of money betting that these groups would never work together on anything.

The recommendations from these collaborations are significant in that they are consensus recommendations resulting from a process that allowed all interests to come to the table and explore common ground. Traditional opponents are making smarter, better energy policies in Montana through collaboration

rather than fighting each other in regulatory processes or the courts. In addition to developing more workable and sustainable energy policies for the state, these forums directly benefit all participants by avoiding costly litigation.

We feel that encouraging and sustaining these collaboratives is one of the Bureau's most important functions. Collaboratives clearly are the wave of the future in terms of developing workable and sustainable state energy policies. We as public policy makers must continue to provide the neutral territory and expert support for these collaborative efforts. The benefits to the people and economy of Montana are too great to lose.

### Planning

The Bureau participates in planning advisory groups for both MPC and PacifiCorp, at their invitation. The products of these planning advisory groups are utility resource plans. The Bureau's particular interest is encouraging the utilities, early on in their planning, to incorporate the type of analysis and issues that eventually must be addressed in the siting process. We are trying to avoid another Colstrip battle from ever repeating itself in Montana again. After a decade and more of contention, ratepayers, utility shareholders, environmentalists and the general public all lost. Nobody got what they wanted. It was expensive, inefficient, and needlessly divisive.

We believe that as a result of our efforts we can cut the cost of the siting process and significantly reduce the delays and legal costs for the state, the utility, and all intervenor groups.

The Bureau's work in planning is becoming more important. The regional and individual utility's surpluses are diminishing. They are planning for and will need more generation and conservation resources. The National Energy Policy Act of 1992 requires natural gas utilities to undertake a planning process similar to electric utilities. The Bureau is just beginning to work with MPC on this kind of natural gas planning. The utilities and the public interest groups are insisting that we participate, and I think that it is incumbent on the state to provide its end of the new bargain. In the long run, our participation will save the public, ratepayers, and taxpayers money.

In recent years, general fund appropriations and expenditures within the Energy Division have decreased markedly. The graphs that I've supplied to the Committee members recount the magnitude of our spending reductions.

- Between FY 83 and FY 92, actual general fund appropriations have decreased 28 percent. If the appropriations are adjusted for inflation, the decrease is 49 percent.
- During the same period, actual expenditures have declined 15 percent, or 39 percent after the figures are adjusted for inflation.

As you can see, this Division has consistently been willing to comply with the mandate to become more efficient and do more for less. In fact, as you've heard, we're doing more than paying our own freight.

## CONSERVATION AND RENEWABLE ENERGY BUREAU

The other major funding and program relationship that exists in the Energy Division involves funds acquired through grant and loan repayments that are earmarked in the alternative energy account, private utility conservation program funds, and federal funds. The Conservation and Renewable Energy Bureau delivers the programs and services that are supported by this funding mix.

The Conservation and Renewable Energy Bureau's activities can be divided according to the Bureau's major functions and audiences -- public buildings; residential; research, development and demonstration; business development; and consumer education.

This biennium the Bureau reorganized into teams oriented around these major functions. This team approach allows us to better share limited staff resources and to more readily shift these resources to meet changing work priorities. During this reorganization, we also eliminated the assistant bureau chief position in the Conservation and Renewable Energy Bureau. This position was established several years ago when Bureau funding and staff levels were considerably higher than they are today. The individual who was in that position now serves as the team leader for the Bureau's Consumer Education Team, at a lower grade level. The elimination of the assistant bureau chief position is consistent with the Energy Division's emphasis on minimizing administration wherever possible before eliminating program and service staff positions.

### Public Buildings

The Bureau's Public Buildings Team develops conservation resources in public buildings by overseeing the analysis, design and implementation of energy efficiency improvements in state-owned buildings, schools, and hospitals across Montana. Financing for these improvements comes from a variety of sources, including federal grants, bonds, and utility demand-side management programs.

The State Buildings Energy Conservation Program reduces operating costs in state facilities by identifying and funding the installation of cost-effective energy efficiency improvements. Under this program, the State of Montana sells general obligation bonds to fund energy conservation and efficiency improvements to state facilities. These improvements include activities such as replacing old, inefficient boilers, increasing ventilation system efficiency, insulating buildings, and providing more effective temperature controls. The energy cost savings from these improvements offset the bond repayments.

Under this program, the Department of Natural Resources and Conservation contracts with private engineering firms to perform comprehensive energy analyses on state buildings and building complexes. The engineering firms recommend cost-effective energy improvements that could be made to these buildings. DNRC uses this information to develop proposed financing packages that use general obligation bonds to finance the energy improvements. The financing packages are structured so that the projected annual savings from the proposed energy efficiency improvements exceed the debt service on the bonds. Once the bonds are retired, net savings increase and continue to accrue throughout the life of the improvements.

The Energy Division also awards grants, using federal funds, to schools and hospitals to increase energy efficiency and reduce energy costs. These federal grants are matched dollar for dollar by the participating institutions. Examination of 24 past institutional conservation program grants to schools showed a 28 percent average annual reduction in natural gas consumption, and average annual savings of \$2,644 per school building. Grants have been awarded to improve 281 buildings since the program began in 1977. This program saves Montana taxpayers more than three-quarters of a million dollars each year in energy costs.

Last session the Montana Legislature directed the Department of Natural Resources and Conservation to develop a public schools energy financing program, patterned conceptually after our State Buildings Program. DNRC has worked with representatives from the Montana Power Company and the State Board of Investments to develop a positive cash flow financing mechanism for implementing energy improvements in public schools.

This mechanism takes advantage of existing federal, state, and utility programs and thus requires no new legislation or funding. The program will incorporate funding from the Montana Power Company's existing energy conservation programs, from the U.S. Department of Energy's Institutional Conservation Program, and from the state Board of Investment's INTERCAP program, leveraging funds from all three to create financing packages for schools in which the energy cost savings cover the costs of the energy improvements. The mechanics of the program will be



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finalized after the federal government releases its new regulations governing the Institutional Conservation Program. We expect to receive these regulations within the next few months, and to have the program operational by next fall.

We have already implemented one of the changes in the federal program. Up until last fiscal year, DNRC conducted all the administrative work for the program, but the federal government granted the money directly to the participating schools and hospitals in Montana. Beginning with this year -- FY 1993 -- DNRC receives the retrofit money from the federal government and in turn grants it to the participating schools and hospitals. This was authorized under a budget amendment for FY 1993; DNRC's budget modification for the Schools Energy Retrofit Program would continue to authorize this new approach in the coming biennium. The budget modification would provide DNRC the flexibility to continue to use the \$600,000 in federal Institutional Conservation Program funds as matching grants, or to use them to leverage additional financing under the proposed public schools retrofit financing program I've described.

### Residential

The Conservation and Renewable Energy Bureau's Residential Team works to upgrade the energy efficiency of new and existing houses in Montana. New construction is our primary emphasis because energy conservation measures are easily added during design and construction but are more difficult, more costly and sometimes impossible to install when remodeling.

The Bureau trains builders in state-of-the-art methods for incorporating energy-efficient components into new buildings. To reach the next generation of builders, vocational-technical carpentry students are trained in energy-efficient housing design and construction techniques.

The Conservation and Renewable Energy Bureau, along with the Bonneville Power Administration and participating utilities, sponsors demonstration houses to familiarize builders, code officials and utility personnel with energy efficient construction and to test the feasibility of new construction techniques, materials and equipment in Montana's climate. Our current focus in these houses is on ventilating heat pump water heaters. The bureau monitors these houses to determine thermal performance and cost effectiveness, and provides results to builders, utilities, realtors, lenders, appraisers and home buyers.

### Research, Development and Demonstration

The Bureau also researches, develops, and demonstrates promising new technologies relating to energy efficiency,

renewable energy and renewable resources. The RD&D Team focusses on technologies that have environmental and economic benefits as well as energy benefits. In particular, the Team works with technologies that make sense in Montana, such as those that utilize local resources and product streams or that are particularly applicable to Montana's economy.

The Conservation and Renewable Energy Bureau has accomplished considerable work in development of safflower oil as a diesel extender and a petrochemical substitute. Safflower grows exceptionally well in Montana; additional uses and markets for safflower offer new income opportunities for the state's agricultural community. Safflower breeding conducted at Montana State University's Eastern Agricultural Experiment Station in Sidney, supported in part by DNRC, has resulted in new safflower varieties; you may be familiar with the first two varieties released -- Montola 2000 and Morlin. These varieties enhance the potential of safflower as a fuel, lubricant, component of paints and varnishes, and industrial chemical feedstock.

We are currently working to expand industrial markets for safflower. In addition, the Energy Division is sponsoring engine performance and emissions testing of safflower/diesel blends, in hopes that safflower can be used as an additive to reduce pollution from diesel locomotives. Costs of the engine testing of safflower and other vegetable oil fuels are shared between DNRC, the North Dakota Agricultural Commodities Committee, and Specialty Vegetable Oils, a division of Lubrizol, Inc. DNRC also is working with the Bonneville Power Administration to test safflower as an insulator in electrical transformers and capacitors; an organic insulator such as safflower oil would be particularly beneficial in environmentally sensitive areas.

Both our safflower work and DNRC's state buildings bond program recently received special recognition from the U.S. Department of Energy in its national publication: "America's Best -- Outstanding State Energy Grant Programs."

### Business Development

The Conservation and Renewable Energy Bureau's Business Development Team works to bring new energy related technologies into the marketplace. The Team identifies and pursues opportunities for developing new technology businesses and industries in Montana, focussing on technologies that have environmental and economic benefits as well as energy benefits, particularly those technologies relevant to Montana's resources, products and economy.

One of our major business development activities involves the use of coal-combustion by-products. The Bureau coordinates with by-product marketers, university researchers, and local

businesses to expand Montana's markets for coal-combustion by-products such as fly ash, bottom ash, boiler slag and flue gas desulfurization products. The Team is working with local ready-mix businesses and the state Department of Transportation to expand use of these by-products in concrete and road materials. University researchers are investigating new manufacturing capabilities for using coal ash applications in masonry block and light weight aggregate. Because of these efforts, last week DNRC received national recognition from the American Coal Ash Association for "governmental leadership and cooperation with Montana utilities, coal ash marketers and other government agencies in promoting the beneficial use of Montana's coal ash."

The Bureau also identifies new markets for wastes that are particular problems to Montana, such as tires, glass, and materials from construction and demolition projects. The bureau works with private businesses, shipping facilities, environmental groups and state agencies to provide business and technical assistance and to help facilitate the productive use of these potential resources.

The Department of Natural Resources and Conservation is implementing a telecommuting pilot project to test and demonstrate telecommuting in the state. Anticipated employer benefits from telecommuting include business cost savings and improved worker productivity; potential societal benefits include reduced auto fuel use, emissions and congestion.

The Conservation and Renewable Energy Bureau also provides energy audits and technical assistance to major Montana businesses and industries, using the engineering expertise developed for public buildings. The bureau has provided these services to Montana sawmills, pellet mills and dairies, and has also developed expertise on energy use in mining operations.

### Consumer Education

The Bureau's Consumer Education Team works with the general public and with targeted client groups to affect individual decisions and behavior concerning energy use and practices. The ultimate goal of this Team is to cause consumers to value energy efficiency and renewable energy measures, techniques, practices and concepts, and to cause them to make decisions with energy as one of the driving factors. Based on what we've learned through our internal program evaluation, the bureau has shifted the emphasis in consumer education away from major publications oriented to the general public and instead now focusses on very targeted work with specific client groups.

For example, the Bureau is sponsoring a major seminar for commercial design professionals in Bozeman February 4 and 5. This seminar is co-sponsored by Montana Power Company, Montana-

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Dakota Utilities Company, Pacific Power and Light Company, Bonneville Power Administration and the Western Area Power Administration. It is expected to draw architects and engineers from across Montana, providing them information on the latest energy designs and technology advances, and informing them of funding opportunities for commercial retrofits through utility conservation programs.

Other areas of emphasis for consumer education include irrigation efficiency workshops, energy education in schools, and commercial and institutional building operator training. The building operator training has the added benefit of helping to maintain savings in retrofitted public buildings, thus protecting the investment made through our retrofit financing programs.

The activities outlined here will continue as the major priorities for the Conservation and Renewable Energy Bureau. Because of reduced federal funding and what we've learned through program evaluation, we are concentrating our efforts on those activities that have the most impact on energy use in Montana.

In the future, the Conservation and Renewable Energy Bureau will continue its aggressive efforts to retrofit public buildings, thus saving taxpayer money and helping to meet utility load growth through energy efficiency. We will continue to develop cooperative, cost-shared programs with Montana utilities, businesses and industry for retrofits, research, and business development. Through the Bonneville Power Administration, we will continue to upgrade the energy efficiency of Montana's new and existing housing stock, and we will continue to target our information and education efforts to specific audiences where we can have the greatest impact.

PROJECTS PROCESSED UNDER THE MONTANA MAJOR FACILITY SITING ACT AND  
THE MONTANA ENVIRONMENTAL POLICY ACT BY ENERGY DIVISION  
FISCAL YEARS 1992/1993

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<u>Project</u>	<u>Description</u>	<u>Work Products</u>
Noranda Minerals Montanore Mine	230-kv transmission line	Draft Environmental Impact Statement. Final Environmental Impact Statement. Mitigation & Monitoring Plan.
Bonneville Power Northwest Montana Support Project	230/115-kv transmission system	Study Plan. Public Involvement Strategy. Affected Environment Sections for Draft EIS. Draft EIS scheduled for Fall of 93.
Water Reservations Upper & Middle Missouri River	Basin-wide water management program	Public Involvement Program. Draft EIS. Final EIS. Testimony in contested case hearing.
Water Reservations Lower Missouri River Basin	Basin-wide water management effort	Public Involvement Program. Field review of proposed projects. Draft EIS scheduled for Fall 93.
Altamont Gas Transmission Project	320 mile, 30-inch natural gas pipeline project	Lead state agency for Montana. Formal intervention before FERC. State Report and Recommendation. Participant in FERC certification.
Montana Power Co. Missouri-Madison Hydro Relicensing	Federal review and recertification of nine dams	Lead state agency for Montana. for 2-year consultation effort. Intervention planned for Spring 93. State Report scheduled for winter 93.
Western Area Power Ft Peck-Wolf Point Transmission Project	230-kv transmission line	Lead state agency for project review. Joint state/federal environment assessment. Determination of Compliance from Board. Implementation Plan.
Corridor Oversight and Review Committee	Joint state/federal cooperative agreement for project review	Memorandum of Understanding for project coordination and review. Corridor identification and analysis efforts.

Budget Item	Current Level	Current Level	Executive	LFA	Difference	Executive	LFA	Difference
	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1994	Fiscal 1994	Fiscal 1995	Fiscal 1995	Fiscal 1995
FTE	40.00	40.00	37.00	40.00	(3.00)	37.00	40.00	(3.00)
Personal Services	1,128,741	1,261,697	1,331,204	1,410,237	(79,033)	1,333,286	1,412,411	(79,125)
Operating Expenses	347,888	1,584,564	1,726,810	1,727,081	(271)	1,297,915	1,296,849	1,066
Equipment	12,303	11,854	10,790	12,991	(2,201)	10,838	13,108	(2,270)
Grants	178,290	421,500	110,000	110,000	0	110,000	110,000	0
Debt Service	6,085	5,096	6,485	6,485	0	6,485	6,485	0
Total Costs	\$1,673,308	\$3,284,711	\$3,185,289	\$3,266,794	(\$81,505)	\$2,758,524	\$2,838,853	(\$80,329)
<b>Fund Sources</b>								
General Fund	480,576	479,859	565,436	590,699	(25,263)	564,474	569,708	(5,234)
State Revenue Fund	349,193	1,303,763	1,213,549	1,267,435	(53,886)	1,183,278	1,257,139	(73,861)
Federal Revenue Fund	843,538	1,501,089	1,006,304	1,008,660	(2,356)	1,010,772	1,012,006	(1,234)
Expendable Trust Fund	0	0	400,000	400,000	0	0	0	0
Total Funds	\$1,673,308	\$3,284,711	\$3,185,289	\$3,266,794	(\$81,505)	\$2,758,524	\$2,838,853	(\$80,329)

**Page References**

LFA Budget Analysis (Vol II), pp C-94 to C-97  
 Stephens Executive Budget, pp C-36 to C-37

**Current Level Differences**

5% Personal Services Reduction - The joint House Appropriations and Senate Finance and Claims committees removed 3.0 FTE amounting to approximately \$160,000 for the biennium. *Wednesday, Apr 20, 1993*

(79,033) (79,125)

Equipment - LFA current level contains a higher equipment budget than the executive. LFA budgets equipment at the agency request, which is less than this program's average annual equipment expenditure level. *LFA*

(2,201) (2,270)

**Minor Differences**

(271) 1,066

**TOTAL CURRENT LEVEL DIFFERENCES**

(81,505) (80,329)

**Budget Modifications**

The Executive Budget includes a modification to add a \$600,000 biennial appropriation of federal Department of Energy funds for the School Energy Retrofit program. For more details, see page C-80 of the LFA Budget Analysis book. *Johnson approved*

600,000

**Language and Other Issues**

Language - The department is requesting the following language:

"The department is appropriated up to \$700,000 from the Rock Creek Trust account in addition to the \$400,000 included in [Item XXX]. The total appropriation for [Item XXX] may not exceed \$1,100,000 over the biennium." *Wednesday approved*

"Items [Lake Broadview] and [Rock Creek] are biennial appropriations." *32,000 94*

Vacant Positions - The joint House Appropriations and Senate Finance and Claims committees removed 1.0 FTE which was vacant as of the 12-29-92 snapshot. *30,000 94*

**Funding**

20,000 40,000

Major Facility Siting Funding Switch - LFA current level includes more major facility siting funds than the Executive Budget. LFA current level continues the special session funding switch that replaced general fund with fee income from major facility siting projects: \$20,000 in fiscal 1994 and \$40,000 in fiscal 1995. The Executive Budget reinstates the general fund. *Johnson funded*

Energy Division

Positions Removed by Joint Committee Action  
House Appropriations & Senate Finance and Claims  
January 6, 1993

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Position #		Position Description	Total Personal Services		FTE Removed By		Total FTE Removed	Non-Approp. FTE
			Fiscal 1994	Fiscal 1995	5% Reduction	Being Vacant		
All or Partial General Fund Positions								
40210	Office Supervisor III		24,253	24,280	1.00		1.00	
Sub-Total			24,253	24,280	1.00	0.00	1.00	0.00
Non-General Fund Positions								
42042	Energy Education Specialist I		26,076	26,076	1.00		1.00	
42043	Administrative Officer II		28,229	28,229	1.00		1.00	
43055	Energy Education Specialist III		30,518	30,553		1.00	1.00	
Sub-Total			84,823	84,858	2.00	1.00	3.00	0.00
TOTAL			109,076	109,138	3.00	1.00	4.00	0.00

Department of Natural Resources and Conservation

but FWP will contribute \$46,250 in fiscal 1994. The 1991 Legislature appropriated \$540,565 for Missouri River reservations process, which was reduced by \$87,000 in the January special session. The department expended \$239,228 during fiscal 1992, which was not continued in the 1995 biennium at current level.

- 7) USGS Coop Stream Gauging - This modification would add \$55,864 for the biennium to fund agency's 50 percent share of the cost of the existing stream gauging program, which Montana co-operates in with the United States Geological Survey (USGS). Funding is from the groundwater assessment special revenue account, which receives 14.1 percent of RIT tax proceeds per section 15-38-106(2), MCA.
- 8) Broadwater Fisheries Mitigation - The Executive Budget includes this modification to add a \$52,000 biennial appropriation to complete the fisheries mitigation plan for mediation of damages caused by Broadwater Dam, as required by the Federal Energy Regulatory Commission. Funding is from interagency earnings of the Broadwater fisheries mitigation account.
- 9) Dam Rehabilitation Engineer - This modification adds 1.0 FTE and \$88,713 for the biennium to provide an engineer and associated operating expenses to work on dams owned by FWP. Due to workload demands, current agency staff are unable to devote time to FWP dams. Funding is state special revenue from FWP.
- 10) Weather Modification Environmental Review - This budget modification would add a \$20,000 biennial appropriation from the water development account to contract for an environmental review of impacts associated with North Dakota's proposed cloud seeding over Montana to suppress hail and enhance rainfall.
- 11) School Energy Retrofit - This budget modification would add a \$600,000 biennial appropriation of federal Department of Energy funds for the School Energy Retrofit Financing Program. The federal funds will be used: 1) to leverage other funds; 2) to pay administrative and contracted engineering study costs; 3) to train school maintenance and operations staff; and 4) as matching grants for hospital engineering studies and retrofits.

## Issues

### Reducing General Fund Support in Centralized Services Division

General fund support of Centralized Services Division (CSD) could be reduced by \$51,364 for the biennium if assessments/fees were charged to all state special revenue accounts that fund agency programs. Table B shows that six state special revenue accounts utilized in agency operations do not currently support CSD<sup>1</sup> and the amount of additional support that could be generated if these accounts were allocated a 6 percent assessment.

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<sup>1</sup>Three state special revenue accounts have statutory restrictions which may preclude their use in Centralized Services Division: Broadwater Operations and Maintenance, Wastewater Administration, and Lake Roadview. The agency is requesting that a 6.0 percent assessment be levied on the Board of Water Well Contractors, which is included in the Executive Budget but not in the LFA current level.



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# NATURAL RESOURCES/CONSERVATION

## Water Resources Division

### Program Summary

Budget Item	Actual Expenditures Fiscal 1992	Current Level Fiscal 1992	Current Level Fiscal 1993	LFA Fiscal 1994	Executive Fiscal 1994	LFA Fiscal 1995	Executive Fiscal 1995	LFA Change 92 - 94
FTE	124.20	121.20	121.20	121.20	115.00	121.20	115.00	
Personal Services	3,897,851	3,782,575	3,740,631	4,208,671	4,013,136	4,220,842	4,022,802	428,035
Operating Expenses	3,371,668	1,044,732	1,118,879	1,026,942	1,568,259	1,030,887	1,574,458	(17,790)
Equipment	103,410	77,617	79,107	101,569	97,257	75,521	71,770	23,952
Grants	18,000	18,000	18,000					(18,000)
Transfers	105,957							
Debt Service	8,927	8,927	12,926	7,715	8,744	7,715	8,744	(1,211)
Total Costs	\$7,505,814	\$4,931,851	\$4,969,543	\$5,344,897	\$5,687,396	\$5,334,965	\$5,677,774	\$413,046
<b>Fund Sources</b>								
General Fund	2,344,892	2,344,894	2,475,045	2,833,111	2,618,594	2,836,670	2,625,032	488,217
State Revenue Fund	3,485,721	2,543,508	2,439,656	2,459,286	3,016,302	2,445,795	3,000,242	(84,222)
Federal Revenue Fund	1,675,200	43,449	54,842	52,500	52,500	52,500	52,500	9,051
Total Funds	\$7,505,814	\$4,931,851	\$4,969,543	\$5,344,897	\$5,687,396	\$5,334,965	\$5,677,774	\$413,046

## Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. The division also develops and recommends water policy to the director, Governor, and Legislature. The division consists of an administration unit and four bureaus: Water Management Bureau, Water Rights Bureau, Engineering Bureau, and the Water Operations Bureau. The Water Operations Bureau, which was created through internal reorganization in fiscal 1992, consists of the floodplain management, water well, water measurement, and dam safety programs.

## LFA Current Level

Personal services increase by \$426,096 over fiscal 1992 levels due to: 1) continuation of the pay plan increase in the 1995 biennium; and 2) an additional \$10,725 per year for overtime, per the agency request, budgeted at the historical three year average annual expenditure level.

Operating expenses decrease by \$17,790 due to: 1) maintenance of most operating expenses at the fiscal 1992 expenditure level per agency request; and 2) deflationary adjustments, which reduce operating expenses by \$22,764 in fiscal 1992, mostly through reductions in Department of Administration computer processing and telephone costs.

Equipment increases by \$23,952 and consists of vehicles, office and field monitoring equipment, Broadwater Dam plant equipment, and computers. For the past three years, Water Resources Division has spent an average of \$93,350 per year on equipment. The 1995 biennium equipment budget average is \$4,800 less per year than the historical three year average annual equipment expenditure.

Grants in fiscal 1992 consisted of a grant to the Bureau of Mines to conduct groundwater monitoring, which is not continued in the 1995 biennium.

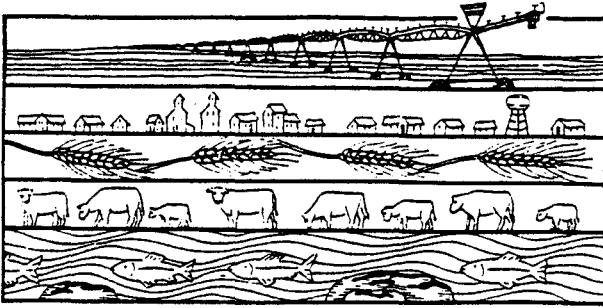
# MONTANA WATER PLAN

The original is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

November 2, 1992

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## WATER RESERVATION

OCT.

*update*

1992

WATER RESOURCES DIVISION

MONTANA DEPARTMENT OF NATURAL

RESOURCES AND CONSERVATION

## BOARD MAKES FINAL DECISION ON APPLICATIONS ABOVE FORT PECK DAM! (see page 2)

### *Purpose of the newsletter*

The *Water Reservation Update* is published periodically to keep Montanans informed about the ongoing water reservation proceeding in the state's Missouri River basin. This issue will bring you up to date on the Board of Natural Resources and

Conservation's final decision on water reservation applications above Fort Peck Dam. It also provides a brief description of the reservation process and discusses the status of applications to reserve water in the basin below Fort Peck Dam.

### *The Missouri basin reservation proceeding: an overview*

In 1985, the Montana Legislature directed the Department of Natural Resources and Conservation (DNRC) to initiate and coordinate a proceeding to allow for water to be reserved in the Missouri and Little Missouri River basins. The reservation proceeding was begun for two reasons:

- (1) The comprehensive planning required in a reservation process was seen as a way to encourage more coordinated development of the basins' water.
- (2) The reservation proceeding was regarded as a way for Montana to build a strong legal foundation for protecting its share of Missouri River water from downstream states.

Water reservations present the opportunity for water to be set aside for future diversion and consumption and for maintaining instream flows to protect fisheries, recreation, and water quality. Only public entities such as local governments, conservation districts, and state and federal agencies can apply for and hold water reservations.

Unlike water use permits that usually must be put to beneficial use within three to four years after the application date, reservations

allow up to 30 years or more for the water to be put to beneficial use—while still continuing to maintain an early priority date. Reservations also are the only way to protect instream flows with a water right under Montana law. Any reservations granted in the Missouri basin will have a July 1, 1985 priority date, junior to that of any claims or permits issued before then.

DNRC coordinates the reservation process, but the Board of Natural Resources and Conservation (Board) decides whether to grant water reservations. (This seven-member board is appointed by the governor.)

Because the Missouri basin is so large, the reservation proceeding has been split into two parts. Considered first were water reservation applications in the basin's upper portion, which encompasses the drainage area above Fort Peck Dam. After an environmental review was made and a contested case hearing was held, the Board made its final decision on upper basin applications on June 30, 1992. Now under consideration are water reservation applications in the basin below Fort Peck Dam, including the Little Missouri and Milk river basins.

## Water reservation applications above Fort Peck Dam

### *Board Makes Final Decision*

Applications for water reservations in the Missouri basin above Fort Peck Dam were due by July 1, 1989. DNRC received applications for consumptive use from 18 conservation districts for 226 irrigation projects; 18 municipalities; and the U.S. Bureau of Reclamation to pump water from the Missouri River for diversion into the Milk River to alleviate water shortages. Instream flow requests submitted to DNRC included applications from the Department of Fish, Wildlife and Parks to protect fish, wildlife, and recreation on 283 stream reaches; the Department of Health and Environmental Sciences to protect water quality; and the U.S. Bureau of Land Management to protect fisheries and wildlife on 31 headwater streams.

### *The Environmental Impact Statement*

Because water reservations could significantly affect the human and natural environment, DNRC prepared an environmental impact statement (EIS) to let the public know about any known or foreseeable beneficial and adverse effects that would be caused by granting or denying each reservation request. The EIS involved two major phases.

- (1) DNRC held 10 public scoping meetings throughout the state during July

1989 to determine which issues the public wanted to see addressed in the EIS. Along with information from state and federal agencies and DNRC staff, these issues were combined with research results and other data to prepare the draft EIS. The draft described the basin's existing natural and human environment and presented potential impacts of the proposed reservations. The document also identified reservation alternatives and provided information on whether the proposed reservations met the Board's decision criteria. DNRC published the draft EIS and distributed it during July 1991.

- (2) Soon after the draft EIS was published, DNRC held 10 more public hearings to gather written and oral comments on the draft; the public had 75 days to submit written comments. DNRC responded to these comments in the final EIS and also provided information on issues raised after the draft was published. The final EIS was distributed during January 1992.

### *The Contested Case Hearing*

According to Montana law, all water right holders and other water users that potentially could be affected by the reservations had to be notified and given the opportunity to object at a legal hearing. During



Missouri River basin above  
Fort Peck Dam

Application deadline was July 1, 1989.

Draft EIS published July 1991; final EIS,  
January 1992.

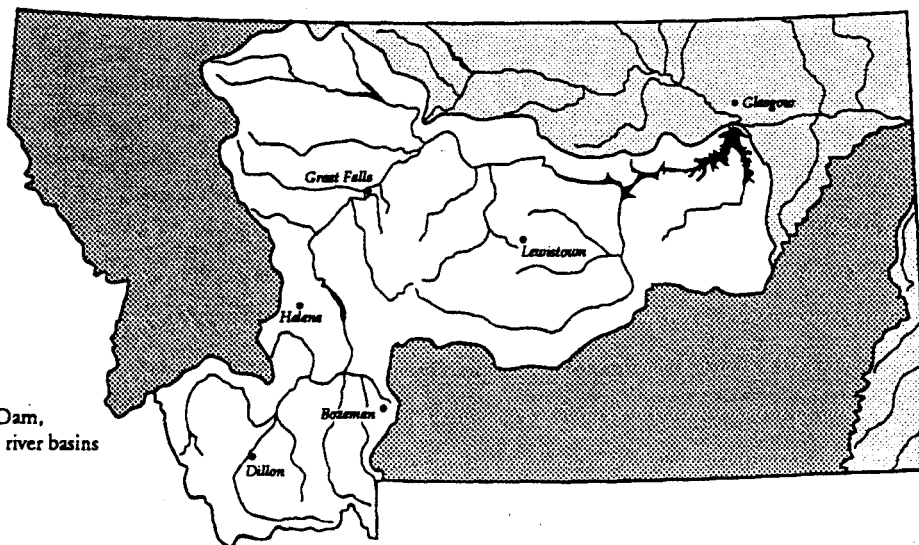
Contested case hearing held February 1992.

Board decision June 30, 1992.



Missouri River basin below Fort Peck Dam,  
including the Little Missouri and Milk river basins

Application deadline was July 1, 1991.



July 1991, DNRC sent notices of the pending upper basin applications to about 11,000 of the basin's water right holders. The notice also was published in 11 newspapers of general circulation in the basin. As a result, more than 500 objections to the reservations were received. The Board hired Mr. Peter Stanley of Billings as the hearing examiner to preside over the formal hearings held for three weeks in Helena. In addition to these hearings, Mr. Stanley held five informal hearings so that limited parties could testify in Great Falls, Lewistown, Bozeman, Glasgow, and Dillon. The hearings began February 3, 1992, and ended February 28, 1992. The hearing

examiner then drafted for the Board a proposed order that included his findings, conclusions, and recommended decision on the reservation applications.

### *The Board's Decision*

During a hearing held in Helena on June 15, 1992, the Board allowed objectors and water reservation applicants to present exceptions and oral arguments to the hearing examiner's proposed order. The Board then began deliberations and, on July 1, 1992, reached a final decision on the upper basin applications. The decision included the following actions:

*(continued on page 4)*

## *Water reservation applications below Fort Peck Dam*

July 1, 1991, was the deadline for public entities to submit applications to reserve water in the lower Missouri basin. DNRC received applications for consumptive use from 11 conservation districts for 471 irrigation projects, and 14 municipalities. The Department of Fish, Wildlife and Parks applied to reserve water for instream flows on 21 stream reaches. A more detailed list of the applicants' requests is available from DNRC.

### *The EIS and Contested Case Hearing*

As it did with the upper basin, DNRC will prepare an EIS to address all lower basin water reservation applications. Preliminary work on the EIS is underway, and DNRC will be holding scoping meetings throughout the basin during November 1992. A schedule for the meetings is shown below.

After the meetings, DNRC will compile and publish a draft EIS that will be distributed to the public for comments. Public meetings will again be held to gather written and oral comments on the draft. DNRC then will prepare a final EIS that responds to the comments and provides information on issues raised after publication of the draft EIS.

Water right holders in the Milk, Lower Missouri, and Little Missouri basins, along with other individuals and groups that could be affected by the reservations, will receive notice of the reservation applications, and a contested case hearing will be held. Dates for the notice and hearing have not been set, but they will be published in newspapers of general circulation.

CITY	LOCATION	DATE	TIME
Baker	High School Audio/Visual Room	November 16	7:00 pm
Havre	Northern Montana College - Crowley Conference Room, Student Union	November 17	7:00 pm
Wolf Point	High School Auditorium	November 17	7:00 pm
Plentywood	Courthouse - Public Library Meeting Room	November 18	7:00 pm
Glasgow	Cottonwood Inn - Banquet Room	November 19	7:00 pm

**Water reservation  
applications above  
Fort Peck Dam**  
(continued from page 3)

- The Board granted 14 *municipal* applications with priority over all other reservations, although the amount of water granted to some cities was less than that requested. The total volume of water granted to municipalities was 22,046 acre-feet per year. The Board denied three municipal applications, and one municipality withdrew its application.
- The Board granted three applications for instream reservations. The *Department of Health and Environmental Sciences* was granted a reservation for the full amount it requested with second priority. The Board granted, with some modifications, requests from the *Department of Fish, Wildlife and Parks* and the *Bureau of Land Management* with third and fourth priority, respectively. All instream reservations were made to run concurrently with each other. The Board also conditioned

all instream flow reservations granted so that they would have no force and effect in any drainage basin or stream closed to new water use permit applications.

- The Board granted 15 *conservation district* applications, at least in part, while denying three applications. The total amount of water reserved was 166,605 acre-feet per year for 118 irrigation projects covering 58,464 acres. The conservation district reservations were given fifth priority.
- The Board granted the *Bureau of Reclamation's* reservation request to divert water from the Missouri River to the Milk River, but for a lesser amount than that requested.

For a copy of the Board's final decision on upper basin water reservation requests, call Larry Dolan at 444-6627, or write to him at DNRC, 1520 E. Sixth Ave., Helena, MT 59620-2301.

## WATER RESERVATION

OCT. *update* 1992

WATER RESOURCES DIVISION
MONTANA DEPARTMENT OF NATURAL
RESOURCES AND CONSERVATION

1520 EAST SIXTH AVENUE  
HELENA, MONTANA 59620-2301

7  
2-1-93

Budget Item	Current Level Fiscal 1992	Current Level Fiscal 1993	Executive Fiscal 1994	LFA Fiscal 1994	Difference Fiscal 1994	Executive Fiscal 1995	LFA Fiscal 1995	Difference Fiscal 1995
FTE	121.20	121.20	115.00	121.20	(6.20)	115.00	121.20	(6.20)
Personal Services	3,782,576	3,740,631	4,013,136	4,208,671	(195,535)	4,022,802	4,220,842	(198,040)
Operating Expenses	1,044,718	1,118,879	1,568,259	1,026,942	541,317	1,574,458	1,030,887	543,571
Equipment	77,616	79,107	97,257	101,569	(4,312)	71,770	75,521	(3,751)
Grants	18,000	18,000	0	0	0	0	0	0
Debt Service	8,927	12,926	8,744	7,715	1,029	8,744	7,715	1,029
Total Costs	\$4,931,838	\$4,969,543	\$5,687,396	\$5,344,897	\$342,499	\$5,677,774	\$5,334,965	\$342,809
<b>Fund Sources</b>								
General Fund	2,344,892	2,475,045	2,368,594	2,833,111	(464,517)	2,375,032	2,836,670	(461,638)
State Revenue Fund	2,543,500	2,439,656	3,266,302	2,459,286	807,016	3,250,242	2,445,795	804,447
Federal Revenue Fund	43,445	54,842	52,500	52,500	0	52,500	52,500	0
Total Funds	\$4,931,838	\$4,969,543	\$5,687,396	\$5,344,897	\$342,499	\$5,677,774	\$5,334,965	\$342,809

**Page References**

LFA Current Level (Vol II), pp C-90 to C-92  
 Stephens Executive Budget, pp C-34 to C-35  
 Racicot Executive Budget, p 24

**Current Level Differences**

**5% Personal Services Reduction**—The joint House Appropriations and Senate Finance Claims committees removed 6.20 FTE for an approximate savings of \$394,000 over the biennium

(197,136) (197,136)

**Overtime**—The Executive Budget contains a NET \$3,000 more than LFA current level over the biennium for overtime and overtime benefits. LFA budgets overtime at the division-wide average annual overtime expenditure level, with an additional 15 percent for overtime benefits. The executive budgets overtime at the agency request with no benefits.

2,108 795

**Operating Expenses**

**1. Broadwater Dam Current Level Expansion**—The Executive Budget includes over \$1 million more than LFA current level for consultant services for the Broadwater Dam. These costs have previously been paid with Broadwater construction funds, which are almost depleted. Funding for the expansion is from hydropower sales to Montana Power Company, which brings in between \$75,000 and \$250,000 per month.

517,882 517,882

**2. Board of Water Well Contractors Legal Fees**—The Executive includes a new contingency appropriation for legal fees for the Board of Water Well Contractors. Previously, DNRC staff attorney's have provided legal assistance to the Board.

10,000 10,000

**3. Water Measurement Program**—The Executive Budget includes more than LFA for printing and contracted services for this new program which began in mid-fiscal 1992. LFA budgets printing at fiscal 1992 levels and does not include funds for a new contract with USGS for water quantity information.

6,478 5,678

**4. Regional Offices Rent**—The Executive Budget includes anticipated rent increases for regional offices. LFA current level continues fiscal 1992 non D of A rent expenditure levels.

5,312 5,319  
2,866 2,866

**5. Regional Offices Mainframe Charges**—The Executive includes more than the LFA current level for regional office computer processing charges. LFA current level maintains fiscal 1992 expenditure levels.

1,819 1,819

**6. General Difference**—The Executive continues a fiscal 1992 expenditure in the "general" category in state water projects which was not justified in the agency request. LFA current level does not include these funds

2,478 2,478

**7. Water Rights Advertising**—The Executive Budget includes a larger increase to reflect increased advertising costs in Water Rights and Planning.

1,000 1,000

Equipment - The LFA current level budget represents the agency request, which over the biennium is less than the division's average annual expenditure level for equipment.

(4,312) (3,751)

Debt Service - The Executive Budget includes more for debt service than LFA current level.

1,029 1,029

Minor Differences

TOTAL CURRENT LEVEL DIFFERENCES

Budget Modifications

1. Rehabilitation of State Owned Water Projects - The Executive Budget includes this modification to add a \$13,801,000 biennial appropriation for: 1) rehabilitation of Tongue River and North Fork Smith River dams; and 2) payment of service on the federal loan for rehabilitation of the Middle Creek Dam. Funding includes federal funds; water development, water storage, Broadwater hydropower, and FWP state special revenue funds; and user fees from Middle Creek Dam users. For further information on this and other budget modifications please see pages C-79 and C-80 of the LFA Budget Analysis.

13,801,000

2. Transfer of Water Projects - The Executive Budget includes this modification to add \$125,088 for the biennium to pay: 1) department administrative costs associated with the transfer of state water projects to water user associations; and 2) severance payments to water user associations assuming ownership of the projects. Funding is from the RIT water development state special revenue account.

88,288 36,800

3. Missouri River Reservation - This modification, included in the Executive Budget, would add 2.0 FTE and related operating expenses necessary to continue the Missouri River reservation process begun by the legislature in 1985. The original Executive Budget modification added 3.0 FTE, but one was eliminated by being vacant as of 12-29-92 snapshot for a savings of approximately \$50,000 over the biennium. Funding is RIT and Fish Wildlife and Parks funds.

250,369 70,072

4. USGS Coop Stream Gauging - The Executive Budget includes this modification to add \$55,864 for the biennium to fund the agency's 50 percent share of the cost of the existing stream gauging program which Montana cooperates with the United States Geological Survey. Funding is from the groundwater assessment account, which receive 14.1 percent of RIT tax proceeds.

24,007 31,857

5. Broadwater Fisheries Mitigation - The Executive Budget includes this modification to add \$52,100 for the biennium to complete the fisheries mitigation plan for mediation of damages caused by the Broadwater Dam. Funding is from interest earnings on the Broadwater Fisheries Mitigation account.

52,100

6. Dam Rehabilitation Engineer - This modification would add 1.0 FTE and operating expenses to provide an engineer to work on FWP dams. Funding is from FWP state special revenue.

46,340 42,373

7. Weather Modification Environmental Review - The Executive Budget includes a modification to add a \$20,000 biennial appropriation from the water development account to contract for an environmental review of impacts associated with North Dakota's proposed cloud seeding program. The agency has indicated the executive may wish to withdraw this modified request.

20,000

8. New modification request for a State Water Plan position - The agency will explain.

35,467 34,767

Language and Other Issues

Vacant Positions - The joint House Appropriations and Senate Finance and Claims committees removed 1.0 FTE that was vacant as of the 12-29-92 snapshot, resulting in savings of approximately \$44,000 over the biennium.

Funding Issues

1. General Fund - The LFA current level includes \$926,155 more general fund than the Executive Budget for two reasons:

a. RIT Tax Proceeds - The executive replaces general fund with diverted RIT tax proceeds. The availability of these funds is contingent upon passage of proposed legislation.

(250,000) (250,000)

b. RIT Interest Special Session Action - The executive continues using RIT interest funds instead of general fund in the division budget, as was done during the January 1992 special session. LFA considered those one-time-only actions and reinstated general fund in the 1995 biennium.

(214,517) (211,638)

2. State Special Revenue - Most of the difference in state special revenue is due to the executive's inclusion of approximately \$600,000 more than the LFA each year for Broadwater Dam operations and maintenance costs. Remaining differences are due to use of different funding formulas (LFA continued funding percentages used to calculate the 1993 biennium funding, after adjustments for special session action), and the additional Board of Water Well Contractor funds for a legal contingency included in the Executive Budget.



Language—The department is requesting the following language:

1. "Funds received under the provisions of 85-1-514(4) are appropriated to the department for the purpose of performing duties required under 85-1-514."

This language allows the department to expend funds it receives from private parties that contract with the department to do hydropower feasibility studies on state owned water projects.

2. "Any fines collected under the provisions of Title 85, Chapter 2, and deposited in the water right appropriation account in accordance with 85-2-318, are appropriated to the department to carry out the enforcement functions re under 85-2-114."

This language allows the agency to expend fines collected from violators of water right agreements on enforcement activities.

3. "Funds received from bonds required by 37-43-306 are appropriated to the department for the purpose of performing remedial action on water wells providing compensation for damages caused by water well violations, or paying administration costs incurred by the Board of Water Well Contractors."

4. "All interest earned on the Montana Power Company Beaverhead grant is appropriated to the department for use on the Beaverhead Groundwater Study."

The Beaverhead Groundwater Study was authorized by budget amendment in the 1993 biennium.

5. "All funds currently in or to be deposited in the Broadwater Replacement and Renewal Account are appropriated to the department for repairing or replacing equipment at the Broadwater hydropower facility or to service the Broadwater hydropower bond debt if revenue deposited in the debt service account is insufficient for this purpose."

The Broadwater Replacement and Renewal account is the second account that Broadwater hydropower revenue flows into. This language would allow the department to use that account for necessary repairs and replacements, and also use funds from this account to pay debt service on Broadwater Dam bonds if revenue deposited in the debt service account is insufficient.

6. "All interest earned on the Broadwater Users account is appropriated to the department for the purpose of repair, improvement, or rehabilitation of the Broadwater-Missouri Diversion Project"

This language would allow the Broadwater Irrigators Association to spend any interest earned on the Broadwater Users Account.

EXHIBIT 7  
DATE 2-7-93  
SB

Water Resources Division

Positions Removed by Joint Committee Action  
House Appropriations & Senate Finance and Claims  
January 6, 1993

DATE 2-1-93 <sup>7</sup>

		Total Personal Services		FTE Removed By		Total FTE Removed	Non-Approp. FTE
Position #	Position Description	Fiscal 1994	Fiscal 1995	5% Reduction	Being Vacant		
All or Partial General Fund Positions							
50810	Water Resource Regional Manager	39,496	39,496	1.00		1.00	
57055	Microfilm Clerk II	4,151	4,151	0.20		0.20	
90076	Water Resource Specialist I	25,112	25,112	1.00		1.00	
90077	Water Resource Specialist II	56,697	56,697	2.00		2.00	
53008	Administrative Clerk III	22,178	22,339		1.00	1.00	
Sub-Total		147,634	147,795	4.20	1.00	5.20	0.00
Non- General Fund Positions							
20090	Civil Engineer Specialist IV	35,840	35,840	1.00		1.00	
50040	Civil Engineer Specialist IV	35,840	35,840	1.00		1.00	
Sub-Total		71,680	71,680	2.00	0.00	2.00	0.00
TOTAL		219,314	219,475	6.20	1.00	7.20	0.00



Stan Stephens  
Governor

## RESERVED WATER RIGHTS COMPACT COMMISSION

# STATE OF MONTANA

Dennis Iverson, Vice-Chairman  
Susan Brooke  
Gene J. Etchart  
Lorents Greesfield

Chris D. Tweeten, Chairman

Joseph P. Mazurek  
Jack Salmood  
Bob Tholl  
David E. Wanzersied

EXHIBIT 8  
DATE 2-1-93  
SB \_\_\_\_\_

### MEMORANDUM

TO: Senator Gerry Devlin

FROM: Susan Cottingham, Program Manager, Montana Reserved Water Rights Compact Commission

RE: Request For Information, Personal Services, Program 25

DATE: January 29, 1993

Per your request, this memo outlines the differences between actual expenditures for Personal Services in FY 92 and the executive budget request for FY 94-95.

The Reserved Water Rights Compact Commission (RWRCC) budget request for personal services is \$94,153 higher in 1994 than actual 1992 expenditures and \$94,922 higher in 1995.

In consultation with Helen Kittel, PPP State Coordinator, OBPP and Flo Smith, OBPP Analyst, this additional request breaks down as follows:

Approximately \$14,980 a year is requested to cover the pay plan passed in HB 509. The remaining \$79,173 (1994) and \$79,942 (1995) funds currently authorized and filled positions. An average of 2.9 FTE's were vacant for this program over FY 1992.

On July 1, 1991 the following positions were vacant: #55251, #55252, #55253, #55255 and #55256. Position #55251 (attorney) has been filled since 9-30-91, #55252 (hydrologist) has been filled since 11-18-91, #55253 (computer specialist) has been filled since 1-6-92 and #55255 (secretary) has been filled since 12-16-91. Position #55256 is not currently filled and Sub-committee Executive Action on 1-28-93 reduced this position by .58 FTE.

The additional personal services request therefore funds four positions that have been filled for over a year and funds the pay plan for 11.42 FTE in FY 94-95.

Please let me know if there is any other information I can provide.

cc: Chris Tweeten, Chairman RWRCC  
Mark Simonich, Director DNRC

Susan Cottingham  
Program Manager  
1520 East Sixth Avenue  
Helena, Montana 59620-2301  
(406) 444-6841  
Telefax (406) 444-6721

HOUSE OF REPRESENTATIVES  
VISITOR'S REGISTER

NATURAL RESOURCES SUBCOMMITTEE

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<i>Wendell [unclear]</i>	"	"	
<i>John [unclear]</i>	DNRC	"	
<i>Gary Fritz</i>	"	"	
<i>Peter [unclear]</i>	"		
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