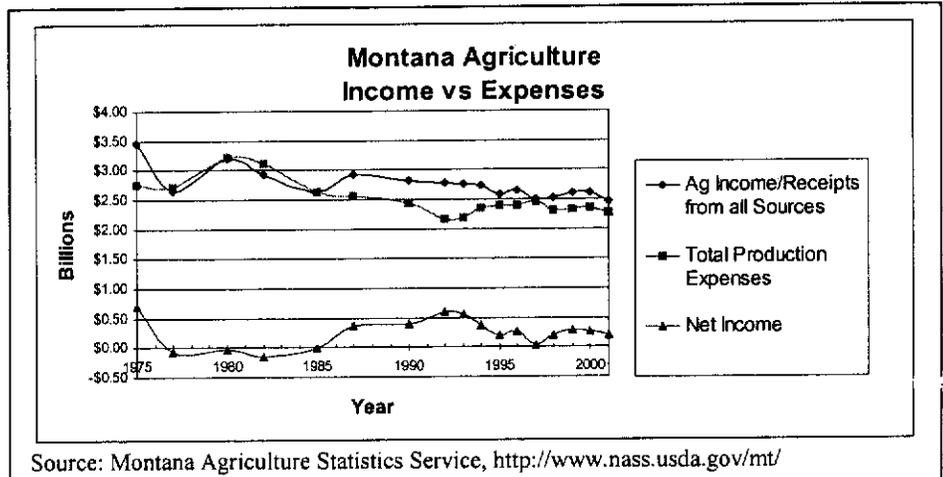


Northern Rocky Mountain
Resource Conservation & Development

EXHIBIT 10
DATE 01/06/05
HB 2

Conservation District "HB 223" Grant
Feasibility Assessment, Methane Digester Project – Churchill, MT
April 2003 – November 2003

Background: Gallatin County leads the state of Montana in milk cows, with approximately 6,700 in 2004. Like many commodity markets, milk prices can fluctuate widely. While positively affecting the milk market is outside of the realm of most dairies, reducing production costs may not be.



Use of HB 223 Funds: This project investigated the feasibility of offsetting electrical expenses for a local dairy through the use of anaerobic digestion of manure. Other available funding sources focus on implementation (construction) of renewable energy projects and there are limited sources for feasibility studies.

- Funding Awarded: \$5,600
- Total Project Cost: \$9,100

Results: Feasibility study completed in November 2003 by RCM Digesters, Inc.

- Heated *Plug Flow* Digester Cost: \$421,000
- System Outputs (Gas Production 31,511 ft³/d, Electricity Output 56 kW avg. Heat Recovery 233,823 Max Btu/hr, 106,748 Min Btu/hr)
- Benefits
 - Electrical purchase offset (at 2003 rates): \$17,054
 - Sale of excess electricity: \$10,504
 - Hot water offset: \$2,030
 - Sale of digested solids: \$10,880
 - Tax credits: \$4,759
 - TOTAL: \$45,227

Mr. Chairman and Committee members;

My name is Mike Wendland, I am a dryland farmer from Rudyard and serve on the Hill County Conservation District Board of supervisors, and also on the MACD board. I am here today to urge your support for continued funding for Conservation Districts from the Coal Tax shared funding.

Many of you are familiar with the work that Conservation Districts do in your areas. Montanas 58 CD's are state created political subdivisions whose boundaries usually follow the state county lines, over 70 municipalities are included in their respective CD's. Conservation Districts are governed by locally elected supervisors. Conservation districts have a long history of working to help conserve our states natural resources by helping local people match their needs with technical, and financial resources to get good conservation practices on the ground which benefits all of Montana.

The Coal Tax Shared account is an important resource of funding for Montana Conservation districts. CD's use this funding to fulfill some of the requirements placed on them by the State of Montana such as implementation of the 310 Law, Water reservations, and local TMDL consultation. We are ready to meet these responsibilities if given adequate tools and funding which include Coal tax shared Account funding.

The 223 Grant program, the Administrative Grant Program, the Montana Salinity Control Program, the Envirothon, the Technical Assistance Fund, Watershed Planning Assistance Funds, are all ways that we use the shared Coal Tax Funds. These programs are vital in the Conservation Districts ability to be leaders on natural resource issues and we feel that they must continue to be funded.

So once again I ask for your continued support for this source of funding that CD's have shown that they have used responsibly in the past to help conserve Montana's natural resources.

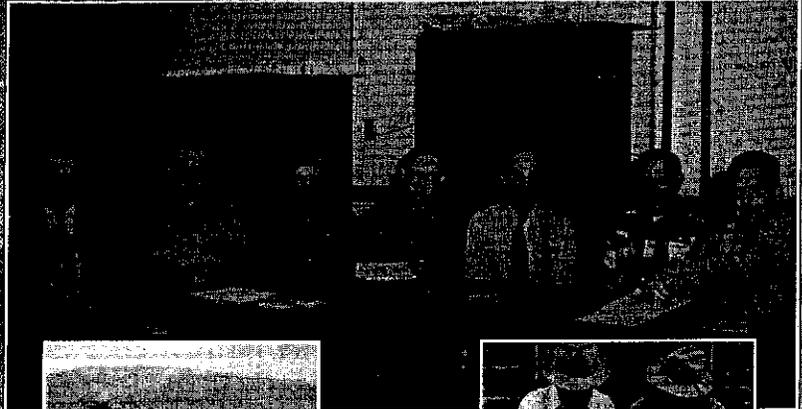
Thank you for the opportunity to testify before you today and I will try to answer any questions you may have for me.

Montana State Legislature

Exhibit No. 10

This exhibit was not scanned because it is a pamphlet, the front cover is scanned to aid in your research. The exhibit is on file at the Montana Historical Society and may be viewed there.

MONTANA CONSERVATION DISTRICTS

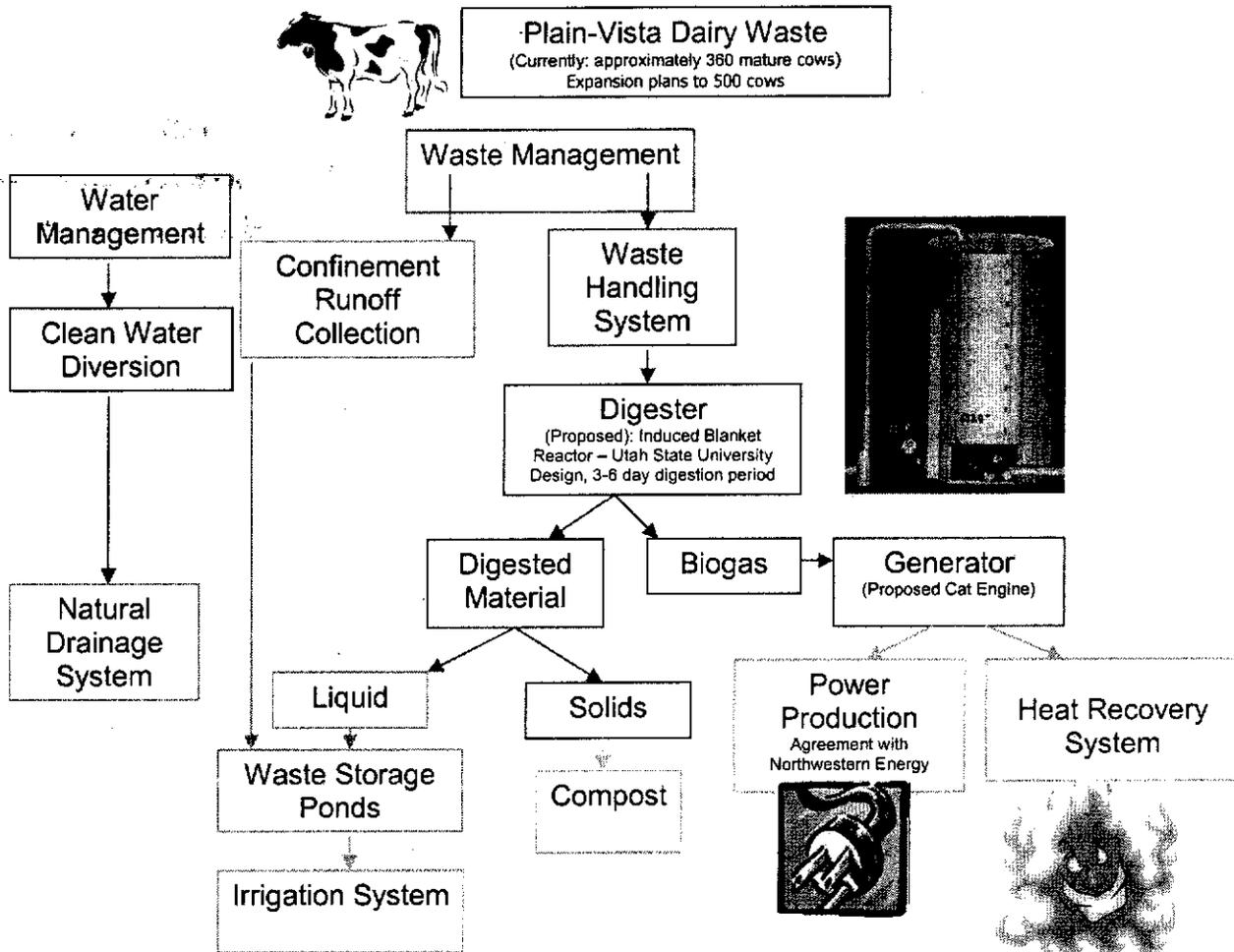


Organized in the 1930s as a response to the severe erosion problems of the "Dust Bowl" days.

Montana's 58 conservation districts are political subdivisions of the state, governed by locally elected supervisors.

Funding for the operation and maintenance of each district comes from annual property taxes levied on real property within the boundaries of the district.

Conservation districts help citizens conserve their soil, water, and other renewable natural resources.



Follow Up: Other types of digester technology are being investigated. The feasibility study identified the need for more cost effective digester technology for *Montana* sized dairies ~ 300 – 500 cows. The project team is currently designing the waste management system and “shopping” for digesters.

Conclusion: The *HB 223* grant funding was critical to getting this project started. The Northern Rocky Mountain RC&D is committed to assisting agricultural producers and businesses in our three counties with accomplishing widely supported, well thought out economic development projects. Anaerobic digestion technology has the potential to greatly reduce production expenses for dairy operations. The *HB 223* funds were used to clearly identify costs, risks, and benefits of this technology. This critical funding provided a “risk assessment” step that greatly assisted the producer in determining if investing in this technology would be cost effective.