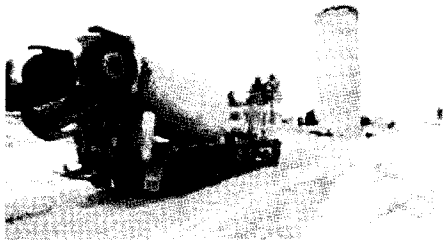
SNOWY MOUNTAIN DEVELOPMENT CORPORATION

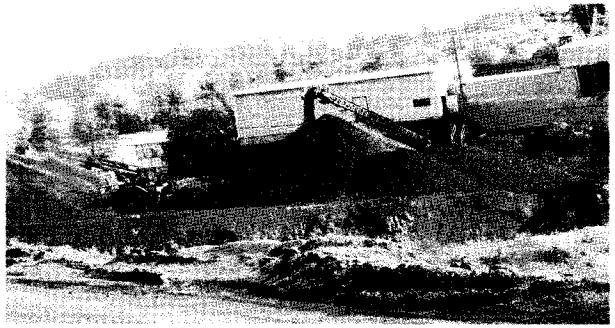
Local Governmental needs for Coal Board Funds in central Montana



Local Government's and communities impacted by coal development have a broad range of needs including the following:

- Planning Activities
- Transportation Infrastructure
- Housing Development
- Water, Sewer and Wastewater Infrastructure
- Education Services
- Emergency Response Services including fire and ambulance,
- Medical Facilities

Local governmental officials meet with mine Executive and Snowy Mountain Development Corporation to discuss transportation infrastructure and community needs in preparation of Signal Peak Energy's project start-up.



Out with the old and in with the new. Coal technology used in the 1970's is no longer viable in 2009. A long-wall mining system will be used to extract coal from the Bull Mountain Mine approximately 30 miles south of Roundup.

Transportation systems are degraded by coal industry needs. Many rural roads are inadequate to meet the coal industry and residential transportation needs as well as safety requirements.

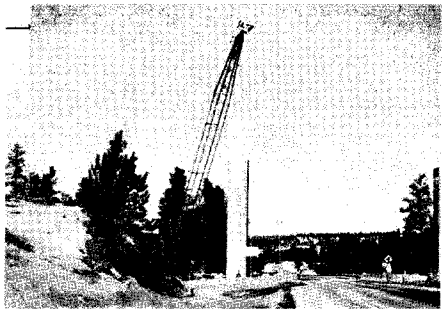
SNOWY MOUNTAIN DEVELOPMENT CORPORATION
613 Northeast Main
Lewistown, MT 59457

Phone and fax: 406-535-2591
Email: smdc@midrivers.com

EXHIBIT 1
DATE 3/27/09
SB 100

Oil, Gas, and Coal Natural Resource Account's History

In 1975 the Legislature enacted SB87 which created a 30% severance tax on coal extracted from Montana mines.



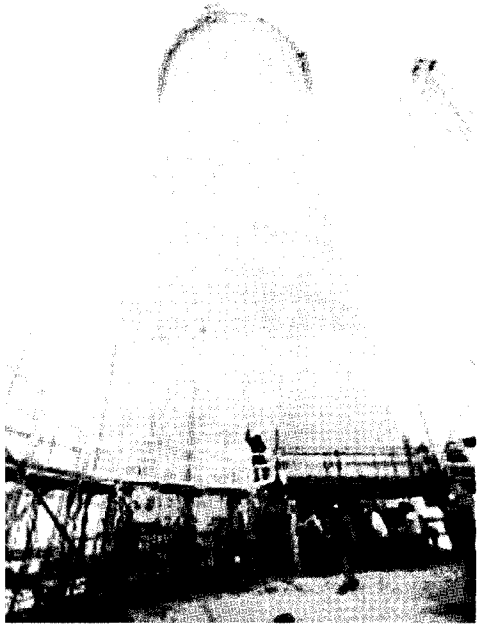
Construction of the 30 mile railroad spur to serve the Bull Mountain Mine project by Signal Peak Energy, over Highway 87 is one of the first railroad expansions in Montana in many years.

SB87 said, "An act creating funds for **assisting local governments and highway systems impacted by coal development** and for the support of public schools throughout the state; creating a fund to support county planning; allocating certain revenue from coal taxes to the funds; establishing a board to make grants to local governments; authorizing the Department of Community Affairs to support county planning; directing the Department of Highways to reconstruct certain roads; establishing a legislative review committee; and making appropriations."

When the Montana Coal Severance Tax became law, the money collected was earmarked to fund 10 different programs, with the remainder being funneled into the state's general fund. In FY 1976 that equaled 40% to the General Fund. The other beneficiaries were school equalization (10%), alternative energy (2.5%), county land planning (1%) , renewable resources bond (2.5%), park acquisition trust (1.25%), acquisition sites and areas (1.25%), coal area highway improvement (10%), impacted counties (4%), and **Local Impact (Coal Board) and Education Trust (27.5%).**

The Local Impact and Education Trust Funds were originally combined as one allocation receiving 27.5% of the total severance tax revenues. The Coal Board could grant no more than 7/11ths of this allocation to coal impacted areas which equaled 17.5% of the total coal severance tax revenues.

In 1987 the Legislature voted to use the money in the trust to balance the state's budget, at that time the account held approximately $70 million.



Today with added coal mining activity in central Montana there is an increased need for financial assistance to local governments impacted by coal development. Central and southeastern Montana Economic Development organizations have identified over $43 million local governmental needs projected for projects within the next five years. Governments in central Montana will not realize tax benefits from coal generation or the facilities until 2011 and many impacted local governments will never realize an increase in tax revenues, yet will be faced with the impacts.

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Montana's newest coal mine is the Bull Mountain mine located in the Bull Mountains between Billings and Roundup. Permitted in 1995 it is an underground mine that uses the longwall mining method. Though it doesn't produce nearly as much coal as Montana's strip mines, it has been targeted as the coal source for the governor's

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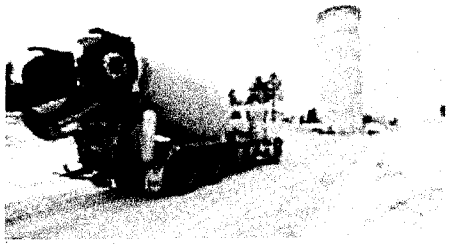

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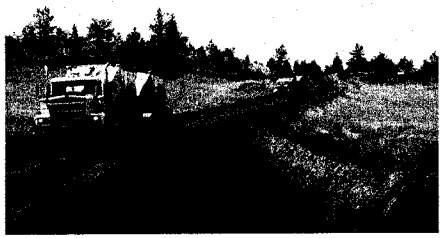

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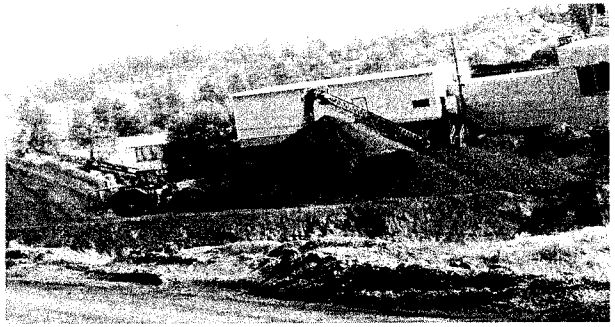

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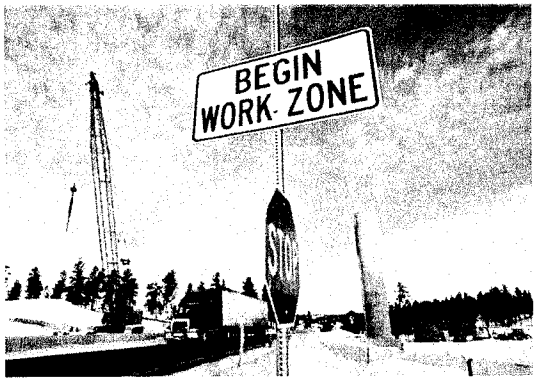

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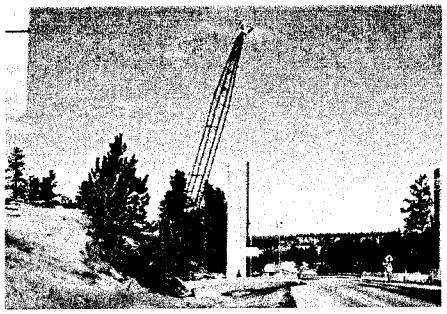

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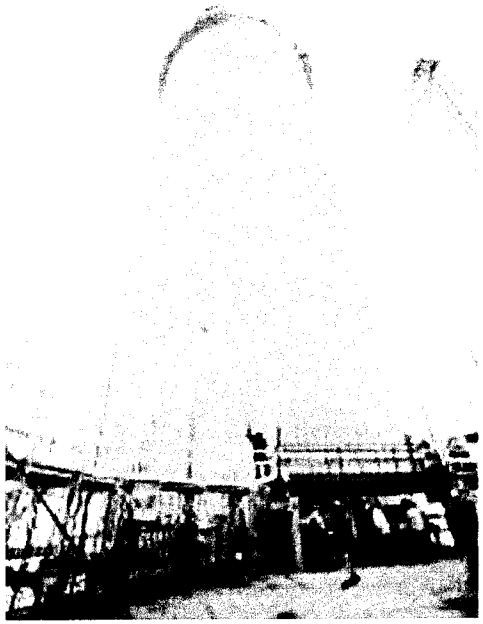

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SB 100

SNOWY MOUNTAIN DEVELOPMENT CORPORATION

March 27, 2009

To: House Federal Relations, Energy, and Telecommunications Committee
Re: Testimony in support of SB100
Fr: Kathie A. Bailey, Executive Director of SMDC

I'm sorry that I'm unable to attend the House Federal Relations, Energy, and Telecommunications committee hearing today.

In central Montana we'd like to dig more coal!! In order, to dig more coal, we need to have workers that have decent housing and want to live in the area, we need to have water and sewer infrastructure for those workers homes, we need to have medical services in the proximity and schools for their children, we need to have law enforcement officers that keep civil order, emergency personnel to respond to fire and medical emergencies, and we need to provide passable, safe transportation systems for our workers. We even need recreation facilities to keep these workers and their families happy and healthy in our communities.

Musselshell has two incorporated communities, Roundup and Melstone. The Signal Peak Energy project adds a population comparable to adding another community two (2) to four (4) times the size of Melstone in the county. The number of employees will mirror the population of Melstone, only the employees come with families. And the community created has no infrastructure!! And it is all created in approximately six (6) to 12 months. But that's not the end of it.... There will be subsidiary jobs created that some economists have estimated to equal five to seven times the number of employees at the mine. All of these people will be requiring these same services and infrastructure.

Local Governments don't have the resources to address these needs. Many of these local governments have been severely underfunded for decades.

There are no other mechanisms for local governments to address these impacts. Some have said, "why not use TIF districts?" The answer is simply because TIF funds can only be used in the district and local governments, hospitals and schools like Roundup, Golden Valley County, Ryegate, Lavina, Billings, and Yellowstone County would not be allowed to use funds from a TIF district created for the Bull Mountain Mine project by Musselshell County. Roundup is approximately 15 miles to the north with a population of 1,931; Lavina and Broadview are approximately 20 miles to the west. All three of these communities have seen an increase in student population due to mine activity. I counted six new houses between Roundup and the mine on my last trip through there.

Others have said, "Let the companies pay for the infrastructure." Well, that's exactly what the companies are doing with the 1975 legislation that created the oil, gas and coal natural resources account that we're talking about today.

According to the Department of Revenue's Biennial Report, four (4) to six (6) producers of coal production have paid $30 to $45 million annually. For FY 2008 that amount was $45,331,870. We want to dig more coal. That's one of the reasons that Montana is one of six states that are not currently facing a deficit. It's one of the reasons we have programs such as the Long Range building Fund, Parks Acquisition, Renewable Resource Loan Fund, Capitol/Arts Trust Fund, Treasure State Endowment Fund, Regional Water System Fund, Big Sky Economic Development Fund, Growth Through Agriculture, Montana Technology Innovation Partnership, Montana Trade and International Relations Bureau, Small Business Development Centers, Montana Manufacturing Extension Center, Montana Cooperative Development Center, and the Montana Board of Research and Commercialization Technology.

But in order to dig more coal and have the necessary workers, local governments also have to provide the infrastructure and services needed to ensure a safe living environment. This bill will enable local governments to mitigate some of those immediate impacts as a result of coal development. The Coal Board is the entity charged with determining funding awards to local governments based on the criteria of the law. Currently, the coal board has $2.7 million unmet needs for projects exceeding $4 million before them.

The Coal Gross Proceeds Tax is collected on a calendar year basis. Half the taxes due on a mine's production in 2008 wouldn't be paid until November 30th of 2009 and May 31st of 2010. Signal Peak isn't expected to reach its new level of production until August or September of 2009; therefore Musselshell County would see a spike in that quarter's revenue, but not a full year's production at the new levels until calendar year 2010 which would be paid in

November 2011 and May 2012. Musselshell County currently received about $100 to $150,000 a year.

I'm distributing a list of projects compiled by the three Certified Regional Economic Development Corporations that serve the mine region. There are over $42 million worth of needs identified for the next five (5) years. This list has projects that have been identified but costs have not been determined at this time and therefore we could only put a ? and not include the dollars in the estimated need. In addition, projects like the Lavina water distribution system are not even on the list because they are just starting the planning phase. The water distribution system has become a greater need because of the changes in the community due to the coal development and also because of the potential for a good water source through a regional effort with other communities such as Roundup.

I know your job isn't easy, but I do hope that you understand how important coal is to Montana and all that we are asking is that you give a very insignificant amount of those funds back to the local communities that are taking the brunt of the impact from this coal development to address these needs. We are fortunate to be faced with impacts like we were in the 1970's when this legislation was first enacted, but we also need to provide the local governments with the resources to address these immediate needs and essential services. Thank you for your time.

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Public Infrastructure Projects for Coal Board Requests

Jurisdiction	Project Title	Description	Cost
Crow Reservation	Pryor Water Tank & Waterline	City water service improvements	?
Crow Reservation	Pryor Wastewater Collection Line	City septic collection improvements	?
Crow Reservation	Wyola Main Wastewater Collection Line	City septic collection improvements	?
Crow Reservation	Lodge Grass Lagoon & Collection Line	City septic improvements	?
Crow Reservation	Lodge Grass Water Tank	City water service improvements	?
Big Horn County	Crow/Fort Smith Water and Sewer	Critical health project to rebuild failed systems	$4,500,000
Big Horn County	Hardin Rail Spur Project	ED project to provide rail service to industrial park	$8,000,000
Carbon County	Red Lodge Ski Area Road	Road widening, turnouts, etc. for safety consideration	$8,000,000
Carbon County	Bridger ED Building Upgrades	Paving, lighting, electrical upgrades/other improvements	$750,000
Stillwater County	Courthouse rennovations	Reconstruct steps and entryway into existing building	$103,000
Stillwater County	Johnson Bridge reconstruction	Failing main access bridge on major travel route	$2,000,000
Northern Cheyenne Res.	PER Muddy Cluster Water Dist.	Inadequate water system	$54,000
Colstrip	Colstrip Medical District	Telepharmacy Setup	$60,000
Northern Cheyenne Res.	Muddy Cluster Water Improvements	Inadequate water system	$1,005,000
Colstrip	Colstrip Senior Center	Development of senior housing	$500,000
Colstrip	Colstrip School District	Boiler Re-fit	$25,000
Colstrip	Colstrip Elder Care	Independent Living Facility	$500,000
Colstrip	Colstrip Public Water Facility	Water Treatment Plant improvements	$250,000
Forsyth	Forsyth School Dsitrict	Roof Replacement	$250,000
Rosebud County	Rosebud County Housing Project	Demolition and Housing rehabilitation	$40,000
Rosebud County	Rosebud County Health Care	Mandated remodeling	$150,000
Rosebud County	Ingomar Public Water Facility	Mandated Water Treatment	$47,000
Treasure County	Hysham Public Water Facility	Complete Water Treatment	$150,000
Treasure County	Hysham School	Re-roof School	$100,000
Powder River	Broadus Public Facility	Broadus Emergency Service Building	$150,000
Powder River	Broadus Public Radio Tower	Construction	$75,000
Custer County	Water Line Extension	Water Line Extension	$250,000
Custer County	Bridge	Bio Fuels Plant Development	$250,000
Custer County	Miles City Flood Plain	Storm Drainage Repair	$200,000
Custer County	School	Boiler Re-Fit	$50,000
Custer County	Miles City Public Facility	Aquatic Center	$150,000
Wyola School District	Wyola School District	Window Replacement & Renovations	$97,500
Golden Valley County	Lavina School District	Community Library ITV	$17,500
Carbon County	Girls and Boys Club	Building Expansion	$45,000
Musselshell County	Road and Law Enforcement	Staffing Shortage	$259,080
Musselshell County	Road and Law Enforcement	Equipment	$579,500
Musselshell County	Ambulance	Equipment	$130,000

Projects compiled by Kathie Bailey of Snowy Mountain Development Corporation, Chris Mehus of Beartooth Resource Conservation and Devlelopment, and Jim Atchison of Southeastern Montana Development Corporation, January 2009

Public Infrastructure Projects for Coal Board Requests

Roundup Public Schools	Planning	Capital Improvements Planning	$17,274
Musselshell County	Fattig Creek Road Improvements	Road widening, turnouts, etc. for safety consideration	$1,720,000
Roundup	Storm Water Main Trunk Line	Development of senior housing	$290,000
Apsaalooke	Water and Wastewater Authority	BackHoe Purchase	$65,000
Big Horn County	Senior Services	Mini-Van Purchase for extended care facility	$20,000
Big Horn County	Road Department	Purchase Motor Grader	$200,000
Golden Valley County	Fire Departmetn	Fire Station-Garage	$308,000
Hardin	Fire Station	Emergency Service Facility	$250,000
Midwest Assistance	Source Water Protection Development	Implementation Program	$32,000
Musselshell County	Law Enforcement Equipment	Radios, Cameras, Rifles, 1 patrol car, etc.	$74,100
Roundup	Housing	Streets, curbs, gutters, housing development	$500,000
Roundup	Fire Department	Structure/Ladder Fire truck	$400,000
Musselshell County	Roundup Memorial Hospital	Computer Upgrades	$130,000
Musselshell County	Road Department	Gravel Crusher, Water Trailer	$400,000
Roundup	School District	Building Improvements, Renovation	$ 2,590,000.00
Roundup	Roundup Memorial Hospital	Building Improvements,Renovation	$1,041,000
Musselshell County	Fire Service Building-Bull MTN	Renovations	$66,000
Musselshell County	Road Department	Sander, Snow Plow, Used Truck	$63,000
Musselshell County	Road Department	Majerus Road Improvements	$200,000
Musselshell County	Law Enforcement	Jail/Court System Facility	$3,500,000
Musselshell County	Roundup Memorial Hospital	Elevated Heliport	$225,000
Musselshell County	Roundup Memorial Hospital	Parking Acquistiion/Improvements	$95,000
Roundup	Water Transmission	Assembly Phase I	$432,000
Roundup	Water Transmission	Phase II Regional Municipal Water Project	$325,000
Roundup	Water Transmission	Assembly Phase II	$251,000
Roundup	Community Conference Center Impro.	City of Roundup	$315,000
Coal County Consortium	School District/Adult Education	ITV Consortium	$275,000
Coal County Consortium	Groundwater Monitoring	Groundwater Well Monitoring Project	$60,000
Musselshell County	Weed Department	Facility, office & shop	$100,000
TOTAL			**$42,681,954**

(Total cost of projects presented to the Coal Board for funding currently.) $4,030,854

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