

Statement to Legislative Job Listening Session
Hadley Bedbury, Montana Refining Company
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Mr. Chairman Members of the Joint Committee, my name is Hadley Bedbury and I am the manager for environmental, safety and health for the Montana Refining Company in Great Falls. Montana Refining has been in operation at its present location in Great Falls since 1922. We have 100 employees in Great Falls making good wages and benefits. I appreciate the thoughtfulness that you have shown to Montana's businesses by allowing us to make a few observations. The comments I will share with you today are not only mine but include comments collected from members of the Montana Petroleum Association on concerns that impact our industry in Montana.

Before I offer comments about what can be improved in Montana, it is important to point out the positive policies that Montana has. Over the years, legislative bodies have given great thought to providing jobs and creating a structure to do so. Montana has a 9.76% production tax rate on oil and gas which is competitive in the region. I would suggest not making any changes to the rate or the current drilling incentives.

Montana's petroleum industry is heavily regulated. Our upstream sector, exploration and production, believes the Montana Board of Oil and Gas Conservation works efficiently and fairly. There have been bills introduced and being drafted that will impact the board at a time when there is no need for change.

Now let me offer some thoughts about what makes business hard in Montana. You have made a bold decision to have this meeting, and you are wise to ask those of us in business for some feedback. Correcting some of Montana's problems that have taken 40 years to mature is not an easy task. Those of us that undertake capital investment decisions in Montana look hard at the long history of environmental litigation. This is traced to clean and healthful language in the constitution and to the Montana Environmental Policy Act (MEPA). These endless lawsuits cause extensive delays and in many cases the eventual cancellation or demise of valuable projects. Those are problems that will take time to correct, but I do want to call some things to your attention that you may consider this session.

The Montana Environmental Policy Act (MEPA) is by statute a purely "procedural" document which means it cannot be used as a basis to deny an application or condition a permit. Unfortunately MEPA also provides for sometimes lengthy processes and related lawsuits, especially for large projects that would significantly increase tax revenues and provide good paying jobs. We have substantive environmental laws like the Clean Air Act and the water quality act that protect people and the environment.

We have a process act, the MEPA, that allows costly and excessive analysis, unnecessary delays, and lawsuits. MEPA needs a comprehensive revision, a revision that makes it much more difficult, if not impossible, to litigate merely on process and subjective interpretations yet still provides for the public's right to know and comment.

Since 2006 Montana's refineries and large facilities have seen their assessments for property tax skyrocket resulting in significant tax increases. The Department of Revenue (DOR) appears to elevate the value of the plant on installation of pollution and other environmental mandates (accounting asset value increase) which do absolutely nothing for value of the plant and the companies do not realize one more dollar of revenues from the product. Currently there are appeals by several companies in their tax assessments and this problem is not just limited to them. This is costly for the companies, will result in no net jobs and is a blatant revenue raiser. Please look into this during this session.

Is Montana really ready to initiate greenhouse gas regulation? Based on actions by EPA, our Department of Environmental Quality has started, the first of this year, to regulate greenhouse gas in line with EPA's tailoring rule. You should give this careful consideration. Do we want to start down a regulatory road in Montana, costing businesses millions of dollars, only to see EPA change direction?

We are all concerned about fee increases for environmental permits that occur through the administrative rule process. You need to keep in mind that DEQ is basically funded from EPA grants, general fund revenue and permit fees. For example, air quality fees have increased 77% for per ton of emissions since 2003. DEQ has been forthright in working with industry to keep costs down. Reductions in other fund sources at DEQ means business picks up much more of the burden. Cost cuts that prevent us from getting permits will prevent capital investment in projects in Montana. It is a delicate balance which you must keep in mind.

Hydraulic Fracturing is currently in the news and is the focus of a nationwide misinformation campaign to prohibit or over regulate the process. This process is regulated now and there have been no cases of contaminated ground water as a result of hydraulic fracturing. Hydraulic fracturing has been used for over 50 years on land and offshore operations around the world. Hydraulic fracturing is the difference maker in investing in a new or expanded project or abandoning the project. Over half of the oil and gas production in Montana is coming from wells that have been treated with a fracturing technique and that number will increase. Efforts to further regulate hydraulic fracturing must be stopped in this session. Questions regarding the current regulations covering hydraulic fracturing should be directed to the Administrator of the Montana Board of Oil and Gas Conservation.

Discharge permits, the use of mixing zones and nutrient load are all serious issues facing Montana business. Mixing zone rules in law now must continue to be allowed

and permitted. Over the last 18 months a group of representatives from all sectors have studied how to address nutrient standards. Numeric nutrient standards have been suggested that no one can meet. Great care must be used to prevent more burdensome and expensive nutrient standards from being implement that will affect industrial and municipal facilities. In many cases, further regulating the quality of discharge to some of these suggested levels will not significantly change the quality of the receiving waters. These suggestions would merely simplify the regulatory administrative burden by making their permitting and enforcement easier. No one needs to tell you that we have a medical marijuana problem. MRC takes its safety responsibilities seriously, like all our peers. We simply must have the ability to enforce our zero tolerance policy on marijuana use and ensure that employer rights and employee safety are secure.

Workers Compensation in Montana is abusive. We need to take a hard look at our workers compensation rates and our workers compensation court. Finally, we are suffering from an overreaching Federal government. Across the western United States oil and gas revenues from Federal lands have dropped from \$4.2 billion to \$2.8 billion dollars between 2008 and 2010. We need you to urge congress to review the current administration's policies on federal lands and insist that no more Federal lands are placed off limits. Montana is rich in natural resource and people resources that should be the key to Montana's future. Senator Olson will be carrying a resolution to do just that. Therefore, we urge every member to support SJ 6.

Thank you for the opportunity to comment.

I can be contacted through the Montana Petroleum Association at 406 442-7582.