MINUTES OF THE HOUSE COMMITTEE ON JUDICIARY

Held in Room 519, at the Statehouse at 3:30 a. m./p. m., on February 12, 19 79.

All members were present except:

The next meeting of the Committee will be held at 3:30 a. m./p. m., on February 13, 19 79.

These minutes of the meeting held on February 8, 19 79 were considered, corrected and approved.

JOSEPH J. HOAGLAND
Chairman

The conferees appearing before the Committee were:

Representative Mike Meacham, Co-Sponsor of HB 2193
Pete McGill, E.T.S.I. Legislative Representative
Frank Odasz, Vice-President, Rocky Mountain Area Management, E.T.S.I.
Floyd Bishop, 1974 Wyoming State Engineer
James Thompson, 1974 Wyoming Senator
Larry Meredith, Managing Director, Wyoming Trucking Association
Lawrence Materi, Wyoming Water Development Association
Rep. Norman Justice, President and Field Rep., Construction and General Laborers Local 1290 (AFL-CIO)
Paul Fleener, Director of Public Affairs, Kansas Farm Bureau
Wayne Worthington, Legislative Representative, Kansas Association of Wheat Growers
Walter Hale, Midwest Area Manager, E.T.S.I.
J. Robert Wilson, President, Kansas-Nebraska Natural Gas Company
William C. Farmer, Attorney, Smith, Shay, Farmer & Wetta
Al Wasinger, President of Kansas State Pipe Trades Association

Chairman Hoagland opened the meeting at 3:30 p.m. and the minutes of the last meeting were approved. The Chairman announced the agenda for today, Tuesday and Wednesday regarding HB 2193 and indicated that E.T.S.I. has a court reporter present for the hearings, with the understanding that the testimony of all persons be taken and the committee will be furnished with a copy of the testimony.

Chairman Hoagland indicated several things had been passed out to committee members for their study, including: 1) a memo from the Kansas Legislative Research Department, 2) a Fiscal Note from the Director of the Budget, 3) A brief legal summary of the Coal Slurry Pipeline Issue, prepared by Sharon Grey, Law Intern forthe Judiciary Committee, 4) A land use chart, from the University of Kansas Space Technology Center and 5) A colored map, supplied by K. U. (SEE PACKET ATTACHMENT # 1).

Chairman Hoagland introduced Rep. Meacham, who briefly described HB 2193 to the committee. Rep. Meacham then introduced Pete McGill, ETSI Legislative Representative (SEE ATTACHMENT # 2). Mr. McGill then introduced Frank Odasz, Vice-President, Rocky Mountain Area Management, of ETSI, who also testified in favor of HB 2193. (SEE ATTACHMENT # 3).

Floyd Bishop, 1974 Wyoming State Engineer, testified next in favor of the bill, and gave a summary of background information to the committee. (SEE ATTACHMENT # 4).

Mr. Thompson, 1974 Wyoming Senator, gave lengthy testimony regarding his involvement in the review and evaluation of the water supply. (SEE ATTACHMENT # 5).

Larry Meredith, Managing Director of the Wyoming Trucking Association, testified next in favor of HB 2193. (SEE ATTACHMENT # 6).

Lawrence Materi, Wyoming Water Development Association testified next and presented the committee with Resolution # 17. (SEE ATTACHMENT # 7).

Mr. McGill then introduced the members of the Kansas Panel. Mr. Al Wasinger, President of the Kansas State Pipe Trades Association, who is employed by ETSI, was the first of this group to testify. (SEE ATTACHMENT # 8).

Representative Justice, one of the sponsors of HB 2193, testified next in favor of the bill. (SEE ATTACHMENT # 9).

Paul Fleener, Director of Public Affairs for Kansas Farm Bureau, spoke next in favor of HB 2193. (SEE ATTACHMENT # 10). Mr. Fleener also offered a resolution to the committee, which is included in attachment # 10.

Wayne Worthington, Legislative Representative for the Kansas Association of Wheat Growers, also testified in favor of the bill. (SEE ATTACHMENT # 11). An Energy Resolution # 6 was included in his testimony.

Walter Hale, Midwest Area Manager, ETSI, was the next proponent to testify, and he indicated there are no present or future plans to broaden the rights in Kansas any more than the bill will allow. (SEE ATTACHMENT # 12).

J. Robert Wilson, President of the Kansas-Nebraska Natural Gas Company, testified in favor of the bill. (SEE ATTACHMENT # 13).

William C. Farmer, Attorney with the firm Smith, Shay, Farmer and Wetta, gave brief closing and passed among the committee members, 14 separate fact sheets for their study. (SEE ATTACHMENT # 14-27).

Chairman Hoagland then asked Mr. Farmer and Mr. McGill to answer questions of the committee members. Numerous committee members had questions for the proponents.

There were no other proponents to testify, Chairman Hoagland adjourned the hearing at 5:45 p.m.

STATEMENT

OF

DUANE S. McGILL

LEGISLATIVE REPRESENTATIVE

ENERGY TRANSPORTATION SYSTEMS INC.

TO

THE JUDICIARY COMMITTEE

OF THE

KANSAS HOUSE OF REPRESENTATIVES

MONDAY, FEBRUARY 12, 1979

Atch. 2

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, HONORABLE OPPOSITION, LADIES AND GENTLEMEN.

WE APPRECIATE THE OPPORTUNITY TO APPEAR HERE TODAY TO DISCUSS HOUSE BILL 2193. MY NAME IS PETE McGILL, AND I LIVE IN WINFIELD, KANSAS. I AM HERE TODAY REPRESENTING ENERGY TRANSPORTATION SYSTEMS INC. THIS IS A COMPANY OWNED BY THE BECHTEL CORPORATION, AN ENGINEERING AND CONSTRUCTION FIRM IN CALIFORNIA; BY LEHMAN BROTHERS, AN INVESTMENT FIRM FROM NEW YORK; BY ENERGY RESOURCES, AN ENERGY COMPANY FROM TEXAS; AND BY KANSAS--NEBRASKA NATURAL GAS COMPANY, AN ENERGY COMPANY HERE IN OUR OWN BACK YARD.

HOUSE BILL 2193 IS THE ENABLING LEGISLATION THAT WOULD PROVIDE THE AUTHORITY TO USE MODERN TECHNOLOGY IN THE DEVELOPMENT OF A NEW TRANSPORTATION SYSTEM TO TRANSPORT COAL. WE BELIEVE THIS LEGISLATION TO BE IN THE PUBLIC INTEREST. OTHERWISE, WE WOULD NOT BE HERE. THIS IS WHY....

WE ARE THREATENED WITH AN ENERGY CRISIS OF A MAJOR MAGNITUDE, AND WE MUST PROVIDE ALTERNATE SOURCES OF ENERGY. THERE ARE ONLY THREE OF WHICH WE ARE AWARE—— SOLAR, NUCLEAR, AND COAL. SOLAR IS UNDEVELOPED, NUCLEAR IS SOMEWHAT CONTROVERSIAL AND THEREFORE MAY BE LIMITED, WHILE COAL HAS BEEN TRIED AND TESTED. THE ONLY PROBLEM IS,

COAL IS IN WYOMING, AND THE NEED EXISTS THROUGHOUT THE ENTIRE MID-WEST AND SOUTHERN REGIONS OF OUR NATION.

HOUSE BILL 2193 IS A PROPOSAL THAT WOULD ASSIST IN PROVIDING AN ECONOMICAL MEANS OF TRANSPORTING COAL TO THE PLACE OF ITS NEED WITHOUT INTERRUPTING TRAFFIC OR DEFILING THE ENVIRONMENT—BY PIPELINE THREE FEET UNDERGROUND.

OUR PROBLEM IS THAT WE, AS A PEOPLE, GAVE THE RAILROADS CORRIDORS OF LAND RUNNING EAST AND WEST ACROSS THIS COUNTRY, AND THUS FAR, THEY HAVE BEEN SUCCESSFUL IN DENYING US THE RIGHT TO CROSS, AS THEY DESIRE TO MAINTAIN A MONOPOLY OF COAL TRANSPORTATION. WE THINK COMPETITION IS THE PROPER METHOD OF DETERMINING COSTS AND PROPOSE TO BUILD A PIPELINE TO FURNISH A BIT OF THAT COMPETITION AND THUS GIVE THE CONSUMER LOWER ENERGY COSTS. THIS LEGISLATION IS FOR THE PURPOSE OF PROVIDING A REMEDY TO THAT PROBLEM.

KANSAS IS THE ONLY STATE HOLDING UP THE DEVELOPMENT OF THIS PROJECT. APPROPRIATE LEGISLATION ALREADY EXISTED, OR HAS BEEN ENACTED, IN LOUISIANA, ARKANSAS, OKLAHOMA, COLORADO, AND WYOMING. NEARLY IDENTICAL LEGISLATION IS UNDER CONSIDERATION IN NEBRASKA AT THE PRESENT TIME, AS IT WOULD BE MORE FEASIBLE TO CROSS THE SOUTHWEST CORNER OF THAT STATE.

AS MOST OF YOU KNOW, I HAVE BEEN AROUND THESE LEGISLATIVE HALLS FOR MANY YEARS. NEVER, IN ALL MY YEARS OF EXPERIENCE, HAVE I ENCOUNTERED MORE RUMORS,

UNTRUTHS, HALF TRUTHS, MISREPRESENTATION, AND DISTORTION OF THE FACTS THAN HAS EXISTED RELATING TO THIS ISSUE. IN THE SHORT PERIOD OF TIME ALLOCATED TO US HERE TODAY, WE WILL ATTEMPT TO SET THE RECORD STRAIGHT AS BEST WE CAN.

WE FULLY RECOGNIZE THAT YOU ARE EXTREMELY BUSY PEOPLE, BUT WE HAVE MADE A DILIGENT EFFORT TO DOCUMENT OUR POSITION. WE WILL BE PASSING OUT TO YOU MORE INFORMATION ABOUT THIS PROJECT THAN YOU MAY HAVE TIME TO DIGEST, BUT NEVERTHELESS, IT IS VERY PERTINENT TO THIS LEGISLATION AND THIS PROJECT. WE WILL HAVE A NUMBER OF EXHIBITS THAT WE WOULD LIKE TO ENTER INTO THE RECORD.

WE HAVE A NUMBER OF COMPETENT AND QUALIFIED PEOPLE WHO WILL BE TESTIFYING HERE TODAY, AND WE WILL PROVIDE YOU WRITTEN COPIES OF THEIR TESTIMONY. MOST OF THESE PEOPLE HAVE BEEN ASSOCIATED WITH THIS PROJECT MUCH LONGER THAN I AND ARE FAR MORE KNOWLEDGEABLE THAN I ABOUT ALL THE RAMIFICATIONS OF THIS PROPOSAL. IN ADDITION, WE HAVE OTHERS WHO WILL NOT TESTIFY THAT ARE AVAILABLE TO ANSWER QUESTIONS DURING THE PERIOD FOLLOWING OUR ORAL TESTIMONY.

FIRST OF ALL, MR. CHAIRMAN, BEFORE I INTRODUCE THE FIRST OF THIS DISTINGUISHED GROUP, I THINK I SHOULD TAKE JUST A MOMENT TO EXPLAIN THE BILL. I AM CONFIDENT ALL OF YOU HAVE READ IT, AND CERTAINLY THE MEMBERS OF THE JUDICIARY COMMITTEE ARE ABLE TO INTERPRET THE CONTENTS BETTER THAN I, SO I DO NOT PLAN TO LEAVE YOU WITH ANY DETAILED EXPLANATION.

SECTION ONE IS THE NORMAL EMINENT DOMAIN LANGUAGE.

SECTION TWO PROVIDES THAT EMINENT DOMAIN MAY BE EXERCISED ONLY, AND I EMPHASIZE THE WORD "ONLY", AGAINST CORPORATIONS, ASSOCIATIONS, OR OTHER PUBLIC OR PRIVATE ENTITIES WHICH ALREADY HAVE THE POWER OF EMINENT DOMAIN. THIS IS THE LEGAL AND CONSTITUTIONAL LANGUAGE NECESSARY TO PROVIDE COAL PIPELINES THE AUTHORITY TO GET UNDER THE RAILROADS.

SECTION THREE IDENTIFIES US AS A COMMON CARRIER SUBJECT TO REGULATION AND FURTHER GUARANTEES SERVICE TO KANSAS CUSTOMERS SHOULD THERE BE A MARKET AND FURTHER PLACES US UNDER THE SCRUTINY AND JURISDICTION OF THE KANSAS CORPORATION COMMISSION.

SECTION FOUR SPELLS OUT THE FACT THAT NO KANSAS WATER WILL BE USED.

SECTION FIVE BRINGS THE KANSAS WATER RESOURCES BOARD INTO THE PROJECT.

SECTION SIX AUTHORIZES THE KANSAS CORPORATION COMMISSION TO ADOPT NECESSARY RULES AND REGULATIONS TO REGULATE THE PROJECT.

SECTION SEVEN, AGAIN, SPELLS OUT THE FACT WE WILL BE A COMMON CARRIER SUBJECT TO ALL RULES AND REGULATIONS.

SECTION EIGHT IS THE SEVERANCE CLAUSE.

SECTION NINE PROVIDES FOR PUBLICATION.

AS YOU CAN READILY NOTE, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, WE HAVE ATTEMPTED TO ANTICIPATE MOST KNOWN OBJECTIONS TO THIS PROJECT AND HAVE ATTEMPTED TO RESPOND TO THEM IN DRAFTING THIS LEGISLATION.

THERE IS NO EMINENT DOMAIN AGAINST PRIVATE OR INDIVIDUAL LANDOWNERS; THERE IS NO KANSAS WATER USED; WE WILL BE A COMMON CARRIER; WE WILL BE REGULATED; AND WE MUST SERVE KANSAS CUSTOMERS.

3

PREPARED STATEMENT

By

FRANK B. ODASZ
Rocky Mountain Area Manager
Energy Transportation Systems Inc.

February 12, 1979

Atch. 3

My name is Frank Odasz; I am the Rocky Mountain Area Manager for Energy Transportation Systems Inc. in Casper, Wyoming.

I wish to support House Bill 2193 by reporting to the committee the results of evaluation of the project by a number of prestigious Wyoming organizations. A list is attached to my testimony.

In 1974, the Wyoming Legislature, Governor and State Engineer took steps to enable ETSI to move ahead with a coal slurry pipeline project. Each year since then, our noble adversaries supported legislation to rescind the 1974 enabling legislation. Up to this year, these efforts were confined to the Wyoming Senate with decreasing success. There was no support in the Senate for such legislation in 1978.

This year rescinding legislation was introduced in the Wyoming House. A hearing was held by the House Committee on February 2nd. The vote was 8 to 1 against the rescinding legislation. As a matter of fact, an additional coal slurry pipeline project is currently moving through the legislative process.

The following speakers from Wyoming will personally give you some of the reasons from their particular point of view why Wyoming supports coal slurry pipelines. Wyoming has declared to the world where it stands on the question of coal slurry pipelines. The question before you is where does Kansas stand? Is it the vision of Kansas to expedite a pipeline in a straight line through this eminent domain bill or shall ETSI construct a more expensive zigzag line as an everlasting monument to the power in Kansas of an established monopoly?

WYOMING GROUPS SUPPORTIVE OF A COAL SLURRY PIPELINE

Chamber of Commerce, Lusk, WY
Chamber of Commerce, Casper, WY
Cheyenne Light Fuel & Power Co.
Corn Creek Reservoir Assn. (Irrigators)
Wyoming Association of Municipalities
Wyoming Farm Bureau
Wyoming Industrial Water Supply, Sheridan, WY
Wyoming Rural Electric Association
Wyoming State Engineer
Wyoming State Legislature
Wyoming Stock Growers Association
Wyoming Truckers Association
Wyoming Water Development Association
Wyoming Water Well Drillers Association
Wyoming Wool Growers Association
Stan Hathaway, former Governor and Secretary of Interior
Senator Malcolm Wallop
Materi Exploration Co.
Murie Audubon Society, Casper, WY
Communication Workers of America, Local #7476
City of Gillette
City of Lusk
City of Torrington
Weston County Commissioners
Goshen County Commissioners
Niobrara County Commissioners
Niobrara County Farm Bureau
Wyoming County Board of Commissioners
Campbell County Commissioners
Wyoming House of Representatives - 1974 & 1979
Wyoming Senate - 1974
1975
1976
1977
1978

Opening Statement for

Press Conference on ETSI Well Applications

by Floyd A. Bishop, State Engineer

For Release 10:00 A.M. September 24, 1974

This conference has been called to announce the approval of forty well applications which are being issued to Energy Transportation Systems, Inc. for the purpose of providing a water supply for the so-called coal slurry pipeline.

Before discussing the reasons why these permits have been issued, a brief summary of background information should be helpful in providing a better understanding, even though it is only a refresher to many of you. The coal slurry pipeline act, Enrolled Act No. 10 (Senate) was passed by the 1974 session of the Wyoming Legislature in a somewhat controversial atmosphere. Both the Senate and the House passed the act by large majorities in the early stages, but the final draft of the legislation, after being modified by both houses, was considerably closer in the final vote. This legislative act approved the proposal of Energy Transportation Systems, Inc. to build a coal slurry pipeline for the purpose of conveying coal to proposed power plant installations in Arkansas and other mid-south areas. The legislative approval was conditioned on approval by the State Engineer of the use of water from the Madison Limestone as proposed by Energy Transportation

Atch. 4

Systems, Inc. The legislative act was in effect a determination that the ETSI project was acceptable to the State and in the public interest. The only question left for determination by the State Engineer was whether or not the project could be accomplished without adverse effects on other Wyoming water users.

The act imposed a number of conditions and limitations on this proposed use of water and directed the State Engineer to conduct investigations so as to determine what the effects of such a project might be on other Wyoming water users. The act very specifically requires that this project should not interfere with existing uses of water in the state of Wyoming. The other requirements imposed by the act are in a sense backup measures to assure that there should be no interference with other Wyoming water users and to provide protection for these water users in the event that such interference did ultimately occur. In essence the requirement that there should be no interference with other water uses encompasses all of the limitations imposed by the legislative act. Both houses of the Legislature finally passed this legislation, and it was ultimately signed into law by the Governor.

Since that time an extensive test program has been conducted by Energy Transportation Systems, Inc. under the watchful eye of both the U. S. Geological Survey and the State Engineer's Office, to determine whether or not there would be adverse effects on other Wyoming water users if

this project were to become a reality. Four test wells were drilled initially, and several pump tests were conducted while observing the water table effects in the various test wells and observation wells. Two of these test wells were drilled into the Madison Formation with total depths in excess of 3,000 feet. The other two wells were shallower observation wells (one 504 feet deep and the other 1500 feet deep) constructed for the purpose of determining any possible effects on ground water levels in shallower aquifers. During the entire pump testing program, there was no indication of any effect on water table levels in the shallower aquifers.

The initial test results were somewhat inconclusive, and subsequently ETSI was required to drill and complete another well into the Madison Limestone at a depth of approximately 3,000 feet. Additional pumping tests were conducted following completion of this well. The testing program has now been completed, and the data has been analyzed and interpreted by members of my staff, the United States Geological Survey, and the ETSI consultants.

In each of the pump tests, a stabilized drawdown condition was obtained after approximately eighteen hours of pumping. The longest duration pump test was twenty-five days, and this stabilized condition was maintained throughout the period after initial stability. The amount of drawdown in the well being pumped depends entirely on the rate of pumping, with the higher discharge rates creating

a greater drawdown in the pumped well. The pump tests were run at discharge rates of between 150 and 200 gallons per minute, with drawdown in the well being pumped amounting to 350 to 400 feet in most cases. While pumping was taking place in a given test well, the water table elevations were observed in the other test and observation wells nearby, and from this information an indication of the amount of drawdown at various distances away from the pumped well was obtained. The indications from the test program are that the effect of withdrawing water at rates proposed by Energy Transportation Systems, Inc. would be limited to the specific area of the well field. The area of influence around a single production well (cone of depression) would extend a distance of between 2,000 and 3,000 feet, even after prolonged pumping. Development of the project would have no effect on water level or pressure, water quality, or availability of water in existing shallow domestic or livestock wells or existing municipal water supply wells in the Madison Formation.

Based primarily on the results of this test program, it has been concluded that the permits for the proposed Energy Transportation Systems, Inc. project can be granted without adverse effect on other water users.

In approving these permits certain conditions were attached which will provide further protection for Wyoming appropriators.

Chief among these conditions is the requirement that

ETSI construct and complete a five-well monitoring and observation system.

These monitoring and observation wells will be located in such a manner as to provide for continuing observation of ground water conditions both in and beyond the production well field. Not only will the monitoring and observation well system provide up to date information on what is taking place, but it will also provide advance warning should unexpected conditions occur.

The protective provisions of the ETSI authorizing legislation are also included as permit conditions.

The limitations provide protection to all existing senior appropriators and allow for reimbursement of attorneys' fees and court costs in the event that a water user should bring a successful action against ETSI.

A major unanswered question, however, was whether or not a single appropriator or even the State of Wyoming could legally shut down the slurry line once it was in operation if ETSI were to argue a violation of the federal Constitution's commerce clause and be successful.

It is still my position that ETSI's use of water can be controlled under State law and that Wyoming appropriators can and will be protected under our present law.

I could not, however, responsibly ignore the possibility of an adverse federal court decision which might result in Wyoming appropriators losing valuable water rights or suffering injury without any recourse being available.

As a result, ETSI and the State of Wyoming, through the State Engineer's Office, negotiated and entered into an agreement which will extend and expand the protection afforded by the authorizing legislation.

Specifically, this agreement requires ETSI to pay the costs of all investigations, and if corrective measures are required to protect Wyoming water users from injury, ETSI must assume all costs in connection therewith. A bond in the amount of one million dollars will be established by ETSI to guaranty that money is available to cover such expenses.

More importantly, the agreement and the indemnity provisions therein are restricted to questions or occurrences of interference only and it is my intent and the intent of all parties to the agreement that the protective provisions apply without regard to interstate commerce questions. Finally, the agreement extends protection not only to existing ground water users, but to <u>future</u> uses by certain municipalities including Newcastle, Gillette, Moorcroft, Osage, Upton and a new city which has been contemplated in the general area of southeastern Campbell County.

I should emphasize that it is my opinion and that of my staff that no Wyoming water user will be adversely affected by the ETSI project. Although this agreement will probably never be utilized, it does provide assurance that

Energy Transportation Systems, Inc. will do whatever is necessary to provide a water supply for any existing or preferred water user who might be injured by the ETSI project.

The main purpose of the agreement is to preclude the possibility of an overriding federal authority entering into the picture and making it impossible for Wyoming officials to exercise jurisdiction over this water use. The voluntary agreement signed by ETSI, with a cash bond backup provision, provides a mechanism whereby any injured water user is assured of relief even if federal law might make it difficult for Wyoming officials to exercise the normal authority of a state to manage its water resources.

Looking briefly at the broad picture, it is evident that there is a massive amount of water in the underground aquifers of the Powder River Basin. The USGS has estimated one billion acre-feet is in storage in the Madison Formation alone. Estimates of recharge to the Madison indicate something like 150,000 acre-feet per year being added to the Madison aquifer within the area involved in the ETSI project. Water withdrawals from the Madison in this area amount to some 25,000 acre-feet per year, most of which is used in oil field water flooding operations. Not much is known of the natural discharges such as springs, nor of the outflow through the underground aquifer itself, although some outflow to the north and southeast is undoubtedly taking place.

Wyoming water laws, as well as the policies of the state, reflect a consistent encouragement for the beneficial use of water. We have always solicited the wise management and utilization of water by Wyoming people. In this situation we have a very significant and valuable resource available in the Madison and other underground aquifers. Some level of use of this resource can be sustained without injury to anyone. Certainly it makes good sense to utilize the resource rather than letting it lie dormant underground or letting our sister states establish a prior right to its use.

In conclusion, the extensive testing program conducted over the past year confirms the view that there is ample water available for this project to proceed without injury to any existing or preferred water user in Wyoming. The written agreement provides a backup guaranty to take care of the unlikely prospect of any possible injury which could develop as a result of the project. Under these conditions, the dictates of the legislation passed by the 1974 session of the Wyoming Legislature have been fulfilled, and there appears to be a mandate for the project to go ahead.

As a final note, I would caution that this project should most emphatically not be considered as a precedent for approval of future projects involving the use of large quantities of water from underground sources. Each such proposal should be thoroughly analyzed and a determination

made as to its effect before approval is given. In this particular situation, the proposed rate of withdrawal appears to be well within a range where it can be approved without serious concern of injurious effects. The next such project, however, could very conceivably involve conditions entirely different from this one even though it might be in the same area. As ground water development proceeds, each new proposed project will require a more thorough and detailed analysis than the one before it. We should develop this resource carefully and deliberately, taking every precaution so as not to overdevelop.

PRESENTATION OF:

JIM THOMPSON, WYOMING SENATOR, 1974
BEFORE THE KANSAS HOUSE JUDICIAL COMMITTEE

February 12, 1979

Ladies and Gentlemen of the Committee:

I am James Thompson of Lance Creek, Lance Creek being in the northern part of Niobrara County, and Niobrara County being geologically in the eastern Powder River Basin, and also in the Western Denver-Julesburg Basin. My ranch depends on water wells which are above the Madison formation. Since I am a water user in the agricultural business, I have always been interested in water and its usage. I am a firm believer in the "use it or lose it" concept.

Wyoming is an exporting state where both surface and underground water is concerned. In the 16 years I served in the Wyoming legislature, I became concerned about where industry coming into the state would obtain the necessary water to develop the resources that Wyoming is so fortunate to have. I for one am glad to see industry here developing our state. I also believe that industry should pay their own way. It is of great concern to me that industry is buying our surface water, taking it off the land and putting it to other uses. Industry, with its ability to pass on the costs, should not be using our good agricultural water. Agriculture under the present marketing system has no way to pass on the cost. We have surplus water running down our rivers and streams which we cannot use without storing it at peak runoff times, and that storage costs a lot of money by the acre/foot. We have great quantities of underground water, some of which can be developed for agricultural uses, but there is a limit as to how deep agriculture can go before it becomes too expensive for the agriculture to use. Agricultural water also has to be of good quality or the land will not produce.

Atch. 5

It was through the Governor's office and the State Engineer's office that I became aware of the ETSI proposal. In discussions with the Governor and the State Engineer, I decided that this was a way industry could develop the source of water which agriculture could not use, and at the same time not injure any other water users. That was one reason I introduced the Bill known as Senate File 14. One other reason was the fact that it would almost double Niobrara County's valuation, something that Niobrara County really needed then, and still needs maybe even worse today. It would also help the valuation of Campbell, Converse, Weston and Goshen Counties. I know there is some concern about injury to prior users, and I would not want that to happen either. To that end, I would like to read you in part, the State Engineer's statement when he approved ETSI's well applications. He says it much better than I can why he approved the permits. I don't know how many of you ever saw the Engineer's statement or read it. To me it is very much to the point, and he does a good job of explaining why he approved the proposals. I will not read it all or we would be here till midnight, but I will read parts of it.

".....The legislative approval was conditioned on approval by the State Engineer of the use of water from the Madison Limestone as proposed by Energy Transportation Systems Inc. The legislative act was in effect a determination that the ETSI project was acceptable to the State and in the public interest. The only question left for determination by the State Engineer was whether or not the project could be accomplished without adverse effects on other Wyoming water users.

The act imposed a number of conditions and limitations on this proposed use of water and directed the State Engineer to conduct investigations so as to determine what the effects of such a project might be on other Wyoming water users. The act very specifically requires that this project

should not interfere with existing uses of water in the State of Wyoming. The other requirements imposed by the act are in a sense backup measures to assure that there should be no interference with other Wyoming water users and to provide protection for these water users in the event that such interference did ultimately occur. In essence, the requirement that there should be no interference with other water uses encompasses all of the limitations imposed by the legislative act.....

Since that time an extensive test program has been conducted by Energy Transportation Systems Inc. under the watchful eye of both the U.S. Geological Survey and the State Engineer's Office, to determine whether or not there would be adverse effects on other Wyoming water users if this project were to become a reality....During the entire pump testing program, there was no indication of any effect on water table levels in the shallower aquifers.

The initial test results were somewhat inconclusive, and subsequently ETSI was required to drill and complete another well into the Madison Limestone at a depth of approximately 3,000 feet. Additional pumping tests were conducted following completion of this well. The testing program has now been completed, and the data has been analyzed and interpreted by members of my staff, the United States Geological Survey, and the ETSI consultants.....

The indications from the test program are that the effect of withdrawing water at rates proposed by Energy Transportation Systems Inc. would be limited to the specific area of the well field.....Development of the project would have no effect on water level or pressure, water quality, or availability of water in existing shallow domestic or livestock wells or existing municipal water supply wells in the Madison Formation.

Based primarily on the results of this test program, it has been concluded

that the permits for the proposed Energy Transportation Systems Inc. project can be granted without adverse effect on other water users. In approving these permits, certain conditions were attached which will provide further protection for Wyoming appropriators.

Chief among these conditions is the requirement that ETSI construct and complete a five-well monitoring and observation system.

These monitoring and observation wells will be located in such a manner as to provide for continuing observation of ground water conditions both in and beyond the production well field. Not only will the monitoring and observation well system provide up to date information on what is taking place, but it will also provide advance warning should unexpected conditions occur.

The protective provisions of the ETSI authorizing legislation are also included as permit conditions.

The limitations provide protection to all existing senior appropriators and allow for reimbursement of attorneys' fees and court costs in the event that a water user should bring a successful action against ETSI..

.....

It is still my position that ETSI's use of water can be controlled under State law and that Wyoming appropriators can and will be protected under our present law.

I could not, however, responsibly ignore the possibility of an adverse federal court decision which might result in Wyoming appropriators losing valuable water rights or suffering injury without any recourse being available. As a result, ETSI and the State of Wyoming, through the State Engineer's Office, negotiated and entered into an agreement which will extend and expand the protection afforded by the authorizing legislation.

Specifically, this agreement requires ETSI to pay the costs of all investigations, and if corrective measures are required to protect Wyoming water users from injury, ETSI must assume all costs in connection therewith. A bond in the amount of one million dollars will be established by ETSI to guarantee that money is available to cover such expenses.

More importantly, the agreement and the indemnity provisions therein are restricted to questions or occurrences of interference only and it is my intent and the intent of all parties to the agreement that the protective provisions apply without regard to interstate commerce questions. Finally, the agreement extends protection not only to existing ground water users, but to future uses by certain municipalities including Newcastle, Gillette, Moorcroft, Osage, Upton and a new city which has been contemplated in the general area of southeastern Campbell County.

I should emphasize that it is my opinion and that of my staff that no Wyoming water user will be adversely affected by the ETSI project. Although this agreement will probably never be utilized, it does provide assurance that Energy Transportation Systems Inc. will do whatever is necessary to provide a water supply for any existing or preferred water user who might be injured by the ETSI project....."

There is still more in the report that he gave, but I think you can see by the statements I have just read that no present Wyoming water user will be hurt, and the municipalities and cities will be protected. I could read you some of the extra conditions that the State Engineer himself imposed on ETSI before he would approve the permits, but for the sake of time I will skip them. If you would like, we can make the complete statement available to you.

In closing, I hope you will see fit to put House Bill No. 2193 out of committee with a "Do Pass" recommendation. We, in the west, need to lay claim and show prior use of our underground water or we will lose the control to the federal government. Thank you, Mr. Chairman.

STATEMENT SUBMITTED TO THE COMMITTEE ON

MINES, MINERALS AND INDUSTRIAL DEVELOPMENT

OF THE WYOMING LEGISLATURE ON FEBRUARY 2, 1979,

IN OPPOSITION TO THE REPEAL OF HB 153.

THIS BILL PROPOSED TO REPEAL ETSI'S 20,000 ACRE-FEET OF WATER APPROVED BY THE WYOMING LEGISLATURE IN 1974. THE BILL WAS DEFEATED IN COMMITTEE BY A VOTE OF 8-1.

ORAL PRESENTATION OF:

JIM THOMPSON, WYOMING SENATOR, 1974
BEFORE THE
MINES, MINERALS AND INDUSTRIAL COMMITTEE
CHEYENNE, WYO.

February 3, 1979

Ladies and Gentlemen of the Committee:

I know some of you and I hope to meet the rest of you before the day is over. To start with, I would like to say that I could probably rebut everything that has been said today on why ETSI was introduced and how we misled the legislature. I want to assure you that we did not mislead the legislature in any way. We had lots of studies to fall back on. In fact the studies that have been done in the last three or four years have done nothing but copy the studies that we had before. Chances are if the money was spent on the pipeline that has been spent on these studies, the pipeline would be half built today. But I'll get into my statement and leave the rebuttal to other people.

I am James Thompson of Lance Creek, Lance Creek being in the northern part of Niobrara County, and Niobrara County being geologically in the eastern Powder River Basin, and also in the Western Denver-Julesburg Basin. Since I am a water user in the agricultural business, I have always been interested in water and its usage. I am a firm believer in the "use it or lose it" concept. Wyoming is an exporting state where both surface and underground water is concerned. In the 16 years I served in the

Wyoming legislature I became concerned about where industry coming into the state would obtain the necessary water to develop the resources that Wyoming is so fortunate to have. I for one am glad to see industry here developing our state. I also believe that industry should pay their own way. It is of great concern to me that industry is buying our surface water, taking it off the land and putting it to other uses. Industry, with its ability to pass on the costs, should not be using our good agricultural water. Agriculture under the present marketing system has no way to pass on the cost. We have surplus water running down our rivers and streams which we cannot use without storing it at peak runoff times, and that storage costs a lot of money by the acre/foot. We have great quantities of underground water, some of which can be developed for agricultural uses, but there is a limit as to how deep agriculture can go before it becomes too expensive for the agriculture to use. Agricultural water also has to be of good quality or the land will not produce.

It was through the Governor's office and the State Engineer's office that I became aware of the ETSI proposal. In discussions with the Governor and the State Engineer, I decided that this was a way industry could develop the source of water which agriculture could not use, and at the same time not injure any other water users. That was one reason I introduced the Bill known as Senate File 14. One other reason was the fact that it would almost double Niobrara County's valuation, something that Niobrara County really needed then, and still needs maybe even worse today.

It would also help the valuation of Campbell, Converse and Goshen Counties. I'm sure you have all read the law which this Bill, House Bill 153, proposes to repeal. I have heard no reasons which would justify the repeal of this part of the law. I know there is some concern about injury to prior users, and I would not want that to happen either. To that end I would like to read you in part, the State Engineer's statement when he approved ETSI's well applications. He says it much better than I can why he approved the permits. I don't know how many of you ever saw the Engineer's statement or read it. To me it is very much to the point, and he does a good job of explaining why he approved the proposals. I will not read it all or we'd be here till midnight, but I will read parts of it.

"...The legislative approval was conditioned on approval by the State Engineer of the use of water from the Madison Limestone as proposed by Energy Transportation Systems, Inc. The legislative act was in effect a determination that the ETSI project was acceptable to the State and in the public interest. The only question left for determination by the State Engineer was whether or not the project could be accomplished without adverse effects on other Wyoming water users.

The act imposed a number of conditions and limitations on this proposed use of water and directed the State Engineer to conduct investigations so as to determine what the effects of such a project might be on other Wyoming water users. The act very specifically requires that

this project should not interfere with existing uses of water in the state of Wyoming. The other requirements imposed by the act are in a sense backup measures to assure that there should be no interference with other Wyoming water users and to provide protection for these water users in the event that such interference did ultimately occur. In essence the requirement that there should be no interference with other water uses encompasses all of the limitations imposed by the legislative act ....

Since that time an extensive test program has been conducted by Energy Transportation Systems, Inc. under the watchful eye of both the U.S. Geological Survey and the State Engineer's Office, to determine whether or not there would be adverse effects on other Wyoming water users if this project were to become a reality. .... During the entire pump testing program, there was no indication of any effect on water table levels in the shallower aquifers.

The initial test results were somewhat inconclusive, and subsequently ETSI was required to drill and complete another well into the Madison Limestone at a depth of approximately 3,000 feet. Additional pumping tests were conducted following completion of this well. The testing program has now been completed, and the data has been analyzed and interpreted by members of my staff, the United States Geological Survey, and the ETSI consultants. ....

The indications from the test program are that the effect of withdrawing water at rates proposed by Energy Transportation Systems, Inc. would be limited to the

specific area of the well field .... Development of the project would have no effect on water level or pressure, water quality, or availability of water in existing shallow domestic or livestock wells or existing municipal water supply wells in the Madison Formation.

Based primarily on the results of this test program, it has been concluded that the permits for the proposed Energy Transportation Systems, Inc. project can be granted without adverse effect on other water users.

In approving these permits certain conditions were attached which will provide further protection for Wyoming appropriators.

Chief among these conditions is the requirement that ETSI construct and complete a five-well monitoring and observation system.

These monitoring and observation wells will be located in such a manner as to provide for continuing observation of ground water conditions both in and beyond the production well field. Not only will the monitoring and observation well system provide up to date information on what is taking place, but it will also provide advance warning should unexpected conditions occur.

The protective provisions of the ETSI authorizing legislation are also included as permit conditions.

The limitations provide protection to all existing senior appropriators and allow for reimbursement of attorneys' fees and court costs in the event that a water user should bring a successful action against ETSI.....

It is still my position that ETSI's use of water can be controlled under State law and that Wyoming appropriators can and will be protected under our present law.

I could not, however, responsibly ignore the possibility of an adverse federal court decision which might result in Wyoming appropriators losing valuable water rights or suffering injury without any recourse being available. As a result, ETSI and the State of Wyoming, through the State Engineer's Office, negotiated and entered into an agreement which will extend and expand the protection afforded by the authorizing legislation.

Specifically, this agreement requires ETSI to pay the costs of all investigations, and if corrective measures are required to protect Wyoming water users from injury, ETSI must assume all costs in connection therewith. A bond in the amount of one million dollars will be established by ETSI to guaranty that money is available to cover such expenses.

More importantly, the agreement and the indemnity provisions therein are restricted to questions or occurrences of interference only and it is my intent and the intent of all parties to the agreement that the protective provisions apply without regard to interestate commerce questions. Finally, the agreement extends protection not only to existing around water users, but to <u>future</u> uses by certain municipalities including Newcastle, Gillette, Moorcroft, Osage, Upton and a new city which has been contemplated in the general area of southeastern Campbell County.

I should emphasize that it is my opinion and that of my staff that no Wyoming water user will be adversely affected by the ETSI project. Although this agreement will probably never be utilized, it does provide assurance that Energy Transportation Systems, Inc. will do whatever is necessary to provide a water supply for any existing or preferred water user who might be injured by the ETSI project. ...."

There is still more in the report that he gave, but I think you can see by the statements I have just read that no present Wyoming water user will be hurt, and the municipalities and cities will be protected. I could read you some of the extra conditions that the State Engineer himself imposed on ETSI before he would approve the permits, but for the sake of time I will skip those. If you would like we can make the complete statement available to you.

In closing, I hope you will see to put House Bill 153 out of committee with a "Do Not Pass" recommendation. We need to lay claim and show prior use of our underground water or we will lose the control to other states or to the federal government. Thank you Mr.Chairman.

Murie Audubon Society

Casper, Wyoming

February 1, 1979

Bruce McMillan
Chairman Mines, Minerals, Industry Development Committee

Dear Sir,

As proponents of environmental protection we do not welcome the increase of coal mining in this area, but we accept its inevitability and will devote our efforts to encouraging mitigation of the many forms of impact resulting from coal production.

We believe that for this region the most far-reaching consequence of greater dependence upon coal as an energy source would be the impacts resulting from the various types of coal-conversion facilities. Not only are the quality of our air, water, and landscapes bound to be impaired by conversion operations themselves, but more critical, we feel, would be the social, economic, and environmental disruptions produced by the drastic population increases required for the construction and operation of such plants.

In our opinion the pipeline transport of western coal to points of its end use offers an alternative that is far less objectionable from both environmental and socio-economic standpoints. Compared to mine-mouth conversion systems, the coal-pipeline system would include the following specific advantages:

1. Consume less water than other existing conversion methods.
2. Produce negligible environmental disturbance.
3. Require much smaller temporary construction and permanent operating staffs than other conversion and transportation systems.
4. Reduce demands upon already strained housing and public services.

Sincerely,

Walter R. Merschat, President
Murie Audubon Society
Casper, Wyoming

JOHN PAUL GRIES
Consulting Geologist
238 ST. CHARLES STREET
RAPID CITY, SOUTH DAKOTA

Feb. 2, 1979

Testimony of John Paul Gries in opposition to Bill No. 158, res cinding ETSI's right to develop a well field in Niobrara County, Wyoming

I am a consulting geologist, living in Rapid City, SD. I was associated with the Geology Department of the School of Mines for 40 years prior to retirement, but the opinions expressed herein are my own.

I have worked with the Madison Formation since 1941, when the first Madison water well was drilled at the Rapid City Airforce Base . Since that time I have cooperated with town officials and consulting engineers on development of Madison wells at Newcastle, Osage, and Sundance, Wyoming, and at Spearfish, Rapid City, Sturgis, Edgemont, Midland, Philip, Provo, and Pierre, S.D. I participated in the extensive testing of the Madison formation by ETSI in Niobrara County. With the assistance of a series of graduate students, I have made extensive study of the water losses and gains to the Madison formation around the periphery of the Black Hills. I am unable to be with you today because we are completing a high pressure, hot water Madison well at Philip, SD, which will furnish water and heat a complex of school buildings.

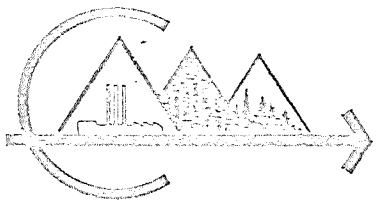
The Madison has the potential to yield large quantities of water for the benefit of municipal and industrial development of Wyoming. Computer studies, and drilling of isolated wells will not completely evaluate the water-bearing potential of the formation. I believe the Legislature of the State of Wyoming was wise to authorize the ETSI well field, so that a large scale, protracted test of the formation can be made in an area where there is little other demand for the water With the protective stipulations written into the agreement with ETSI, no material damage can be done to any other users of Madison water. I do not believe that this development will have negative effects on the Madison water in either of the adjacent states of South Dakota or Nebraska.

I strongly recommend that ETSI be permitted to continue the development of their Niobrara County well field so that a full scale evaluation of the Madison reservoir can be made and the results applied to development of the Madison resource in other parts of the state of Wyoming.

Respectfully submitted

John Paul Gries
Certified Professional Geologist
No. 771

JPG/me



CASPER AREA
CHAMBER
OF
COMMERCE

The Casper Area Chamber of Commerce opposes passage of House Bill 153 repealing the underground water appropriation for Energy Transportation Systems.

The Chamber is opposed to the state's dissolving this contract for several reasons:

> The concept of moving solid materials, such as coal, iron ore, and gilsonite, in a slurry is a proven method of transportation. It is an option that requires less material resources to build, to maintain and to operate. It is a mode of transport that is less susceptible to the inflationary pressures of rising costs for energy and manpower. The pipeline when in place is environmentally pleasant and safe.

In today's climate of high inflation, and amid cries for environmental beauty and conservation of resources, these reasons should be sufficient enough for the state to encourage a company to pursue plans for a slurry pipeline to move a small portion of the millions of tons of coal leaving Wyoming.

500 NORTH CENTER / P. O. BOX 399 / PHONE 234-5311 / CASPER, WYOMING 82602

We are not blind to your concern that Wyoming water will be flowing from our boundaries never again to return. We feel, though, this argument alone is not reason for repealing the rights already legislated. Yearly, Wyoming loses her water to its bordering states as it flows freely from the Green, Snake, North Platte, and Big Horn River basins. If water loss alone was the issue, we would have trapped and utilized these waters long ago.

The law providing for the appropriation of ground water contains provisions for close monitoring of the wells to insure that if this supply of water appears to be ebbing, the rights are repealed with proper notice given to the company. We believe this should alleviate the fears of those who caution "we do not know what will happen to the level of the ground water when 20,000 acre feet per year is drawn from the subsurface."

In the Fiscal Notes on the bill, it is stated, "Currently this should not have any fiscal impact." We disagree. There is fiscal impact for the company involved, but more importantly, this pipeline would be taxed to provide needed revenue for five eastern Wyoming counties. These counties have fine farm lands, but the price of the underground water prohibits its use for agricultural purposes and future economic growth in this industry would be slow at best. The coal slurry industry, however, will pay the price for the water and build an operation that will provide revenue for government services for many years to come.

Today, others will, no doubt, discuss the pros and cons of slurry pipelines versus shipment by rail. We believe there is opportunity for both methods of transportation to make a profit hauling Wyoming coal to eastern and southern markets.

We appreciate this opportunity to offer comment and we urge the legislature to honor the commitment made by this respected body in 1974.

Presented by Tom Thorson
Member, Board of Directors
February 2, 1979

PREPARED STATEMENT RE: HB 153

by

THOMAS A. THORSON

General Manager

BLACK HILLS BENTONITE COMPANY

February 2, 1979

I am Tom Thorson, General Manager of Black Hills Bentonite Company. There seems to be some doubt in my mind about the true issues involved in the slurry pipeline controversy. On the surface, it would appear that water is the main concern that is to be addressed. There is, however, a strong underlying issue concerning competition between two competing forms of transportation. It is obvious that the railroad industry does not covet Wyoming's water, however, they are strongly opposed to the pipeline. My company's interest in this issue is the retention of reliable rail service. I am aware of the extensive development planned for Wyoming coal and the projections by the Burlington Northern for unit train requirements in the coming years. During 1978, several new mines started production which involved the need for more unit trains to move the coal to eastern and southern destinations. Unit trains require considerable motive power to maintain schedules and coincidentally, a power shortage began to develope in other parts of the BN system in 1978. Our Company operates a bentonite processing plant at Worland, Wyoming and it was our sad experience to have our operation shut down at various times for a total of 60 days in 1978 because the railroad did not supply us with hopper cars to load. We suffered considerable financial loss for this lack of service, however, our loss is slight when compared to the potential losses to consumers who were depending upon shipments of bentonite. Our primary customers from the Worland plant are taconite pellet plants in Minnesota. These plants use bentonite to aid in the production of iron ore pellets.

Today and for the past 4 months, these huge operations have been operating on a day to day basis because their inventories have been depleted by our inability to ship on the railroad. Several companies have been forced to employ fleets of trucks to haul bentonite in order to avoid shuting down their huge operations.

It is evident to me that future expansion of unit trains will probably result in further shortages of railroad equipment.

If I were in the position of having to market coal and depend solely upon the railroads to move it to the consumer, I would be very concerned. It is a huge task that the railroads are undertaking, to move all of the coal in Wyoming. In event they are unable to perform, not only will the coal companies suffer but so will the consumers and eventually the American people. If I were in the railroads position, I might not welcome the competition that the slurry pipeline offers, however, neither would I be solely responsible for moving all of the coal to market. It has been proven in the bentonite industry that alternate methods of transportation was the only salvation for 4 huge taconite operations. It only makes good sense to have alternate methods of transportation, whether it is railroads and trucks, or airplanes and automobiles, or railroads and pipelines.

City of Gillette
P. O. BOX 549
GILLETTE, WYOMING 82716

January 30, 1979

Mr. Bruce McMillan, Chairman
House of Representatives
Mines & Minerals Committee
Committee #9
State Capitol Building
Cheyenne, WY 82002

Dear Representatives:

On behalf of the City of Gillette I would ask that House Bill #153 be reported out of committee with a do not pass recommendation. The City of Gillette is planning to use water from the Madison Formation for our new source of water and are involved in a multi-million dollar project to achieve that end. We are very concerned what House Bill #153 would do to our water rights in the Madison Formation. Under the current Wyoming Statute any water right that ETSI has for coal slurry is definitely stipulated to be of a lower priority than that of the several municipalities spelled out in the act. If the present act is repealed ETSI could utilize that water for in-state industrial use and preclude our position in regard to the Madison Formation.

I would hope that ETSI's agreement with the State would stand, particularly since ETSI has actively pursued opportunities to act in conjunction with municipalities in dual utilization of the water. I think the project can have very complimentary uses with municipal water sources and solve some water problems for towns in the State of Wyoming.

I think that the present agreement as presented in the Wyoming Statute sections that are mentioned is a better guarantee of protecting Wyoming water than the elimination of that agreement, particularly in light of the guarantees of water rights to the specifically named communities in the act. Again I would ask that you give House Bill #153 a do not pass recommendation.

Sincerely,

Michael B. Enzi

Michael B. Enzi, Mayor

MBE/js

STATEMENT

OF

LARRY E. MEREDITH, MANAGING DIRECTOR

WYOMING TRUCKING ASSOCIATION, INC.

BEFORE THE LEGISLATURE

OF THE

STATE OF KANSAS

WICHITA, KANSAS

FEBRUARY 12, 1979

Atch. 6

MR. CHAIRMAN, MEMBERS OF THE LEGISLATURE OF THE STATE OF KANSAS... MY NAME IS LARRY E. MEREDITH. I AM MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER OF THE WYOMING TRUCKING ASSOCIATION, A TRADE ASSOCIATION COMPRISING MORE THAN 600 MEMBERS AND REPRESENTING THE VARIED INTERESTS OF THE TRUCKING INDUSTRY IN WYOMING.

I AM HONORED TO BE PERMITTED TO APPEAR BEFORE YOU, TODAY. I AM HERE IN SUPPORT OF THE COAL SLURRY PIPELINE PROJECT OF ENERGY TRANSPORTATION SYSTEMS, INC.

POLICIES OF OUR ASSOCIATION ARE ESTABLISHED BY THE ADOPTION OF RESOLUTIONS, USUALLY DURING OUR ANNUAL CONVENTIONS. THESE RESOLUTIONS PROVIDE DIRECTION TO THE BOARD OF DIRECTORS OF THE WYOMING TRUCKING ASSOCIATION, MY STAFF, AND MYSELF, FROM THEIR ADOPTION, AND UNTIL THEY MAY BE RESCINDED OR REPLACED BY ANOTHER RESOLUTION.

A RESOLUTION SUPPORTING THE SLURRY PIPELINE PROPOSAL OF ENERGY TRANSPORTATION SYSTEMS, INC., WAS ADOPTED AT THE ANNUAL CONVENTION OF OUR ASSOCIATION IN CHEYENNE, WYOMING, IN MAY, 1976.

THE SUPPORT INDICATED BY THIS RESOLUTION INCLUDES THE USE OF WYOMING WATER FROM CERTAIN SOURCES SINCE WE ARE CONVINCED THAT WATER TO BE USED IN THE ETSI PIPELINE CANNOT FEASIBLY BE USED BY LOCAL INDUSTRY OR AGRICULTURE. WE ARE AS CONCERNED AS ANYONE ABOUT THE CONSERVATION OF WYOMING WATER, BUT WE ARE CONVINCED THAT THE ETSI PIPELINE WILL USE MUCH LESS WATER THAN WOULD BE REQUIRED BY THE ON-SITE PRODUCTION OF ELECTRICITY; COAL LIQUIFICATION OR GASIFICATION; OR ANY OF THE ALTERNATE METHODS OF EXPORTING WYOMING ENERGY. THIS BENEFICIAL USE WILL CONTRIBUTE TO SOLVING THE ENERGY NEEDS OF THIS NATION.

We feel that the ETSI Pipeline will provide a much-needed alternate method of transporting coal. During a Congressional Hearing in Cheyenne on June 11, 1976, I outlined, in detail, WTA's reasons for support of the ETSI Pipeline proposal. The Trucking Industry is also an alternate method of transportation for coal. Even though we cannot compete for the large volume, long-distance movements, we <u>ARE</u> the only system which is interested in transporting less than a train-load, or a pipeline full, of coal. In actuality, Wyoming carriers <u>NOW</u> transport coal from the Northeast area of Wyoming into Rapid City, South Dakota. We are able to do this because a back-haul into Northeastern Wyoming is available.

A primary reason for our concern is that in the performance of our transportation services to the oil, coal, uranium, and other energy-producing industries of Wyoming, we must often operate on unimproved or non-existent highways, or roadways. In fact, a large part of those movements in connection with the energy industry is over roads that could hardly be characterized as "cattle trails." We must often cross over railroad lines in remote areas, over unimproved crossings, with steep grades on both sides of the rails. These crossings are very difficult. In fact, motor carriers transporting the large oil rigs used in Wyoming often have to "crib up" under the wheels in order to clear the rails. These crossings are difficult to negotiate, even then. Thirteen (13), or more, large, low truck combinations are required to move each of the large drilling rigs which are used in Wyoming. If the rail line is occupied, or about to be occupied, by a train, we must start and stop at the pleasure of

THE RAILROAD. IT IS CUSTOMARY FOR THE RAILROAD OPERATIONS DIVISION TO SEND AN OPERATIONS PERSON, WHO IS IN CONTACT WITH THE RAILROAD DISPATCH CENTERS, OUT TO THE POINT WHERE THE MOTOR CARRIER IS ATTEMPTING TO CROSS THE RAIL LINE. HE DIRECTS THE CARRIERS AS TO WHEN THEY MAY MOVE AND WHEN THEY MUST WAIT. IT IS EASY TO SEE HOW THE INCREASED TRAFFIC NEEDED TO MOVE EVEN A SMALL PART OF WYOMING'S COAL PRODUCTION BY RAIL WOULD MAKE THESE REMOTE AREA CROSSINGS ALMOST IMPOSSIBLE.

IT DOES NOT TAKE MUCH IMAGINATION TO SEE WHAT THE SITUATION WOULD BE IF THE RAILROADS ATTEMPT TO MOVE ALL THE COAL PRODUCTION ANTICIPATED. WE BELIEVE THAT THERE WOULD NOT BE ENOUGH SPACE OR TIME BETWEEN TRAINS FOR US--OR ANYONE ELSE--TO COMPLETE A CROSSING.

WE ARE CONVINCED THAT THE RAILROADS OF WYOMING CANNOT BE EXPANDED TO HANDLE ALL THE COAL PRODUCTION. EVEN WITH THE COAL MOVEMENT ANTICIPATED BY ETSI, AND OTHER PIPELINES NOW UNDER CONSIDERATION, THERE WILL BE HUNDREDS OF TONS OF COAL WHICH MUST MOVE BY SOME OTHER METHOD. PERHAPS THE TRUCKING INDUSTRY CAN HELP TO FILL SOME OF THAT VOID.

THE TRUCKING INDUSTRY IN WYOMING DOES NOT CONSIDER ITSELF TO BE IN COMPETITION WITH THE RAILROADS. WE CANNOT HAUL THE LARGE VOLUMES WHICH THEY MOVE, PROFITABLY. ON THE OTHER HAND, RAILROADS DO NOT WISH TO HAUL THE LESS-THAN-TRUCKLOAD LOTS FREQUENTLY MOVED IN WYOMING.

IN WYOMING, MORE THAN 59% OF THE COMMUNITIES ARE SERVED ONLY BY TRUCK TRANSPORTATION. IT IS IMPERATIVE THAT WE BE PERMITTED TO

CONTINUE THIS SERVICE. THERE IS WORK ENOUGH FOR EVERYONE. WE URGE THE KANSAS LEGISLATURE TO TAKE WHATEVER ACTION IS NECESSARY TO ALLOW THE ENERGY TRANSPORTATION SYSTEMS, INC., TO COMPLETE ITS PIPELINE PROJECT.

WE APPRECIATE THE OPPORTUNITY OF APPEARING, AND WE ASK YOUR FAVORABLE CONSIDERATION OF THIS LEGISLATION.

PREPARED STATEMENT

by

LAWRENCE MATERI
President
MATERI EXPLORATION

February 12, 1979

Atch. 7

My name is Lawrence Materi; I am from Upton, Wyoming. I am here in support of House Bill 2193.

I have been in the drilling business for 25 years in northeastern Wyoming which is also in the northeastern portion of the Powder River Basin. I have drilled a large number of water wells in the past 25 years, including drilling and supervising the drilling of several Madison water wells.

As a user of both shallow water wells and Madison water wells in the northeastern Powder River Basin, I have no qualms or worries about ETSI lowering the water level in these wells even if they were to pump for 100 years! I share these thoughts with anyone I know who has worked on the project or who has taken the time to study carefully the results of the testing on the ETSI and other Madison water wells.

I am representing the Wyoming Water Development Association and would like to present the following resolution as an expression of our evaluation of the coal slurry project.

RESOLUTION NUMBER 17

SLURRY PIPELINE:

WHEREAS, coal slurry pipelines offer an alternative way of transporting Wyoming coal in keeping with the principles of free enterprise; and

WHEREAS, the water requirements for coal pipelines generally are less than any other conventional energy conversion process such as liquefaction, gasification or electrical generating facilities; and

WHEREAS, the Wyoming Legislature has authorized 15,000 acre-feet/year to a coal slurry pipeline subject to specific legal safeguards; and

WHEREAS, the Wyoming State Engineer has approved 40 well permits subject to additional legal safeguards; and

WHEREAS, these authorizations encourage the development, quantification, and beneficial use of Wyoming underground water at no cost to Wyoming; and

WHEREAS, this beneficial use reinforces Wyoming rights to this underground water and thus forms a legal barrier against federal intrusion on Wyoming's rights to its water;

NOW THEREFORE BE IT RESOLVED, that the Wyoming Water Development Association supports the concept of slurry pipelines as a means of transporting Wyoming coal provided that each project be evaluated carefully on a case by case basis to assure that the water supply can be obtained without interference to any other user of Wyoming water.

Wyoming Water Development Association
Annual Meeting
Cheyenne, Wyoming
October 31, 1978

I AM AL WASINGER, PRESIDENT OF THE KANSAS STATE PIPE TRADES ASSOCIATION AND I REPRESENT SOME 1900 PLUMBERS AND PIPEFITTERS AND THEIR FAMILIES IN KANSAS. MY JOB IS TO WORK WITH THESE MEMBERS AND THEIR LOCAL UNIONS IN SECURING EMPLOYMENT IN AN INDUSTRY WHERE CHANGES BROUGHT ABOUT BY LABOR SAVING DEVICES, NEW TECHNOLOGY IN MATERIALS AND INSTALLATION PRACTICES MADE MANY OF US FEEL THAT WE WOULD CERTAINLY HAVE A GREATLY REDUCED DEMAND FOR OUR SERVICES. HOWEVER, THESE CHANGES CAME DESPITE OUR EFFORTS TO STOP THEM AND WE SURVIVED WITH LITTLE OR NO CHANGE IN OUR WAY OF LIFE.

I FEEL THAT MOST INDUSTRY TODAY MUST BE RECEPTIVE TO CHANGE. UNIONS, MANAGEMENT, USERS AND DESIGNERS ALL ARE ACCEPTING CHANGE. THEY RECOGNIZE THE NEED FOR IMPROVED METHODS OF DOING THINGS, AND REALIZE THAT ISOLATIONIST PRACTICES AND RELIANCE ON TRADITION HAS BECOME SELF-DEFEATING. WE STILL HAVE TODAY SOME BACKWARD LOOKING INDUSTRIES WHO OPERATE UNDER DOOMSDAY ORIENTED MANAGEMENT.

THE CONSTRUCTION IDNDUSTRY IS THE NATION'S LARGEST, IT ACCOUNTS FOR NEARLY $200 BILLION OF OUR GROSS NATIONAL PRODUCT AND EMPLOYS SOME 5.4 MILLION PEOPLE. THIS INDUSTRY ALSO USES ONE-THIRD OF ALL THE NATURAL RESOURCES WE CONSUME EACH YEAR.

CONSTRUCTION HAS NEVER BEEN A HIGH-PRODUCTIVITY INDUSTRY, BUT, IN THE PAST IT INTRODUCED NEWER AND FASTER MACHINES, IMPROVED BUT CHEAPER MATERIALS, FAST ENOUGH TO KEEP COSTS IN LINE. IN RECENT YEARS, HOWEVER , BUILDING COSTS HAVE OUTSTRIPPED GENERAL INFLATION. THUS PRODUCTIVITY HAS BECOME A "GOLD PLATED" WORD, AND LABOR AND INDUSTRY NOW FACE A REAL CHALLENGE IN CONTROLLING INFLATION. WE IN THIS INDUSTRY AGREE, THAT TO KEEP COSTS DOWN THERE MUST BE BETTER PRODUCTIVITY, AND PRODUCTIVE EFFICIENCY DEPENDS A GREAT DEAL ON ACCEPTING NEW TECHNOLOGIES AND INCREASED CAPITOL INVESTMENT.

IN OTHER WORDS, MORE PRODUCTIVE TOOLS, JOB EQUIPMENT AND BUILDING MATERIALS ARE ONLY PART OF THE ANSWER - THE MAJOR OPPORTUNITES TODAY AND IN THE FUTURE WILL COME IN PROCESS INNOVATION, --"BETTER WAYS OF DOING THINGS".

Atch. 8

I AM SURE THAT YOU, AS WELL AS WE IN THE TRADES, ARE MOST CONCERNED WITH THE WELFARE OF OUR RESPECTIVE FAMILIES. IN THE CONSTRUCTION INDUSTRY OUR MEMBERS AND THEIR FAMILIES LIVE IN ALMOST CONSTANT FEAR OF UNEMPLOYMENT AND ITS EFFECTS UPON THEIR LIVES, THEREFORE, WE ARE ACTIVELY SUPPORTING THE CONSTRUCTION OF THIS PIPELINE.

THERE ARE THOSE WHO MIGHT SAY THAT THIS IS A SELFISH SHORT TERM INTEREST AND THAT COMPETITION IN OUR INDUSTRY COMES FROM ONLY WITHIN THE INDUSTRY ITSELF, HOWEVER, NEITHER IS TRUE. IN THE CONSTRUCTION INDUSTRY, OUR JOBS ARE ALWAYS TEMPORARY, THEREFORE, ANY CONSTRUCTION PROJECT THAT OFFERS MANY JOBS AND FAIRLY LONG DURATION OF EMPLOYMENT IS VERY IMPORTANT TO US. WE HAVE COMPETITION FOR OUR JOBS FROM OUTSIDE OUR INDUSTRY FROM MANY DIVERSE GROUPS, SUCH AS INDUSTRIAL UNIONS, UTILITY COMPANIES AND THE RAILROADS THEMSELVES, WHO HAVE WHOLLY OWNED SUBSIDIARY COMPANIES IN THE CONSTRUCTION INDUSTRY. "OF COURSE, IF A COMPANY GENERATES ENOUGH MONEY TO MORE THAN MEET ITS NEEDS, IT MAKES GOOD SENSE AND IS GOOD BUSINESS TO RE-INVEST THAT MONEY BY ACQUIRING OTHER ASSETS", WHEITHER IT BE BURLINGTON NORTHERN OR BECHTEL, INC..

IN THE BUILDING AND CONSTRUCTION TRADES, OUR "PRODUCTIVE LABOR" IS OUR ONLY SALE ITEM, AND THIS MARKET BEHAVES AS ANY OTHER MARKET ECONOMY WOULD, AND THAT IS, "AS PRICES GO UP, DEMAND FALLS, AND THEN PRICES MUST COME DOWN", OR WE LOSE OUR SHARE OF THE MARKET. HOWEVER, WITH THE ENERGY MARKET BEING WHAT IT IS, THIS PARTICULAR MARKET DEFIES THIS LOGIC SIMPLY BECAUSE .. DEMAND FOR ENETGY USE INCREASES, DEMAND FOR ENERGY PRODUCING SYSTEMS, DEMAND FOR FUEL TO RUN THESE SYSTEMS INCREASES ALSO, THUS TRANSPORTATION OF FUEL BECOMES A VERY IMPORTANT FACTOR, IF CONTROLLED BY ONLY ONE TRANSPORT SYSTEM.

WE LIVE IN A WORLD THAT THROUGH SCIENTIFIC ADVANCES IS CHANGING THE WAY WE SHOP, DO OUR BANKING, TRAVEL, SCHOOLING, RECREATION AND MANY OTHER THINGS. I THINK THAT MANY OF US ARE AFRAID OF CHANGE AND WHAT EFFECTS IT WILL HAVE

ON EACH OF US, AND WHEN TWO OF US DISAGREE HOW TO DO SOMETHING, THE THOUGHT UPPERMOST IN OUR MINDS IS THAT WE ALONE ARE GOING TO WIN, AND IN OUR HASTE TO WIN WE TEND TO FORGET THE GENERAL PUBLIC AND WHAT EFFECT THIS CHANGE WILL HAVE ON THEM.

I FEEL THAT THE GENERAL POPULATION OF KANSAS WOULD BENEFIT FROM CONSTRCTION OF THIS PIPELINE, EVEN THOUGH IT MAY NEVER DELIVER COAL IN KANSAS AFTER ITS COMPLETION. REVENUE GENERATED THRU CONSTRUCTION PAYROLLS, MATERIAL PURCHASES, LAND PURCHASE, TAXES DURING CONSTRUCTION AND AFTER COMPLETION OF PROJECT, AND THERE WILL BE SOME PERMANENT JOBS ON PUMPING STATIONS. THE MERE FACT THAT THIS LINE, ALTHOUGH INVISIBLE, WOULD BE READY TO DELIVER COAL TO USERS IN KANSAS WOULD BE SOMEWHAT OF A DETERRENT TO ANY TRANSPORT DELIVERY SYSTEM TO KEEP PRICES IN CHECK. THIS MIGHT LEAD TO REDUCED FUEL PRICES TO CONSUMERS, AND THRU LEGISLATION, ANY SAVINGS IN FUEL PRICES AND DELIVERY CHARGES WOULD BE PASSED ON TO THE CONSUMER. AT PRESENT, THE CONSUMERS OF ENERGY, MUST PAY UTILITY COMPANIES, WITHOUT RECOURSE, FUEL ADJUSTMENT COSTS THAT THEY TELL US ARE COMING FROM INCREASED PRICES ON FUEL PURCHASES AND TRANSPORTATION OF THIS FUEL, WITHOUT THE USER KNOWING IF THEY ACTUALLY PURCHASED MORE FUEL, PAID MORE FOR IT, OR IF THEY EVER TOOK DELIVERY OF IT.

EVERYDAY WE HEAR THE CHAMBER OF COMMERCE OF DIFFERNET CITIES IN OUR STATE TELL US HOW AMERICA BECAME A GREAT COUNTRY, "THROUGH THE FREE ENTERPRISE SYSTEM", HOWEVER, WHEN IT COMES TO TRANSPORTING COAL, FREE ENTERPRISE IS FORGOTTEN.

BY 1985, U.S. COAL PRODUCTION COULD WELL INCREASE FROM THE CURRENT 665 MILLION TONS A YEAR TO 1.2 BILLION. NORMALLY TWO-THIRDS OF THIS MOVES BY RAIL, THE REST BY BARGE AND TRUCK. THE RAILROADS ARE NOW SAYING THAT COAL SLURRY PIPELINES COULD EASILY SKIM OFF THE CREAM OF THE COAL TRANSPORTING MONOPOLY AND THEREBY DARKEN THE FUTURE OF AN ENTIRE INDUSTRY.

HOWEVER, WITH THE COST OF TRANSPORTATION IN ANY INDUSTRY BEING A VERY IMPORTANT FACTOR IN OUR PRESENT INFLATIONARY ECONOMY, THE SLURRY PIPELINE GROUP CLAIMS A SIGNIFICANT COST ADVANTAGE, BECAUSE THEIR MAIN OPERATING COSTS CONSISTS OF INTEREST ON THEIR CONSTRUCTION OUTLAY, AND THAT THEY ARE RELATIVELY IMMUNE TO INFLATION. NOT SO, THE RAILROADS, WITH THEIR HIGH LABOR COMPONENT.

NO SLURRY LINE ON THE SCALE OF THE ETSI PROJECT HAS YET BEEN BUILT, AND PIPELINE COSTS HAVE BEEN KNOWN TO OVERRUN BEFORE - WITNESS THE ALASKA PIPELINE PROJECT, WHOSE COSTS ROSE FROM AN ORIGINAL $900 MILLION TO AROUND $8 BILLION, SIMILAR OVERRUNS COULD AFFLICT THE SLURRY PIPELINE. WHAT I AM SAYING IS, THAT IF THIS GROUP IS PREPARED TO SPEND THIS SUM OF MONEY, CLAIMING THAT THEY CAN BUILD A SYSTEM TO TRANSPORT COAL MORE ECONOMICALLY THEN THE RAILROADS, THEY SHOULD CERTAINLY HAVE THE OPPORTUNITY TO DO SO. THEY HAVE AGREED TO BE REGULATED BY THE SAME REGULATORY AGENCY IN KANSAS AS ANY OTHER COMMON CARRIER SUBJECT TO REGULATION BY THE U.S. INTERSTATE COMMERCE COMMISSION.

OTHER STATES HAVE PASSED SIMILAR LEGISLATION, AND I FEEL THAT IT IS TIME FOR KANSAS TO DO SO. WE HEAR ARGUMENTS FROM THE RAILROAD GROUP ABOUT OTHER TRANSPORT SYSTEMS HAVING COST ADVANTAGES OF GOVERNMENT BUILT AND MAINTAINED HIGHWAYS AND WATERWAYS, WHICH PERMITS UNFAIR COMPETITION, HOWEVER, THEY FAIL TO MENTION THEIR MOST RECENT DASH TO GRAB THE PERISHABLE FREIGHT TRAFFIC AWAY FROM THE TRUCKING INDUSTRY. TO DO IT THEY USE THE PIGGYBACK SYSTEM OF HAULING SHIPPER OWNED TRAILERS AND ARE CUTTING COSTS AS MUCH AS FORTY PERCENT WITH SHIPPERS DOING OFF-RAMP PICK-UP AND DELIVERY. THE RAILROADS LOST THIS BUSINESS PRIMARILY IN PAST YEARS BECAUSE OF DETERIORATION OF RAILROAD EQUPIMENT AND SERVICE RELIABILITY, THE SAME THING WE HEAR IS HAPPENING TO THE GRAIN INDUSTRY. I FEEL IT IS TIME TO LET THE FREE ENTERPRISE SYSTEM WORK IN KANSAS AND LET THE SHIPPERS AND RECEIVERS DECIDE WHAT TYPE OF TRANSPOST SYSTEM THEY MAY WANT TO USE, AND THAT OUR REGULATORY AGENCIES SEE TO IT THAT CAPTIVE SHIPPERS AND RECEIVERS ARE NOT OVERCHARGED BY ANY TRANSPORTING SYSTEM.

THE RAILROADS ARE A VITAL PART OF OUR ECONOMY AND HAVE AN IMPORTANT JOB TO DO, BUT SHOULD NOT BE PERMITTED TO STAND IN THE WAY OF FREE ENTERPRISE.

IN THE NEXT FEW DAYS, YOU WILL HEAR FROM MANY PEOPLE INTERESTED IN THIS LEGISLATION, TELLING YOU OF TEST RESULTS, STUDIES AND MANY DIFFERENT VIEWS BOTH PRO AND CON AND HOW THIS WILL ALL AFFECT THE ECONOMY OF KANSAS, AND I AM CERTAIN THAT AFTER LISTENING TO ALL, YOU WILL MAKE A FAIR DECISION CONCERNING THIS TYPE OF DELIVERY SYSTEM.

IN CLOSING, I WANT TO REPEAT, THAT IF THE FREE ENTERPRISE SYSTEM IS TO CONTINUE WORKING, THEN WE SHOULD CERTAINLY GIVE THIS GROUP THE RIGHT TO CONSTRUCT THIS PIPELINE SYSTEM ACCROSS THE STATE OF KANSAS.

YHANK YOU.

Feb. 12, 1979

Mr. Chairman and Members of the Committee:

My name is Norman Justice and as you can see I am one of the sponsors of HB 2193. But I am here today on behalf of the 1800 members of the Construction and General Laborers Local Union # 1290, of which I am President and Field Representative.

Quite some time ago the Coal Slurry Pipeline, both pro and con, was discussed with the membership. It was overwhelming endorsed.

We are certain it is needed and will save the people of Kansas thousands of dollars in utility cost as well as provide jobs for the construction industry during the construction period.

With an energy crisis facing this nation I urge you to give favorable consideration to HB 2193.

Thank You.

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Topeka, Kansas
February 12, 1979

Statement by Kansas Farm Bureau
Paul E. Fleener
Director of Public Affairs
Presented to House Judiciary Committee
Subject: Coal Slurry Pipeline - H.B. 2193

Mr. Chairman and Members of the Committee:

We are here today, Mr. Chairman, in support of legislation which would, in our opinion, aid in the development of a Coal Slurry Pipeline.

We have been looking at the Coal Slurry Pipeline for nearly as long as the Kansas Legislature has been studying the issue. On October 27, 1975, our research department provided to our members throughout the state a paper entitled COAL SLURRY PIPELINES: Transportation Possibility for an Important Energy Source. In that paper we reviewed Coal Slurry Pipeline development in this country. We looked at both sides of the question as related to legislation which came before the 1975 Session of the Legislature . . . S.B. 191 . . . presenting both the proponents point of view and the opponents point of view.

On September 6, 1977, we developed a second research paper on the Coal Slurry Pipeline. We again presented both sides of the question, including very informative material which appeared in the Topeka Capital Journal on Sunday, February 15, 1976. On that occasion there was a pro -- con presentation with atricles by Mr. William C. Farmer, a proponent, and by Henry Schulteis, Jr., an opponent.

No resolution or policy position was developed following the first two research paper studies by our organization. However, interest in the issue has grown year by year.

On December 2, 1978, the Resolutions Committee of Kansas Farm Bureau heard presentations by ETSI, proponents of the Coal Slurry Pipeline, and by a railroad representative, an opponent of the pipeline. Both were asked to make fifteen

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minute presentations. That was done, and there followed another thirty to forty-five minutes of questions and answers.

The result of the several studies and examinations of the proposed Coal Slurry Pipeline by our organization has resulted in the following resolution:

Coal Slurry Pipeline

In our resolution on "Energy Sources and Supplies," we ask for the lifting of federal and state regulations which limit the development of domestic energy supplies. We also express our belief that government and private industry should work cooperatively to develop all possible sources of fuel supplies.

In keeping with our support for development and appropriate utilization of existing and alternative energy supplies, and in the belief that a coal slurry pipeline offers a safe, efficient, economical means to transport one of those sources of energy, we would favor construction of a coal slurry pipeline provided that:

(1) No transportation system or public utility shall be granted the power of eminent domain without such pipeline being under the regulatory control of the Interstate Commerce Commission;

(2) Any grant of the right of power of eminent domain to any coal slurry pipeline shall be limited, and shall be exercised only against another transportation systen, utility, corporation, association or public or private entity, having the power of eminent domain;

(3) The power of eminent domain shall not be exercised against private landowners; and

(4) Any coal slurry pipeline entering or traversing the State of Kansas shall guarantee to the citizens and industries of this state an opportunity to purchase coal carried by the coal slurry pipeline.

Mr. Chairman, and members of the Committee, our resolutions are replete with statements that express the concern of our members with the grant of eminent domain power to governmental or quasi-governmental entities seeking to cross private property. That same concern is expressed in item number three of the resolution adopted by our people. It is one of the provisos under which we are able to support H.B. 2193 which, in our understanding, seeks eminent domain authority not to be used

against private landowners but to be used where necessary to cross properties of other entities having the power of eminent domain.

Our resolution indicates that our concern is for energy sources and supplies and the availability of those supplies. In our resolution speaking to that issue our people have said: "We emphasis the need to develop additional sources of fuel supplies." In another portion of the same resolution there is this language: "In the long-range best interest of energy and fuel supplies, we believe government and private industry should work cooperatively to develop all possible sources of fuel supplies."

To the best of our understanding there is presently one operating Coal Slurry Pipeline. It is known as the Black Mesa Project, and carries coal slurry through Arizona to Southern Nevada. This pipeline has been in operation since 1970. It supplies coal to the Mohave Power Plant. It is owned by a railroad.

Mr. Chairman, and members of the Committee, we appreciate this opportunity to express the views of farmers and ranchers who are our members throughout this state. The view of those members is that in keeping with the problem confronting us all . . . namely, development of energy and utilization of economical energy sources, a Coal Slurry Pipeline is a project whose time has come.

Statement of

Kansas Association of Wheat Growers
On The Matter of
Coal Slurry Pipeline
February 2, 1979

Mr. Chairman, my name is Wayne Worthington and I represent the Kansas Association of Wheat Growers, a commodity organization established to improve the economic wellbeing of Kansas wheat farmers through enactment of favorable legislation.

During the annual convention of the Kansas Association of Wheat Growers on December 8, 1978 the Association members gave considerable study and held prolonged discussions as to the future transportation of agricultural commodities and sources of energy involved in the production of food and fiber in Kansas and the nation. It was unanimously agreed upon that something must be done in the immediate future to alleviate the shortage of rail grain cars and their movement to our post facilities.

In analyzing our future needs of energy for the United States we find that there are alternate sources of energy such as natural gas, gasohol and coal, among others. Coal, as we know, is our most abundant source of energy today, however, distribution of this source of energy does constitute somewhat of a problem.

It seems that the nation's railroads at this time, and for numerous reasons, are unable to carry the great amounts of fuels and grains, among other items, that this country's production capacity demands. With your permission I will quote our resolution pertaining to this matter:

> Energy Committee Resolution No. 6 -- "WHEREAS, the railroads are using all available power units to haul coal, therby limiting the amount of power available to pull grain cars, THEREFORE BE IT RESOLVED, that the Kansas Association of Wheat Growers support a coal slurry pipeline which would allow the release of rail power units for hauling grain."

It is our opinion that a major portion of rail power units are being used to transport coal and in doing so have penalized the movement of grains from inland storage facilities to our port elevator facilities. In view of this allocation of power units by the railroads it seems in the best interests of grain producers to endorse and support an alternate method of moving coal such as a slurry pipeline. The alternate source of moving coal would tend to lessen the demand for rail power units which could then be utilized in moving wheat and other commodities. We further believe that it is not in the best interests of farmers to allow the railroads the prerogative of denying the movement of energy materials by other methods.

Thank you, Mr. Chairman, for allowing us this opportunity to express our views and opinions on this matter which is of great interest and concern to our members.

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KANSAS ASSOCIATION OF WHEAT GROWERS

ENERGY

CHAIRMAN, HOWARD WARD

1. WHEREAS, the U. S. faces restricted and uncertain supplies of oil from the OPEC cartel; and

WHEREAS, declining U.S. production of oil and natural gas and unexpected events including war, provided an opportunity for oil exporting nations to form a cartel controlling supply and price; and

WHEREAS, further disruptions including war may be experienced enabling the OPEC cartel to either withhold supply or vastly increase price causing great hardship and inflation to the U.S. and the free world; and

WHEREAS, this condition adds to the need to urgently increase domestic production of oil, natural gas and all forms of energy, and

WHEREAS, the private enterprise system is being called upon to substantially increase domestic energy production; and

WHEREAS, the United States is becoming increasingly dependent on oil imports, which have risen from 35% of U.S. consumption during the 1973 embargo to more than 50% of current consumption, according to the Federal Energy Administration, and

WHEREAS, it is highly apparent that greater and more stringent measure be devised to conserve all forms of energy throughout society; and

WHEREAS, realistic solutions to the energy problem also require increased production of coal, synthetic oil and gas from coal, nuclear power, hydroelectric power, geothermal power, wind and solar energy, and all other possible sources; and

WHEREAS, U.S. coal reserves contain three time the energy of Middle East oil reserves and account for more than 90% of U.S. proven energy reserves; and

WHEREAS, the nation's oil industry has made substantial capital investment in coal production, which is urgently needed and welcomed by the coal industry according to the National Coal Association; and

WHEREAS, the U.S. oil industry's capability, technical know-how, experience and financial resources make it ideally suited to help in the development of all sources of energy; and

WHEREAS, the U.S. oil industry, comprised of both large and small companies has been providing Americans, including agriculture, with the cheapest and most dependable energy supplies in the industrialized world; and

WHEREAS, U.S. Agriculture production consumes 3% of the nation's total energy supply with processing and transportation accounting for 14%, 85% of which is oil and natural gas; and

WHEREAS, legislation has been introduced in the Congress mandating both vertical and horizontal divestiture of the largest oil companies, and

Resolution #6

WHEREAS, substantial research has been completed on the use of grains to manufacture "gasohol" for energy market use; and

WHEREAS, the U.S. will continue to be an energy deficit nation for the foreseeable future

BE IT RESOLVED, that federal and state government and the oil industry continue and expand research and construct pilot plants using grains for this purpose, and that special effort be made to integrate this with the energy development and research agency operations (ERDA).

2. WHEREAS, such legislation by disintergrating these companies, would reduce the oil industry's capital available to expand domestic production of oil and natural gas, disrupt the efficient international supply network, delay domestic exploration and production plans, and prevent a qualified and contributing group of companies from competing in research and development of other domestic energy sources, and

WHEREAS, officials of the Federal Trade Commission and the department of Justice -- the agencies charged with preventing of removing monopolies under our antitrust laws -- have testified <u>against</u> divestiture before Senate committees,

BE IT THEREFORE RESOLVED, that the Kansas Association of Wheat Growers opposes both vertical and horizontal divestiture of the oil industry because such divestiture or dismemberment would impair its ability to increase production of oil, natural gas, coal and other forms of energy urgently needed for economic growth and employment, and the continued rise in living standards, and the security of this nation in today's world.

3. We favor research in the use of animal waste as a source of energy as well as recycled animal food.

4. The KAWG supports deregulating prices of gas and oil.

5. The KAWG recommends that conservative measures be taken in the use of energy and water on marginal crop land.

6. Seeing the need to convert from crude fuel to the use of coal the KAWG favors the coal slurry pipe line from Wyoming to Arkansas and thereby, we appeal to the Kansas Legislature for the right of eminent domain.

7. The KAWG moves to consolidate their Energy Committee with Safety, Environment, Conservation, and Health to coincide with the National Wheat Growers Committee.

KANSAS ASSOCIATION OF WHEAT GROWERS

Kansas Association of Wheat Growers approved Resolution 25 unanimously at their meeting in Wichita November 18 and 19, 1977.

"Seeing the need to convert from crude fuel to the use of coal, the Kansas Association of Wheat Growers favors the coal slurry pipeline from Wyoming to Arkansas; and thereby, we appeal to the Kansas Legislature for the Right of Eminent Domain for the pipeline."

STATEMENT

OF

WALTER A. HALE

MIDWEST AREA MANAGER

ENERGY TRANSPORTATION SYSTEMS INC.

TO

THE JUDICIARY COMMITTEE

OF THE

KANSAS HOUSE OF REPRESENTATIVES

MONDAY, FEBRUARY 12, 1979

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MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, MY NAME IS WALTER HALE. I AM THE MIDWEST AREA MANAGER FOR ENERGY TRANSPORTATION SYSTEMS INC. WITH OFFICES IN WICHITA, KANSAS.

SINCE PROPOSING THE EMINENT DOMAIN BILL NOW BEFORE THIS COMMITTEE, SOME OF OUR OPPONENTS HAVE BEEN HEARD TO SAY THAT WE ARE ASKING FOR THE LIMITED RIGHT OF EMINENT DOMAIN ONLY TO GET A "FOOT IN THE DOOR", AND THAT WE WILL BE BACK SEEKING THE FULL RIGHT OF EMINENT DOMAIN SO AS TO DEAL WITH THE PRIVATE LANDOWNERS.

I HAVE BEEN ASSOCIATED WITH THE PIPELINE INDUSTRY FOR MORE THAN 25 YEARS. DURING THAT TIME, I HAVE ASSISTED WITH THE ACQUISITION OF MORE THAN 12,000 MILES OF RIGHT-OF-WAY FOR OIL, GAS, PETROLEUM, WATER, AND SLURRY PIPELINES THROUGHOUT THE UNITED STATES, CANADA, AND SEVERAL FOREIGN COUNTRIES (SEE EXHIBIT 1). THESE ACQUISITIONS HAVE INVOLVED NEGOTIATIONS WITH MORE THAN 40,000 INDIVIDUAL LANDOWNERS AND A MULTITUDE OF LOCAL, STATE, AND FEDERAL REGULATORY AUTHORITIES.

EXPERIENCE ON THESE PROJECTS CLEARLY ILLUSTRATES THAT RIGHTS-OF-WAY ACROSS PRIVATELY-OWNED LANDS CAN BE NEGOTIATED ON A FAIR AND EQUITABLE BASIS, AND THAT, IN THE ABSENCE OF INSTITUTIONAL BARRIERS SUCH AS NOW PRESENTED BY THE RAILROADS, TOTAL

RIGHTS-OF-WAY FOR MAJOR CROSS-COUNTRY PIPELINES CAN BE ACQUIRED IN FACE-TO-FACE NEGOTIATIONS.

FOR INSTANCE, INTERSPERSED AMONG THOSE 12,000 MILES OF RIGHT-OF-WAY, WERE SEVERAL PROJECTS TOTALING APPROXIMATELY 3,600 MILES, FOR WHICH PORTIONS OF OR ALL OF THE RIGHTS-OF-WAY WERE ACQUIRED WITHOUT EMINENT DOMAIN. THOSE PROJECTS REPRESENT A GOOD CROSS-SECTION OF THE COUNTRY FROM THE RICH FARMLANDS OF ILLINOIS, TO THE TIMBER AND COASTAL AREAS OF CALIFORNIA, WASHINGTON AND OREGON.

I HAVE ATTACHED TO THIS STATEMENT, A DETAILED LISTING OF THOSE PROJECTS WHICH WE WANT TO ENTER INTO THIS COMMITTEE HEARING RECORDS.

BASED ON THESE FACTS, AND IN THE BELIEF THAT THE MAJORITY OF THE KANSAS PEOPLE SUPPORT THE COAL SLURRY PIPELINE CONCEPT, I AM TOTALLY CONFIDENT THAT THE PRIVATELY OWNED RIGHTS-OF-WAY FOR THE ETSI PROJECT CAN BE ACQUIRED WITHOUT ANY THREAT OF CONDEMNATION.

THEREFORE, MR. CHAIRMAN, I WANT TO STATE FOR THE RECORD, THAT ENERGY TRANSPORTATION SYSTEMS INCORPORATED, HAS NO PRESENT OR FUTURE PLANS TO SEEK ANY BROADER EMINENT DOMAIN RIGHTS THAN WOULD BE PROVIDED BY HOUSE BILL 2193.

THANK YOU.

ENERGY TRANSPORTATION SYSTEMS INCORPORATED

BY: WALTER A. HALE
MIDWEST AREA MANAGER

RIGHT-OF-WAY ACQUISITION – MAJOR PIPELINE PROJECTS

EXHIBIT 1

CLIENT	LOCATION	TYPE	MILES
LAKEHEAD PIPELINE COMPANY	U. S.	CRUDE OIL	1,395
PACIFIC GAS TRANSMISSION COMPANY	U. S.	NATURAL GAS	613
SOUTHERN PACIFIC PIPE LINES, INC.	U. S.	PRODUCTS	1,588
BLACK MESA PIPELINE, INC.	U. S.	COAL SLURRY	275
MIDWESTERN GAS TRANSMISSION COMPANY	U. S.	NATURAL GAS	854
CALIFORNIA GAS TRANSMISSION COMPANY	U. S.	NATURAL GAS	275
SAN DIEGO PIPELINE COMPANY	U. S.	PRODUCTS	120
ALTON PIPELINE	U. S.	COAL SLURRY	180
SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT	U. S.	WATER	25
ALBERTA NATURAL GAS COMPANY LIMITED	CANADA	NATURAL GAS	108
ALBERTA GAS TRUNKLINE	CANADA	NATURAL GAS	572
WESTCOAST TRANSMISSION COMPANY	CANADA	NATURAL GAS	650
TRANS MOUNTAIN OIL PIPELINE COMPANY	CANADA & U.S.	CRUDE OIL	825
WESTERN PACIFIC PRODUCTS & CRUDE OIL PIPELINES LTD.	CANADA	CRUDE OIL	505
INLAND NATURAL GAS COMPANY LIMITED	CANADA	NATURAL GAS	85
INTERPROVINCIAL PIPE LINE LTD.	CANADA	CRUDE OIL	1,650
TRANS CANADA PIPELINES LIMITED	CANADA(ONTARIO)	NATURAL GAS	80
TAZAMA PIPELINE	AFRICA	PRODUCTS	1,000
MOONIE PIPELINE LIMITED	AUSTRALIA	CRUDE OIL	190
MOOMBA–ADELAIDE	AUSTRALIA	NATURAL GAS	485
TEXACO–GHENT	BELGIUM	CRUDE OIL	33
ROTTERDAM–RHINE PIPELINE COMPANY	GERMANY & NETHERLANDS	CRUDE OIL	275
TRANS ALPINE PIPELINE	ITALY, AUSTRIA & GERMANY	CRUDE OIL	285
NETHERLANDS GASUNIE	NETHERLANDS	NATURAL GAS	722
		TOTAL	12,790

EXHIBIT 2

RIGHT-OF-WAY ACQUISITION PROJECTS
(ACQUIRED WITHOUT THE RIGHT OF EMINENT DOMAIN)

CLIENT	MATERIALS TRANSPORTED	NO. OF MILES ALL PROJECTS	LOCATION
*LAKEHEAD PIPELINE COMPANY	CRUDE OIL	1,395	WISCONSIN, ILLINOIS, INDIANA (75% FARMLANDS, GRAIN, AND ROW CROPS)
*SOUTHERN PACIFIC PIPE LINES, INC.	PRODUCTS	1,588	TEXAS, CALIFORNIA, OREGON, NEVADA, ARIZONA (ORANGE GROVES, SOME TIMBER, PASTURE LANDS, VEGETABLE FARMS, ALFALFA)
BLACK MESA PIPELINE, INC.	COAL SLURRY	273	ARIZONA, NEVADA (RANGE LANDS, MINOR ALFALFA FIELDS)
SAN DIEGO PIPELINE COMPANY	PRODUCTS	120	SOUTHERN CALIFORNIA (ORANGE GROVES, VEGETABLE FARMS, AND OTHER ROW CROPS, MILITARY GROUNDS, CITY AND MUNICIPAL LAND)
ALTON PIPELINE COMPANY	COAL SLURRY	180	UTAH, NEVADA (RANGE LANDS, SOME ALFALFA)
CALAVERAS CEMENT	LIMESTONE SLURRY	17	NORTHERN CALIFORNIA (TIMBER, GRAZING LANDS, MINOR GRAPE VINEYARDS)
LONE STAR CEMENT COMPANY	LIMESTONE SLURRY	50	WASHINGTON (FINE FARMLANDS, ALFALFA, SOME VEGETABLES, AND ROW CROPS)
	TOTAL	3,623	

* Eminent domain available in some states

TESTIMONY
of
Robert Wilson, President
Kansas Nebraska Natural Gas Company

Kansas Nebraska Natural Gas Company is an integrated company in that it produces, transports and distributes natural gas in Western Kansas, Northeast Colorado, Eastern Wyoming and Western Nebraska. Its operating headquarters is in Hastings, Nebraska, and its accounting office is in Phillipsburg, Kansas. Kansas Nebraska owns a 20% interest in ETSI.

The reason Kansas Nebraska has an interest in ETSI results from the fact the nations gas supply has declined to the point that in the future natural gas will no longer be a competitor to coal for boiler fuel loads. Kansas Nebraska supplies boiler fuel loads in its service area. When it became apparent five or six years ago that we would not be able to supply the requirements of our boiler fuel customers with natural gas in the future, Kansas Nebraska tried to go into the coal business to be able to continue supplying these customers with fuel. We found that most of the large coal reserves in the Powder River Basin of Wyoming were already under lease or that there were problems in obtaining Federal leases. In its investigation of western coal, Kansas Nebraska learned of the ETSI project. This appealed to us because we know pipelines and this pipeline would cross our service area.

The principal question we had about the ETSI project was whether it would be competitive with the railroads in transporting coal. The conclusion we came to was that in transporting large volumes of coal for long distances it was very competitive. This appeared to be a good opportunity for our stockholders, which include 1200 Kansans, so we asked to become a partner.

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At the time we became a partner we didn't realize the difficulty we would have securing eminent domain legislation. I thought everybody realized the advantages of competition. Out in Meade where I grew up we had two drug stores and one clothing store. I don't know of anybody in Meade that wasn't aware of the advantage of competition.

Competition is just as beneficial when regulated industries such as railroads or utilities are concerned. I'm not talking about duplication of the same service but having a competing service. While I worked for the Kansas Corporation Commission, I noticed that rail rates are determined largely by the amount of competition that the railroads have. If the railroads are losing business to motor carriers or large lines, they will reduce rates to keep the business. Absent this competition there is no reduction in rates by the railroads.

The competition for rail transported coal that was provided by cheap natural gas is gone. There has been a substantial increase by the railroads in the rates for transporting coal. The only effective competition for railroads in the transportation of large volumes of coal for long distances is the coal slurry pipeline. This competition will result in lower freight rates for coal and lower electric rates for consumers everywhere there is a coal slurry pipeline. An electric company doesn't have to take slurry coal to get the benefit of that competition. Just the fact that the electric company has another way to go will have a substantial effect and will result in lower electric rates in Kansas. For this reason, eminent domain should be granted to coal slurry pipelines.

Fact Sheet #1.

"PRIVATE COMPANIES SHOULD NOT BE
GIVEN THE RIGHT OF EMINENT DOMAIN"

The railroads have stated:

The railroads claim that private companies should not have the right of eminent domain.

Fact:

Congress gave the railroads, which incidentally are privately owned companies, the right of eminent domain along with 131,383,680 acres of land grant lands by the Railroad Acts of 1862, 1864, 1866, 1869 and 1875. This constituted about 6% of the land area in the United States. Yet now 115 years later the railroads are using these gifts of land to block an alternative form of transportation. This is true despite the fact they regularly grant rights of way to oil, gas, water, etc., pipelines for $25 or $100 or whatever. All other forms of energy transportation have the right of eminent domain.

1. Crude oil pipelines have the right of eminent domain in Kansas and practically all other states. (See Exhibit 3.)

2. The same is true for petroleum products pipelines. (See Exhibit 3.)

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3. Congress gave crude oil pipelines this right during World War II to get vital oil to the East Coast for our warships. The railroads fought this effort unsuccessfully.

4. Natural gas pipelines have this right.

5. In the U. S. there are 76,000 miles of crude oil pipelines; 77,000 miles of petroleum products pipelines and 194,000 miles of natural gas pipelines. (See Exhibit 3.)

6. Electrical utilities have the right of eminent domain.

7. Railroads have this right under federal and state laws.

Attached hereto as Exhibit 1 is a photo illustrative of the railroads fighting oil producers the right to cross rights-of-way so the oil was piped to the right-of-way, put in a barrel wagon and hauled across the right-of-way and re-entered in the pipeline.

It is not an unusual thing for the railroads to be opposing supporting legislation for any other mode of transportation whether it be waterways, trucking, airlines or pipelines.

Even the railroads have their moments of truth. The President of the American Association of Railroads in the National Journal, March of 1976, talking about coal slurry pipelines, Mr. Steven Ailes said:

> "If that's a really more efficient method of transportation, what the hell right do we have to stop them?"

The Union Pacific, one time, slipped into the same spirit of confession when in the Idaho Statesman of Boise, Idaho, April 8, 1976 stated:

> "It's obviously in our self interest to oppose the slurries, but the problem is how to justify our position on the issue."

Attached as Exhibit 2 is a map showing the pipeline system in this country. Exhibit 3 shows the number of pipelines in Kansas.

The railroads recognize they are privately owned corporations. Mr. Norman Loren Tzen, President of Burlington Northern in an interview in January 1979 with the publisher of The Wheat Grower stated:

> "Why should an elevator operator, who is a private businessman be subsidized by a railroad, also privately owned?"

Actually the railroads do not reject the coal slurry pipeline concept. It all depends on who is doing it. In the Burlington Northern Annual Report for 1971 it is stated:

> "In most of our coal leases we have retained an option to acquire up to 50 percent ownership in pipelines constructed for the transportation of coal or products from coal processing."

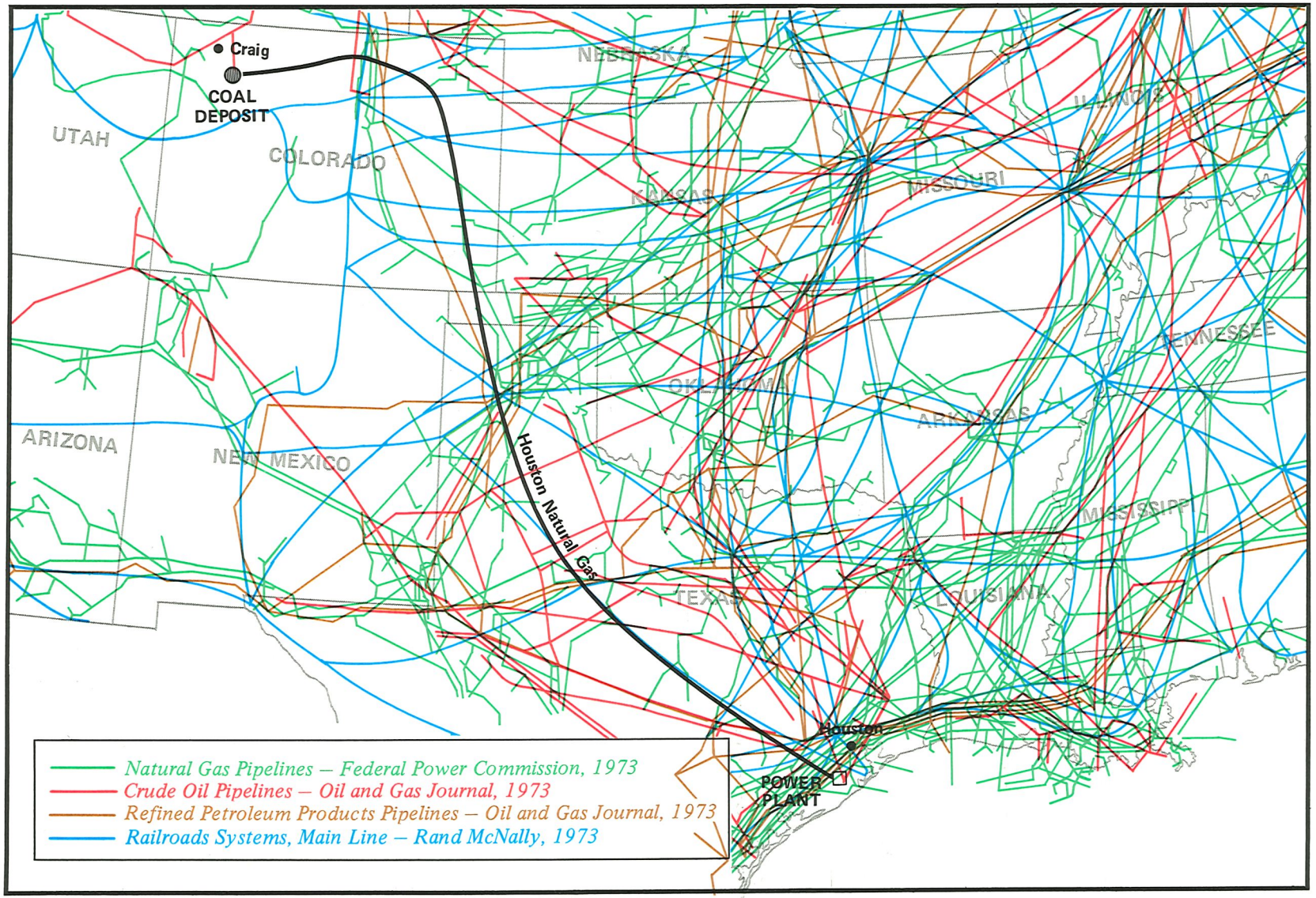
Then in Modern Railroads' Rail Transit, October 1973 it is stated:

> "Coal is expected to become the largest source of traffic for BN's railroad in a few years. But the company is looking still further ahead. All coal leases BN makes provide that if any coal is moved by pipeline, through gasification or otherwise, BN may acquire up to 50 percent ownership of the pipeline, and may also participate in the conversion operations."

A pipeline challenges a railroad—1875. Denied the right to cross a railroad, Columbia Conduit used tank wagons to move crude oil across the tracks until the court ruled in their favor against the railroad.

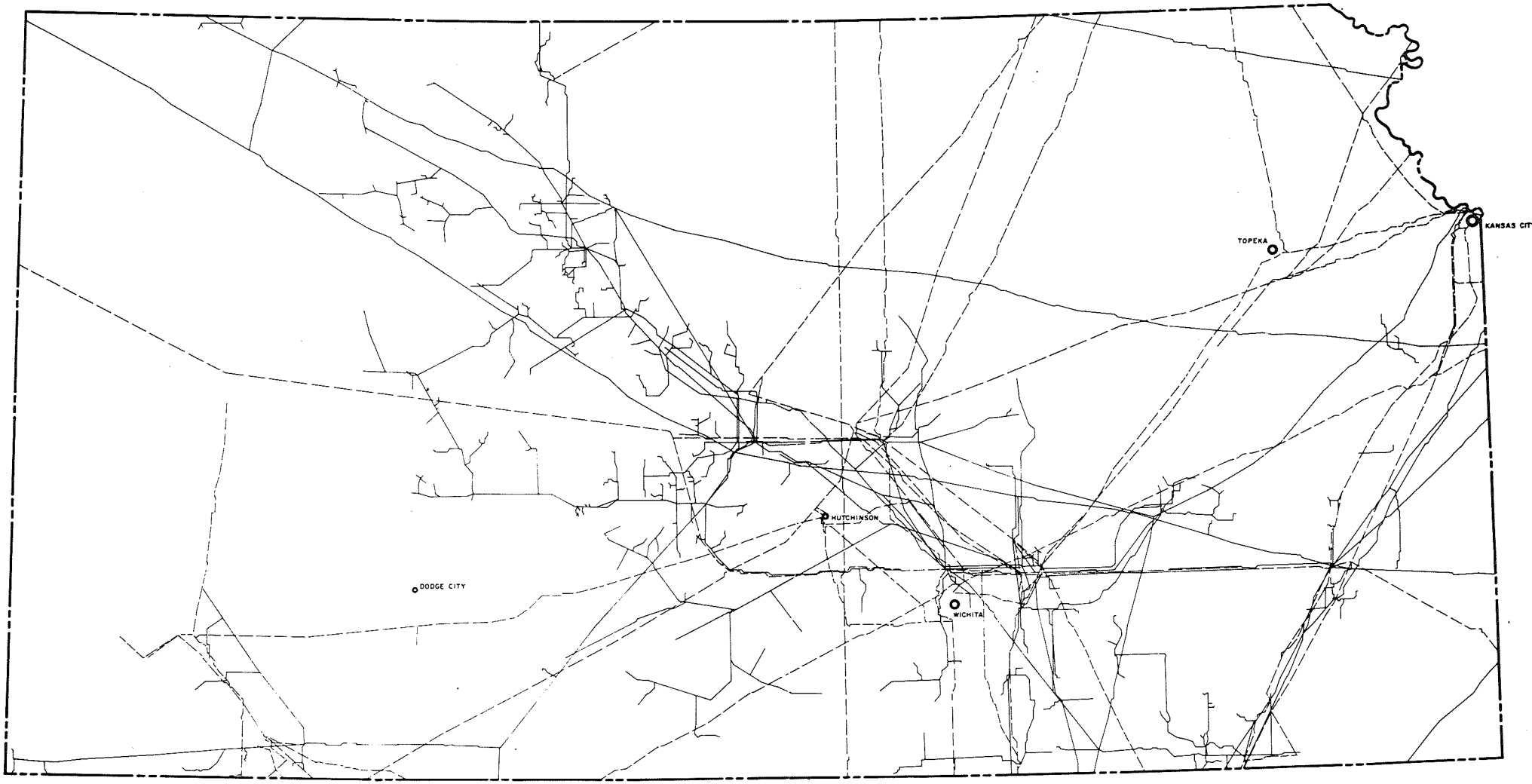
Doc Shaw #1, Ex 1

PIPELINE AND RAILROAD TRANSPORTATION SYSTEMS



Doc Shaw #1 Ex 1

STATE OF KANSAS



① "Oil and products pipelines regulated by the ICC"

② "Extracted from official KCC map"

Oil Pipe Line ————————

Products Pipe Line —— —— ——

Kansas-Nebraska Natural Gas Co., Inc.

Drawn By Gary A. Hafferber Date Jan 29, 1976

Docr Shaw #1 Exhibit 3

Fact Sheet #2

WATER

The railroads have stated:

The use of 15,000 acre feet of water by ETSI from the Madison Formation will deplete or impair the water in the Madison in Wyoming. Also the withdrawal of water by ETSI from the Madison Formation will lower the Ogalalla water table in Western Kansas.

Fact:

Neither rumor has any basis in fact. The railroads speak of the "Arid West" and preservation of water. It seems water becomes precious only when ETSI wants to use it. Burlington Northern in the last year or so filed for the right to use 67,000 acre feet of water per year from the Fort Peck Reservoir which is north on the main stream of the Missouri River. They want this water for the manufacture of chemicals from the 11 billion tons of coal the government gave them by the land grants of 1862. This might cause some to raise a question as to the sincerity of their concern for the water supply in the "Arid West."

Exhibit 1 of this fact sheet is a letter from William Hambleton of the U. S. Geological survey on the question of western Kansas water. Exhibit 2 is a question and answer memo on water questions. Exhibit 3 consists of charts and pamphlets relating to this question providing an in-depth study of it. Exhibit 4 discusses the use of water by Burlington Northern.

Atch. 15

Exhibit 5 is an exhibit comparing the 15,000 acre feet used by ETSI to rainfall averages in western Kansas. Exhibit 6 sets forth comparisons of water in the Madison Formation. Exhibit 7 shows a relative water consumption of the pipeline compared to a mine-mouth power plant.

Exhibit 8 demonstrates the total Wyoming water that is lost downstream and the Wyoming compacts. Exhibit 9 sets forth the legal protections for users of underground water.

Exhibit 10 is a comparison of water costs.

KANSAS GEOLOGICAL SURVEY
Office of the Director

1930 Avenue "A", Campus West
The University of Kansas
Lawrence, Kansas 66044
913-864-3965

January 8, 1979

Mr. Fred M. Kimball
Communications Consultant
Energy Transportation Systems Inc.
220 West Douglas
Suite 140, Page Court
Wichita, Kansas 67202

Dear Mr. Kimball:

I acknowledge receipt of your letter of January 4 and accompanying descriptive material, concerning the proposed Energy Transportation Systems Inc. coal slurry pipeline.

In your letter, you request my opinion as to the effect on groundwater in Kansas for farming, ranching, and municipal and industrial uses by withdrawals annually of 15,000 acre-feet of groundwater from the lower level of the Madison Formation in the Powder River Basin of Wyoming. The Madison Formation does not underlie Kansas. Furthermore, I am not aware of hydrologic connections between the Madison Formation of the Powder River Basin and the Ogallala Formation and its extensions, which are the principal sources of groundwater in western Kansas. Even if such a connection existed, which I strongly doubt, the movement of groundwater over long distances would be so incredibly slow, that withdrawal of 15,000 acre-feet of groundwater annually from the Madison Formation would have no discernible effect on the Ogallala Formation in Kansas.

Should you require additional information of a precise nature concerning the relationship between the Madison and Ogallala formations, I am sure that this additional information can be obtained from the U.S. Geological Survey. For approximately the past five years, the U.S. Geological Survey has conducted extensive studies of the Madison Formation, as a regional aquifer system. Inquiry should be addressed to Mr. Al Clebsch, Central Region Engineer, U.S. Geological Survey, Denver Federal Center, Box 25046, Denver, Colorado 80225.

If the Kansas Geological Survey can provide any additional information, do not hesitate to let me know.

Sincerely yours,

William W. Hambleton

William W. Hambleton
Director

ngp

W A T E R

QUESTIONS & ANSWERS

1. How much water will be used in the ETSI pipeline to transport 25 million tons of coal annually?

   15,000 acre-feet of water ... this is about equal to a 2.82 inch rain on the city of Wichita. The average rainfall on Central Kansas is about 31 inches.

2. Where will ETSI get the 15,000 acre-feet of water?

   The water will come from a massive aquifer underlying the Powder River Basin of Wyoming, and estimated to contain up to one (1) billion acre-feet of water. This is enough water to cover the total United States with five (5) inches of water or enough water to flush Lake Erie twenty-seven times. The Madison recharges annually at the rate of 150,000 acre-feet, and ETSI will need to use only one-tenth of this recharge.

   The Madison Formation is just like a bucket of water when it's full and more water continues to pour in ... it just overflows. According to the Wyoming Water Plan, 14.74 million acre-feet annually flows out of the state. The water flows by way of the Mississippi and Missouri Rivers, to the Gulf of Mexico, where it mixes with salt water and is forever lost.

3. Will taking the water from the Madison affect Kansas groundwater?

   Dr. William Hambleton, Director of the Kansas Geological Survey at the University of Kansas says, "The Madison Formation does not underlie Kansas. Furthermore, I am not aware of hydrologic connections between the Madison Formation of the principal sources of groundwater in western Kansas. Even if such a connection existed, which I strongly doubt, the movement of groundwater over long distances would be so incredibly slow, that withdrawal of 15,000 acre-feet of groundwater annually from the Madison Formation would have no discernible effect on the Ogallala Formation in Kansas."

4. Will Kansas water be used in the pipeline?

   Absolutely "NO" ... the chunk coal is ground to a powder consistency near the mine site, and all of the required water is added at that point. No additional water will be required along the route.

5. Could the Madison Formation water be used for agricultural, municipal or domestic purposes?

   Yes, but it is not practical due to cost. The cost to pump the water from 3,000 foot wells is about $400 per acre-foot. The usual cost for water for these purposes is between $5 -$15 acre-foot.

6. What will happen to the water when it is separated from the coal at the market place? (Electric Generating Plants)

   All of the water will be used in the cooling towers of the electric generating plants supplying one-eighth of their need. The water is circulated through the cooling towers until it is all evaporated; therefore, no water will be wasted.

7. Why not build the electric power plants where the abundant coal resources are and transport the electricity?

   One reason is because Wyoming wants to use as little water as possible, but still share their valuable coal with other states that need it. To use 25 million tons of coal to generate electricity would require seven to eight times as much water as to export the coal via pipeline.

SUPPLEMENT TO ETSI FACT SHEET

ENERGY TRANSPORTATION SYSTEMS INC.

Coal Slurry Pipeline System

Water Resource: ETSI wells will draw from the Madison Formation, which the U.S. Geological Survey estimates to hold up to 1 billion acre-feet. The recharge rate in the eastern Powder River Basin is estimated at 150,000 acre-feet annually. ETSI plans to pump an average of 15,000 acre-feet a year, only 10 per cent of the recharge.

Legal Protection:

1. The Wyoming Legislature has passed a law requiring ETSI to protect Wyoming users of Madison Formation water, or cease operations.

2. The Wyoming State Engineer has required that ETSI guarantee supply for eight cities, drill five monitor wells, and post a $1 million bond.

3. ETSI intends to draw water from a source which will not interfere with irrigation water or present users of Madison water, will comply with all restrictions imposed by the Legislature and State Engineer, and is posting a $1 million bond.

Energy Analogies: The ETSI slurry pipeline will carry a volume of coal with an energy equivalent of 200,000 barrels a day of crude oil. That is equal to about 50 per cent of Wyoming's current crude oil production. It is about 1¾ times the state's current coal production.

The 25 million tons per year which ETSI will slurry from Wyoming equals the fuel for 5 power plants the size of Jim Bridger at Rock Springs, or 10 Dave Johnston plants at Glenrock.

it calls for the company to post a $1 million bond which will guarantee the state's ability to enforce the terms of the contract.

No Federal Role

Each state has its own provisions for protecting water resources and for allocating them according to state and local priorities. This is made clear in proposed federal legislation authorizing eminent domain for coal slurry pipelines. It states that nothing in the legislation would interfere with existing state or private control over water rights.

The eminent domain legislation, now under consideration by Congress, is necessary because the western railroads have blocked further development of coal slurry pipelines. Intent on preserving their monopoly in western coal transportation, the railroads refuse pipelines permission to cross under their tracks.

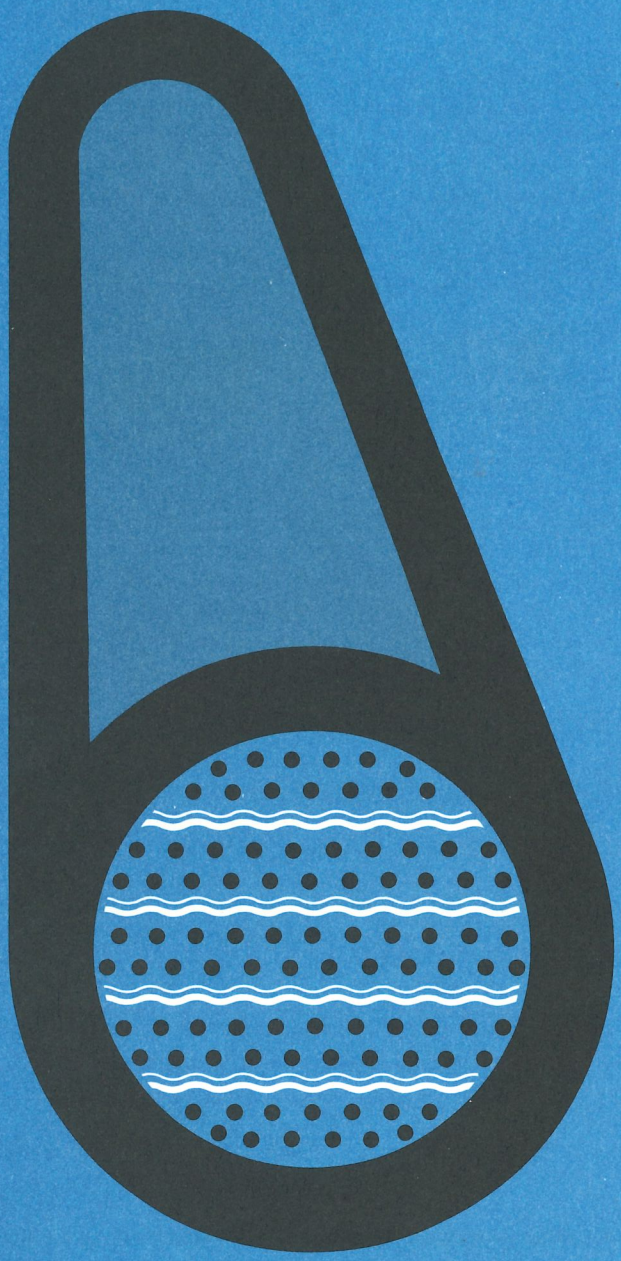
The determination of priorities for water use will depend on the perspective on energy development within each western state. *High Country News,* Wyoming's leading environmental newspaper, highlighted the evaluations which must be made in this way:

". . . Power plants use seven times as much water as a slurry line. If half of the power produced is to be shipped out of the state—as it is at the Laramie River station in Wheatland, Wyoming, for instance—this would be equivalent to shipping out of state three and a half times the water a slurry line would use."

In the last analysis, the benefits to the entire country from deployment of coal slurry pipelines as part of a total energy effort are too vital to reject. Careful planning by the pipeline companies to safeguard water resources for basic needs, combined with stringent controls by local authorities to achieve the same end, will make it possible to realize those benefits without injury to the water supplies of the West.

SLURRY TRANSPORT ASSOCIATION
490 L'Enfant Plaza East, S.W., Room 3210
Washington, D.C. 20024
Telephone: (202) 554-4700

How Coal Slurry Pipelines Safeguard Water Resources



oal Slurry nes Safeguard Resources

hen the power of falling water was man to ease his tougher chores, closely allied with production of

e, great hydroelectric projects like er system, and water-flooding to e elusive deposits of petroleum are les.

ca seeks to develop to the fullest ource of energy for the future, water jor role.

sport

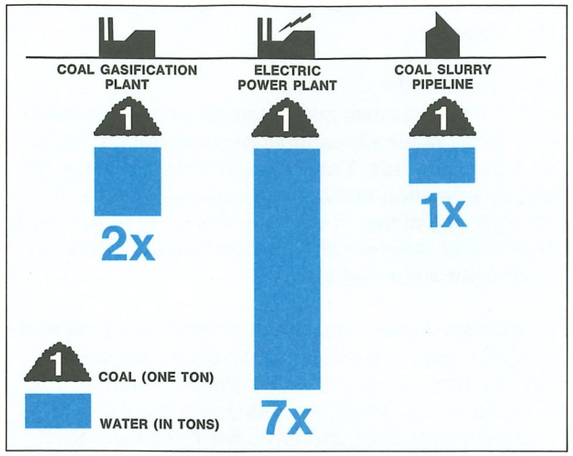
tion system called a coal slurry pipe- medium that can bring the rich f the western states to the other areas here they can be converted to energy l consumer uses. And water makes the job efficiently, economically, and nvironmental impact.

pipeline system, coal ground to a ency is mixed with an equal propor- e resulting slurry is fed into a pipeline housands of miles from its source ser—invisibly, noiselessly, and safely.

water in a coal slurry pipe- he states to decide on the cts presented with each application. We fully support ol of water rights."

W. Pat Jennings
STA President
Denver, July 29, 1977

Comparative Water Consumption



A major concern surrounding the development of slurry pipeline systems is that some of the energy-rich states which can provide the much-needed coal do not have abundant water. Those charged with responsibility for the natural resources of the West are concerned, and properly so, about the wisdom of using precious water for a system that takes it to another state. There, in most cases, it will be separated from the coal and used in the power generation process. Westerners can take comfort in the fact that the allocation of water is controlled by the states, a doctrine totally supported by the slurry transportation industry.

Water For Energy Needs

Water is a necessary ingredient in virtually every method of converting coal to usable forms of energy. It is a requirement of coal liquefaction and gasification processes, and it is vital in generating electricity. A coal gasification plant, for example, will require up to two tons of water for every ton of coal it converts. An electric power plant will consume seven tons of water for every ton of coal. In both cases, the water is consumed.

A coal slurry pipeline uses about a ton of water for every ton of coal transported. While the water is lost to the area where the coal originates, the loss is less than if the coal were converted to energy in the state where it was mined. The planned slurry pipelines generally will move the coal to areas where abundant water is available for conversion processes.

It is true that the coal could be moved by rail, and much will be. But there is a price for rail movement in terms of reliability, environmental impact, and disruption of community life in the West. In addition, water figures in railroad plans for developing their own resources. Burlington Northern, for example, has applied for at least 50,000 acre feet (enough for three major coal pipelines) to be used in its coal and phosphate operations located in Montana and North Dakota.

Slurry Safeguards

As water sources are developed for slurry pipelines, the interests of the public are protected in two ways. First, and most important, the assignment of water rights is a matter of state and local control. Every pipeline project must be judged on an individual basis, and the people in each state will decide how it fits into their water priorities.

The second safeguard comes from the fact that slurry pipelines draw on sources of water not now used by others. They do not compete for water which is used for residential or agricultural purposes. A slurry system will accept virtually any quality of water, and the industrial nature of the project permits development of water resources that financially are beyond the reach of farmers, ranchers, or municipalities.

The Black Mesa Pipeline System, which is owned and operated by an affiliate of the Southern Pacific Railroad, is a textbook example of such safeguards. In operation since 1970, the Black Mesa line can carry 5 million tons of coal annually from a mine on an Indian reservation in northeastern Arizona over a 273-mile route to the Mohave power plant near the southern tip of Nevada.

When the Peabody Coal Company contemplated shipping its coal by slurry pipeline, it was sensitive to the water needs of the Southwest and conducted extensive hydrologic studies before asking for authority from the Department of the Interior and the Navajo Tribal Council to draw from deep wells on Black Mesa.

Water Sources Protected

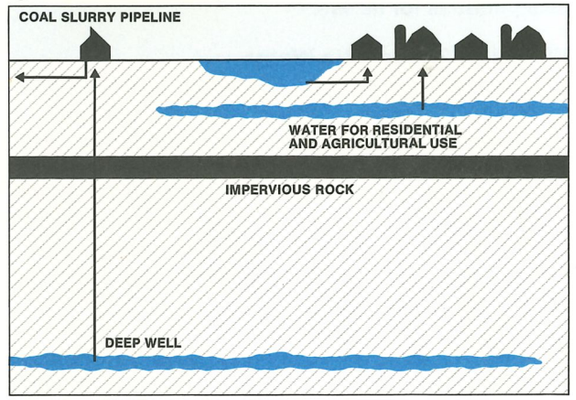
The water for the Black Mesa pipeline comes from water-bearing formations—called aquifers—which are completely separated by impervious rock from the water supply used by the Navajo Indians living on Black Mesa. Peabody drilled five wells, spaced about two miles apart, to depths averaging 3,600 feet. The

Indian leases prohibit Peabody from drawing water at levels less than 1,000 feet from the surface but the coal company has sealed the well shafts with concrete down to the 2,000-foot level to insure that surface water will not be affected.

With the pipeline operating at full capacity, a maximum of 3,200 acre feet of water per year would be required. (An acre foot is the amount of water needed to cover one acre to a depth of one foot.)

Since it is estimated that there are 10 million acre feet of water in the aquifers being tapped, then the slurry operation over 35 years will use only about 1 percent of the estimated water in storage. Because of natural recharging of the field through rainfall, it is likely that the net withdrawal will be even less. The U.S. Geological Survey continually monitors several wells in the area to assure there is no damage to any of the other water users.

Coal slurry water typically comes from deep sources sealed by rock from other supplies.



The Black Mesa system also supplies free water to Indians of the Navajo reservation for their personal use and for use by their animals.

Local authorities controlling Black Mesa water were the Indian and federal governments. In most other cases, approval would come from state governments. Slurry pipelines now under development would use water from such states as Utah, Colorado, and Wyoming. The next slurry water rights established after the Black Mesa experience were for the Energy Transportation Systems Inc. line planned to run from Wyoming to Arkansas. Approval of the ETSI water permits was a

Q. Can ETSI be forced to halt operations if they affect other users?

A. Yes, under the law, the well permits, and the contract.

Q. Who pays the cost of monitoring and enforcement?

A. ETSI.

Q. What protects upper aquifers now in use for irrigation and ranching?

A. Impervious layers of rock above the Madison, plus cemented well casings.

Q. Will the new U. S. Geological Survey study confirm ETSI's slurry water supplies?

A. No, because research will not be nearly as concentrated as ETSI's well field testing. The U.S.G.S. wells are over 130 miles away.

Q. How much did ETSI invest in water well field tests, the most extensive in Wyoming history?

A. Over $900,000.

Q. According to the Wyoming Framework Water Plan, how much surface water now leaves Wyoming?

A. An average of 14,700,000 acre-feet per year flows out of Wyoming. Of this amount, Wyoming still has legal rights to 3,800,000 acre-feet per year. The rest, 10,900,000 acre-feet per year, has been given up by decrees and compacts to nearby states.

Q. If the water evaporated from just Wyoming's ten major reservoirs could be captured, how many ETSI pipelines could be supported?

A. 23

Q. What annual economic potential might Wyoming get for permitting unused underground water to be put to beneficial use?

A. Paid by ETSI

Ad valorem taxes	$2,300,000
Payroll	1,400,000
Supplies and services	3,000,000

Paid by coal miner

Severance tax	4,000,000
Impact Tax*	1,200,000
Property tax	6,000,000

This totals to $17,900,000—or about $1,200 per acre-foot each year.

*1976 tax rate increasing to $2,000,000 in 1978.

Q. Based on the preferred ETSI pipeline routing, which counties will share the Ad Valorem taxes?

A. Niobrara, Weston, Converse, Campbell, and Goshen.

Q. Which counties share in the other benefits?

A. Every county in the state will benefit from the severance tax. Affected counties will benefit from the payroll, impact tax, property tax, and supplies and services—a total of $15,600,000/year.

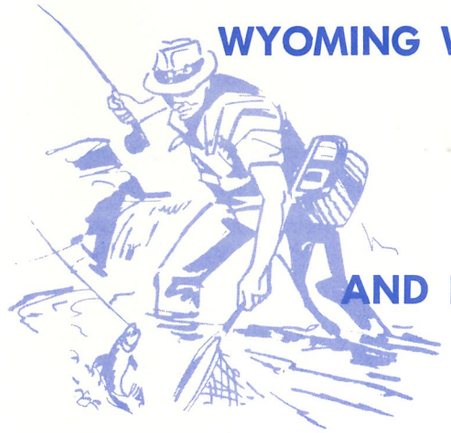
Q. Considering corrosion and abrasion, how long will the pipeline last?

A. On the order of 50-75 years.

Q. What special benefits are there to using underground water rather than surface water?

A. No evaporation losses, no interference with fishing streams, and no inundation of hay meadows or homesites.

WHAT DO YOU KNOW ABOUT WYOMING WATER AND ETSI?



Energy Transportation Systems Inc.
212 Petroleum Building — 111 West 2nd St.
Casper, Wyoming 82601

FREQUENTLY-ASKED QUESTIONS

Q. What is coal slurry?

A. A 50/50 mixture of powdered coal and water which can be pumped through a pipeline.

Q. What is the source of water for the ETSI pipeline?

A. Wells drilled at least 2,500 feet deep into the Madison Formation in Niobrara County.

Q. Who approved ETSI's use of Madison water?

A. Wyoming legislature and Wyoming State Engineer after extensive tests at ETSI's expense.

Q. When did the State Engineer issue his report and approval?

A. September, 1974.

Q. When did the Governor confirm that the Wyoming legislature's approval of ETSI's use of Madison Formation water was "not unconstitutional"?

A. August, 1975.

Q. What did the State Engineer conclude about test results?

A. ETSI pumping would have no impact beyond the well field.

Q. How much water is estimated to be in the Madison Formation?

A. About one billion acre-feet.

Q. How much is one billion acre-feet?

A. Enough to fill Yellowstone Lake 56 times, flush Lake Erie 27 times, or cover all of Texas with 6.8 feet of water.

Q. What is the annual recharge to the Madison by rain and snow?

A. About 150,000 acre-feet. This is Nature's way of returning the water to Wyoming.

Q. How much Madison water already is being used in the Powder River Basin?

A. Over 25,000 acre-feet for many years for municipal water and oil field flooding.

Q. How much water is ETSI authorized to use?

A. An average of 15,000 acre-feet annually to export 25 million tons per year of coal.

Q. How much is 15,000 acre-feet per year?

A. Equivalent to a flow of 3.6 miles per hour (a man's comfortable walking pace) in a 4 foot by 1 foot irrigation lateral.

Q. How much is 15,000 acre-feet per year in comparison to the Platte River?

A. During the water year of 1974, 1,119,000 acre-feet of Platte River water flowed out of Wyoming and into Nebraska. This is equivalent to 74 ETSI pipelines.

Q. What does irrigation water cost in Wyoming?

A. About $5-$15 per acre foot.

Q. What would water recycled from Arkansas cost?

A. More than $3,500 per acre-foot. It would also use up 290,000 tons of steel and energy equivalent to 52,000 horsepower.

Q. Why so much?

A. Another pipeline is required and pumps require energy to lift the water from near sea level to almost a mile above sea level.

Q. Is ETSI exploring other water sources?

A. Yes, Wyoming wastewaters and a water pipeline from Lake Oahe in South Dakota could be used for subsequent pipelines.

Q. Is the quality of water a limiting factor for use in slurry pipelines?

A. No.

Q. Does a conventional power plant consume more water per ton of coal than a slurry pipeline?

A. Yes, about seven times as much.

Q. Is pipeline water usable at the other end?

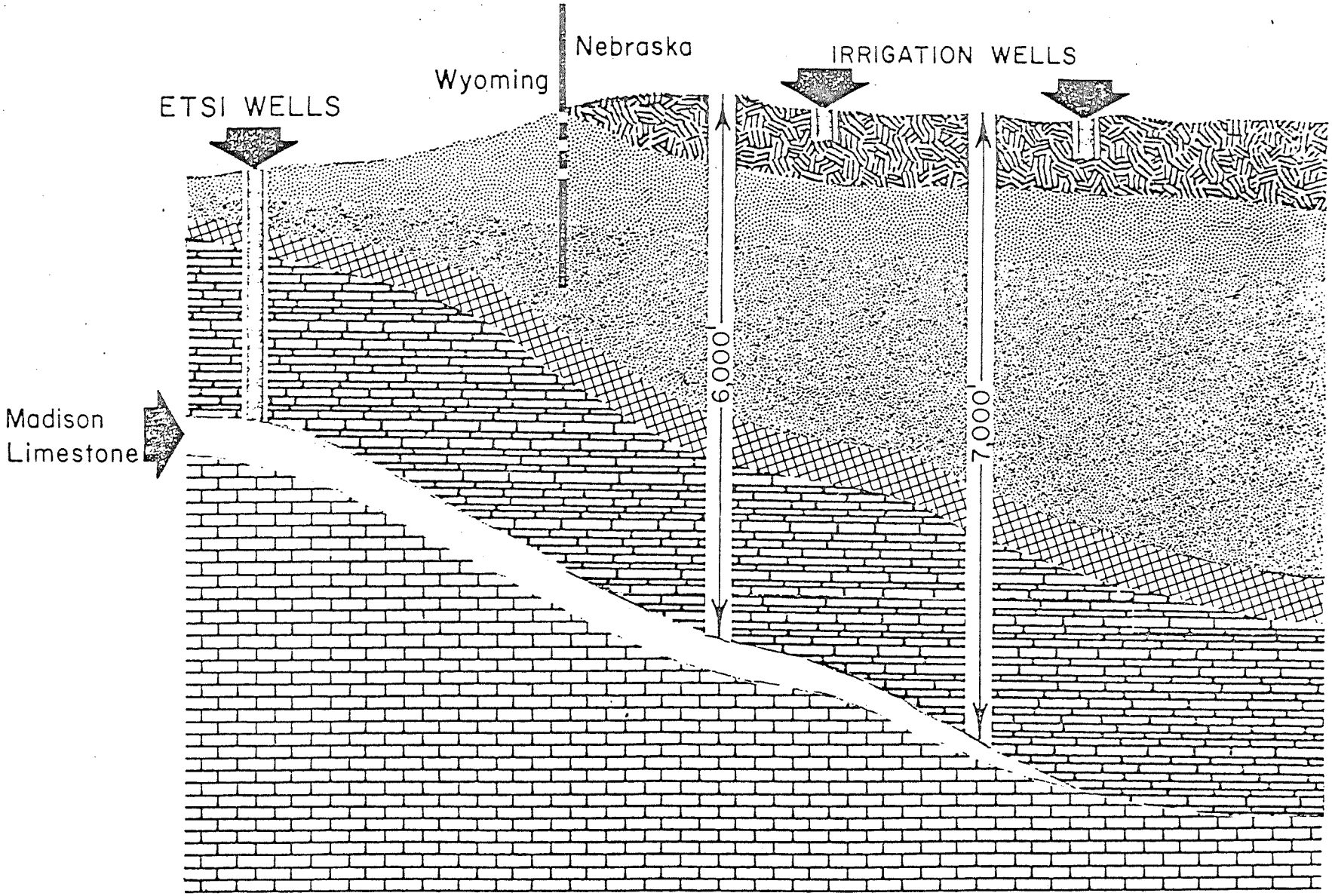
A. Yes, it can be used in cooling the power plant along with six times as much Arkansas water.

Q. What protection do other Wyoming Madison Formation users have?

A. They are protected under terms of: (1) Wyoming Senate Enrolled Act 10, (2) state well permits, (3) Wyoming-ETSI contract, (4) a $1 million ETSI bond, and (5) monitoring wells.

Q. Why the monitoring wells?

A. So the State Engineer can predict any potential problems long before they affect any other users.

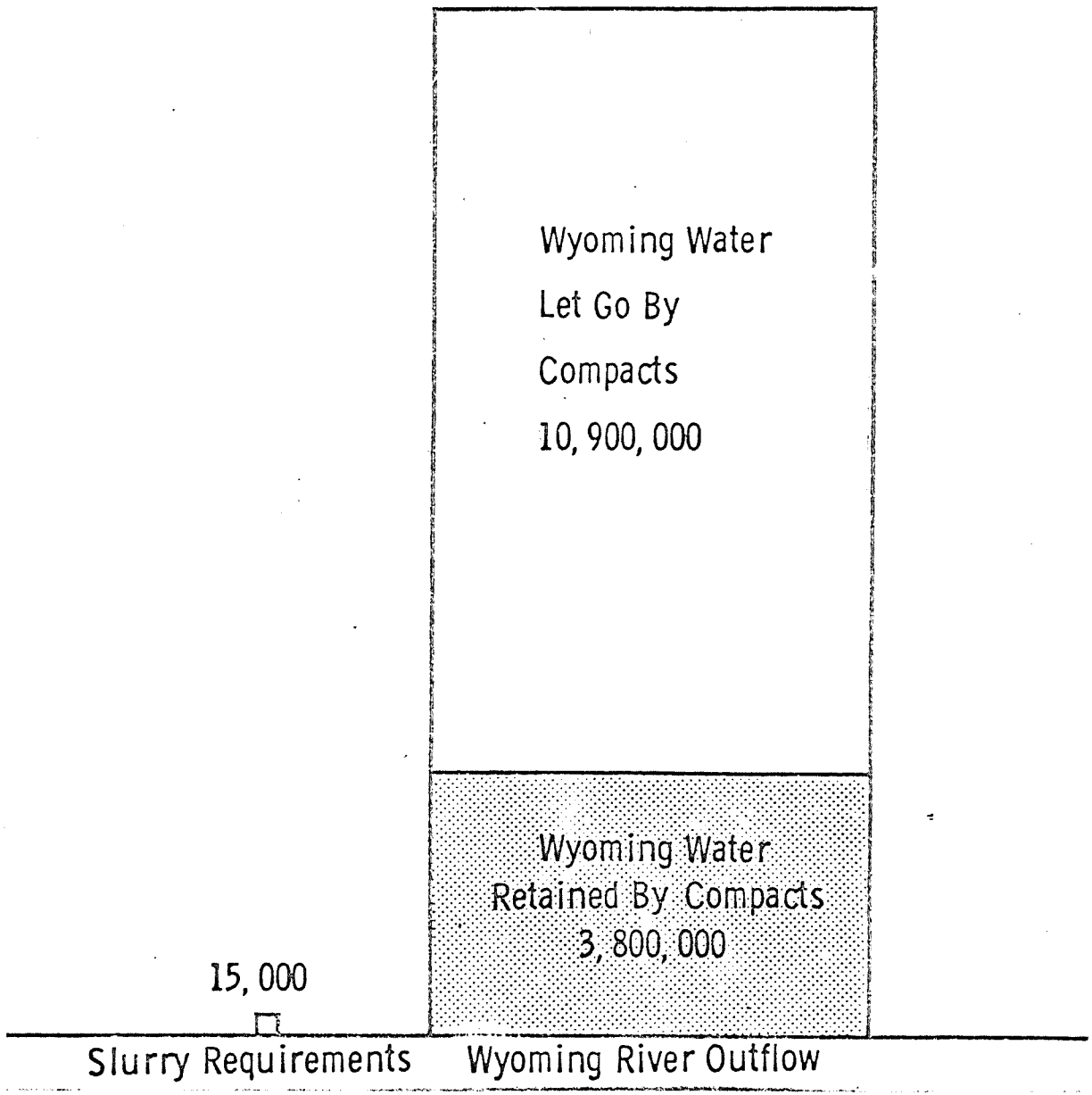


GEOLOGIC CROSS SECTION

ETSI/COAL SLURRY TRANSPORTATION

HOW DOES SLURRY WATER COMPARE ?

(Acre-Feet Per Year)



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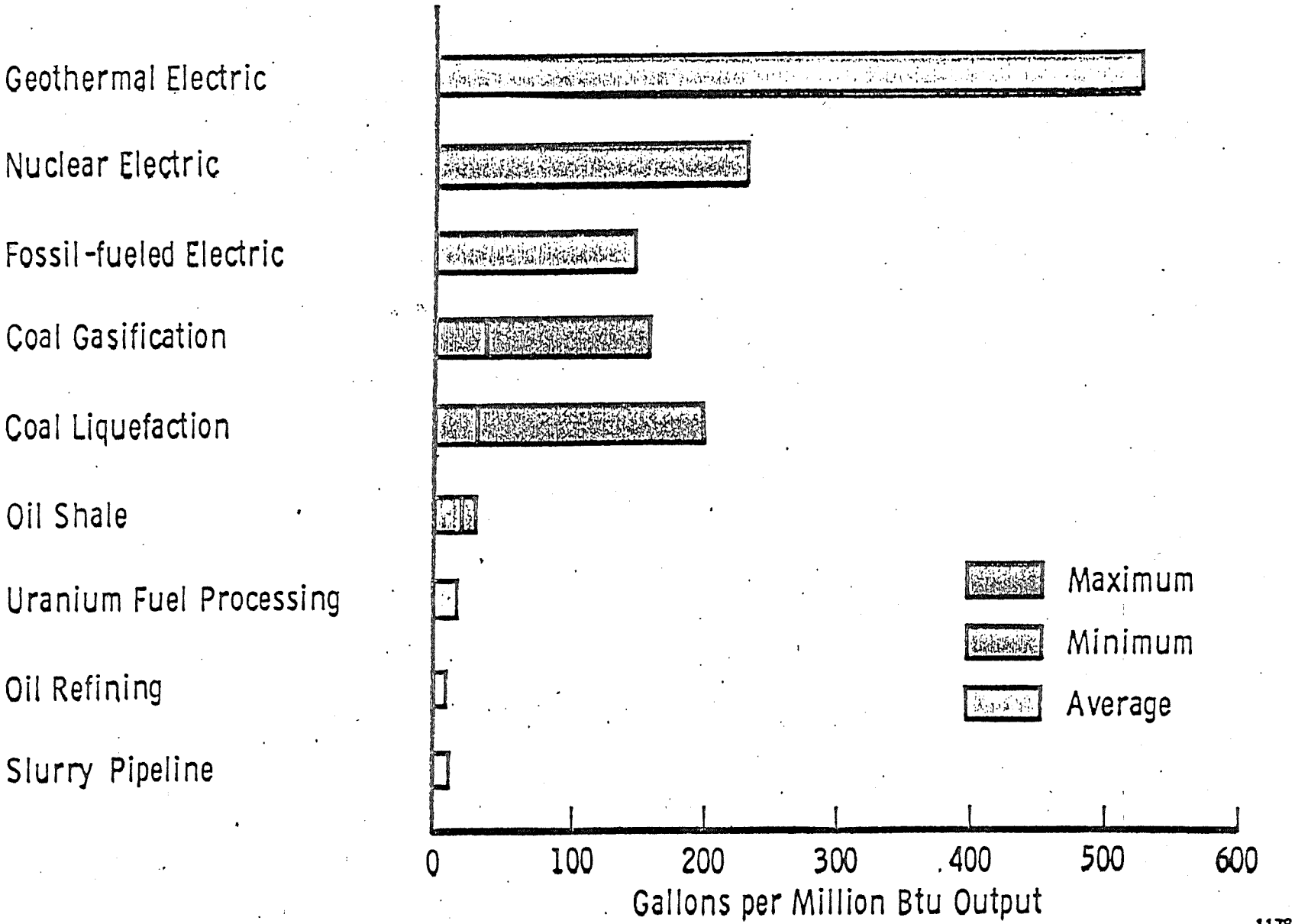
ETSI/COAL SLURRY TRANSPORTATION

WATER REQUIRED FOR ENERGY PROCESSES



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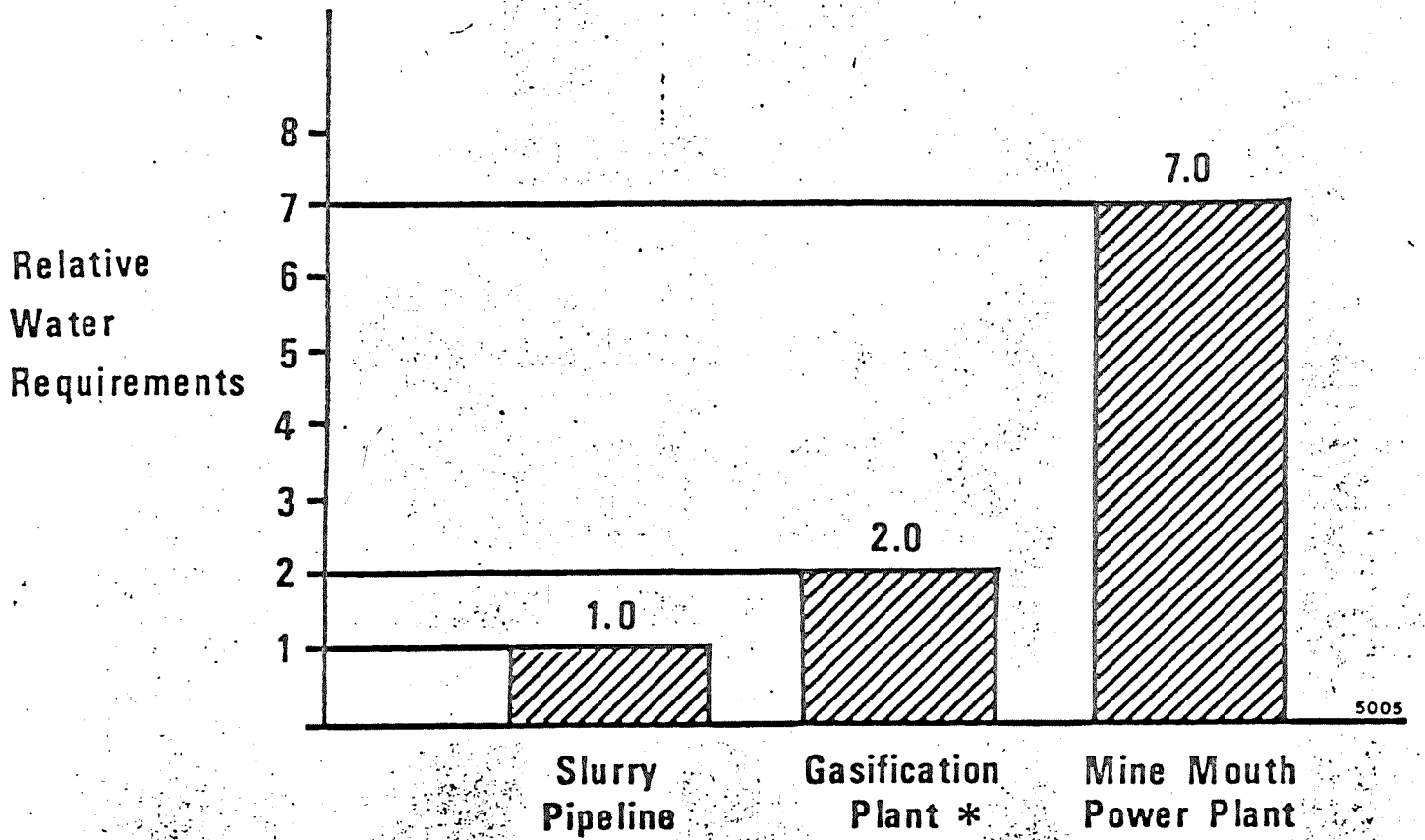
Source (Except Slurry Pipeline): USGS Circular 703

WATER USAGE



* Based on El Paso Filing

A McGraw-Hill Publication

VOL. 1, NO. 33 NOVEMBER 10, 1975

COAL WEEK

An Intelligence Service for Executives Covering Coal Prices, Markets, Politics & Economics

BN sets marketing deal for fertilizer from coal

Marketing arrangements are progressing between Burlington Northern and Farmers' Union Central Exchange (Cenex), which would sell the fertilizer produced from lignite at BN's Circle West project in eastern Montana. Coal requirement for the Circle West venture is 2.5-tons of lignite per ton of fertilizer, or 1-million tpy of lignite (7/7 *Coal Week*).

While talks with Cenex progress, BN continues to be snagged by uncertainties surrounding state environmental legislation, particularly the siting act. The railroad is waiting to see how Montana will interpret the law.

In its latest move towards securing necessary state approvals, BN is completing its filings for Fort Peck reservoir water rights. The company needs a state permit to divert 67,000-acre-feet annually for the 3-phase Circle West venture. In addition to fertilizer, the project proposal calls for production of methanol and diesel fuel from lignite.

Meanwhile, the railroad has been criticized by the Northern Great Plains Resources Council for being slow to provide the public with information on the impact of the project.

WATER IN WESTERN KANSAS COMPARED TO ETSI'S USE OF WYOMING WATER AS A CARRIER FOR COAL TO AND THROUGH KANSAS

The long-time average annual rainfall on 28 western Kansas counties is 28,174,509 acre-feet of water.

The water falling on western Kansas to recharge the Ogallala aquifer from which western Kansas gets its industrial, municipal, and irrigation water is 1,878 times the 15,000 acre-feet of Wyoming water used by ETSI to transport 25,000,000 tons of coal.

Water from the Ogallala cannot move to the higher elevations of Wyoming, so no Wyoming water use can take water from under or on the surface of western Kansas.

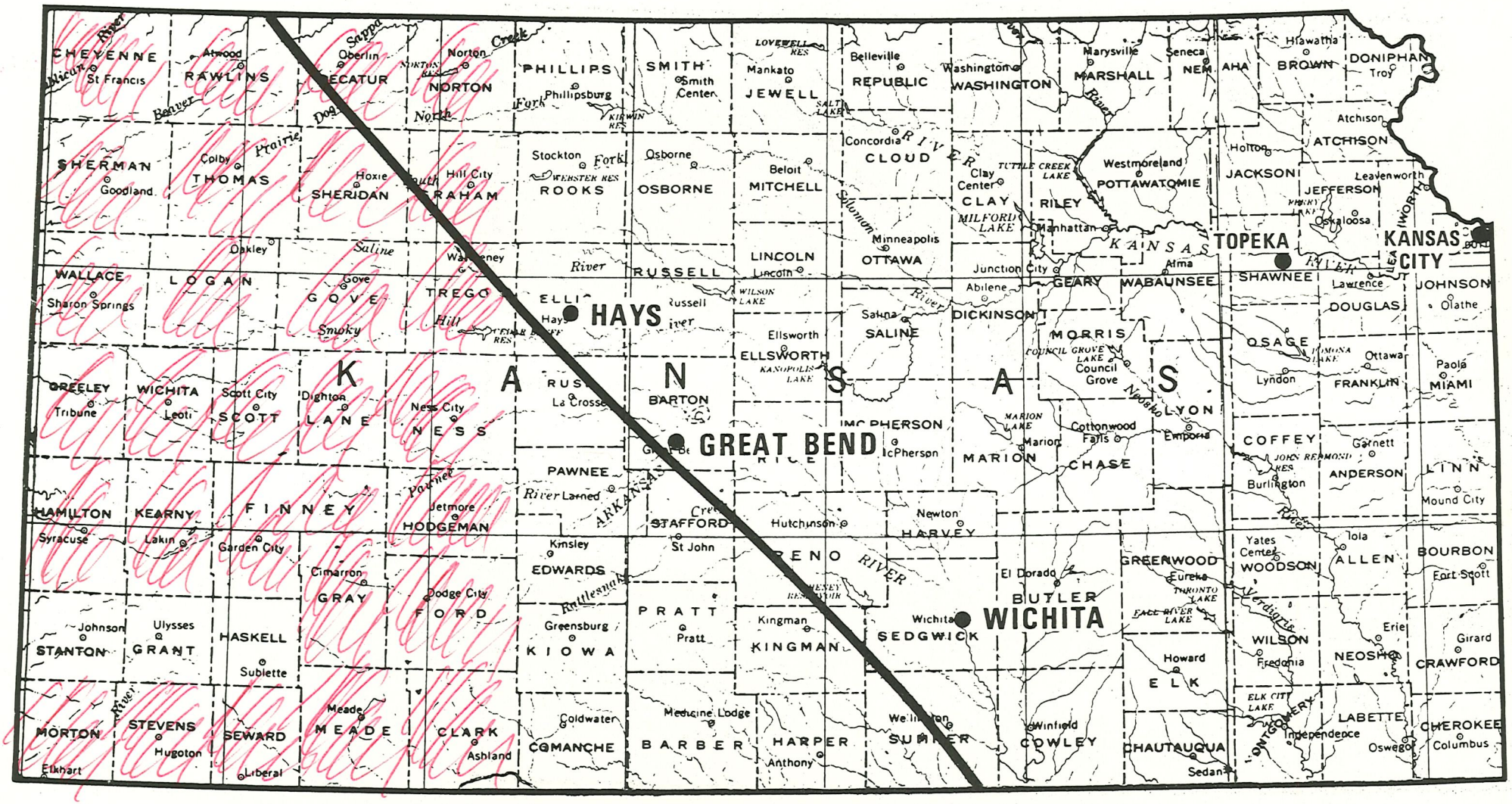
And, the 15,000 acre-feet of Wyoming water is used by the power plant cooling towers where the coal is burned. The 15,000 acre-feet is evaporated in the cooling towers and reduces local water use by an equal amount. No water is wasted. No Kansas water is used. Kansas' power plant customers of ETSI will reduce Kansas' water use at the power plants by about 14 percent.

2/5/79

Ex Kelvin 5

KANSAS

PRELIMINARY ETSI ROUTE MAP



LONG TIME AVERAGE ANNUAL RAINFALL IN WESTERN KANSAS

COUNTY	AREA IN SQUARE MILES	AREA IN ACRES	LONG TIME AVERAGE RAIN FALL - INCHES	LONG TIME AVERAGE RAIN FALL - FEET	LONG TIME AVERAGE RAIN FALL - ACRE FT.
CHEYENNE	1027	657,280	18.43	1.54	1,012,211
RAWLINS	1078	689,920	21.00	1.75	1,207,360
DECATUR	899	575,360	20.71	1.73	995,373
NORTON	872	558,080	22.71	1.90	1,060,352
SHERMAN	1055	675,200	16.65	1.39	938,528
THOMAS	1070	684,800	19.14	1.62	1,109,376
SHERIDAN	893	571,520	21.33	1.78	1,017,306
GRAHAM	891	570,240	23.80	1.98	1,129,075
WALLACE	911	583,040	18.23	1.52	886,221
LOGAN	1073	686,720	20.83	1.74	1,194,893
GOVE	1070	684,800	23.84	1.99	1,362,752
TREGGO	901	576,640	23.51	1.96	1,130,214
GREELEY	783	501,120	16.98	1.42	771,590
WICHITA	724	463,360	18.53	1.54	713,574
SCOTT	724	463,360	20.15	1.68	778,445
LANE	720	460,800	21.67	1.81	834,048
NESS	1081	691,840	21.39	1.78	1,231,475
HAMILTON	992	634,880	16.86	1.41	895,181
KEARNY	855	547,200	17.43	1.45	793,440
FINNEY	1301	832,640	18.93	1.58	1,315,571
GRAY	872	558,080	22.53	1.88	1,049,190
HODGEMAN	860	550,400	21.54	1.80	990,720
FORD	1091	698,240	20.58	1.72	1,200,973
NORTON	872	558,080	18.42	1.54	859,443
STEVENS	731	467,840	19.69	[illegible]	767,176
SEWARD	646	413,440	19.81	1.65	682,176
MEADE	979	626,560	20.58	1.72	1,077,683
CLARK	983	629,120	22.34	1.86	1,170,163
					28,174,509
STANTON			13.82		
GRANT			19.85		
HASKELL			19.45		

ETSI/COAL SLURRY TRANSPORTATION

HOW MUCH WATER IS IN THE MADISON?

- USGS says 1, 000, 000, 000 Acre-Feet
- Fill 56 Yellowstone Lakes
- Flush Lake Erie 27 times
- Cover Texas with 6.8 Feet
- Cover United States with 5 Inches

Exhibit G

ETSI/COAL SLURRY TRANSPORTATION

RELATIVE WATER CONSUMPTION

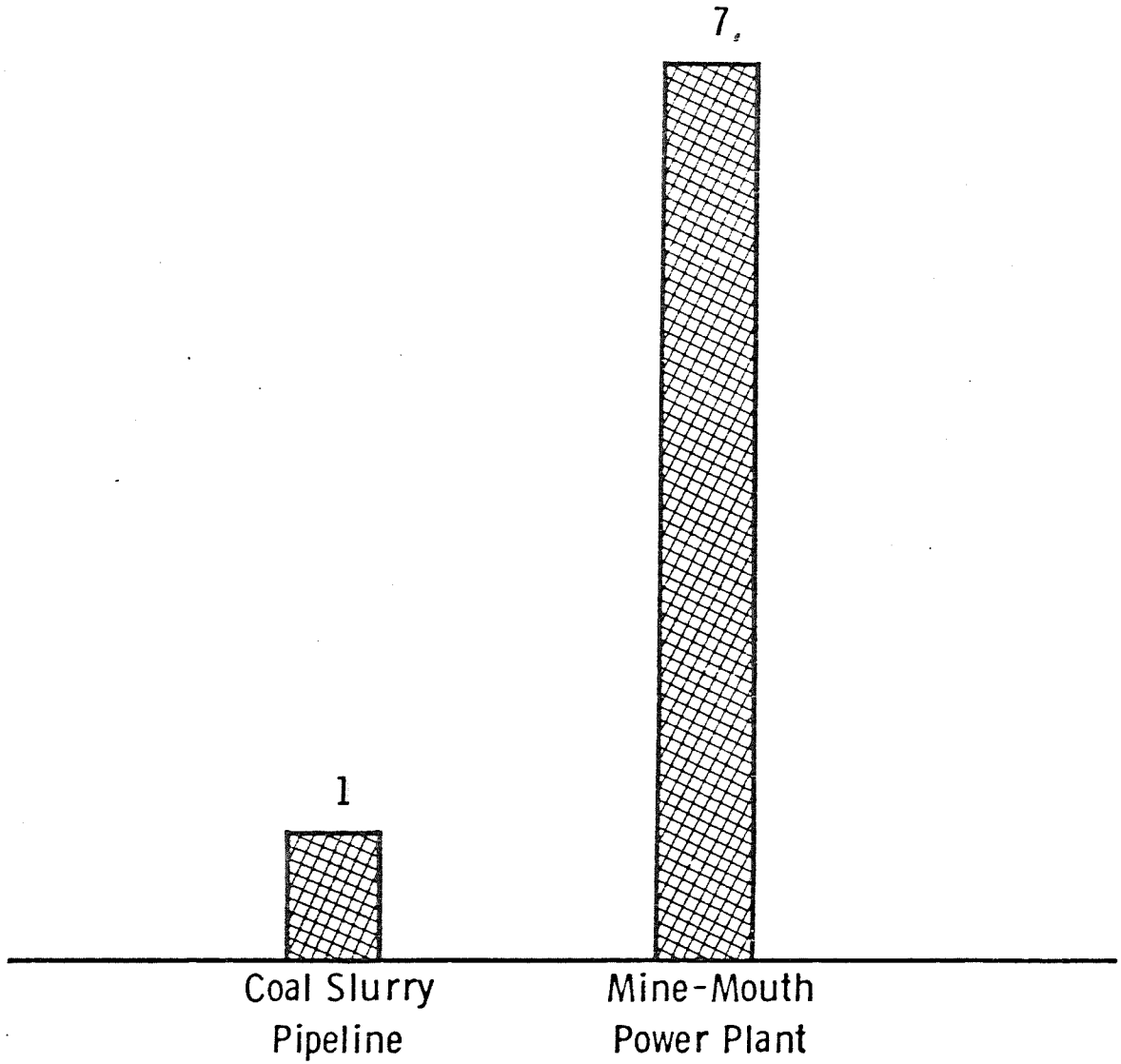
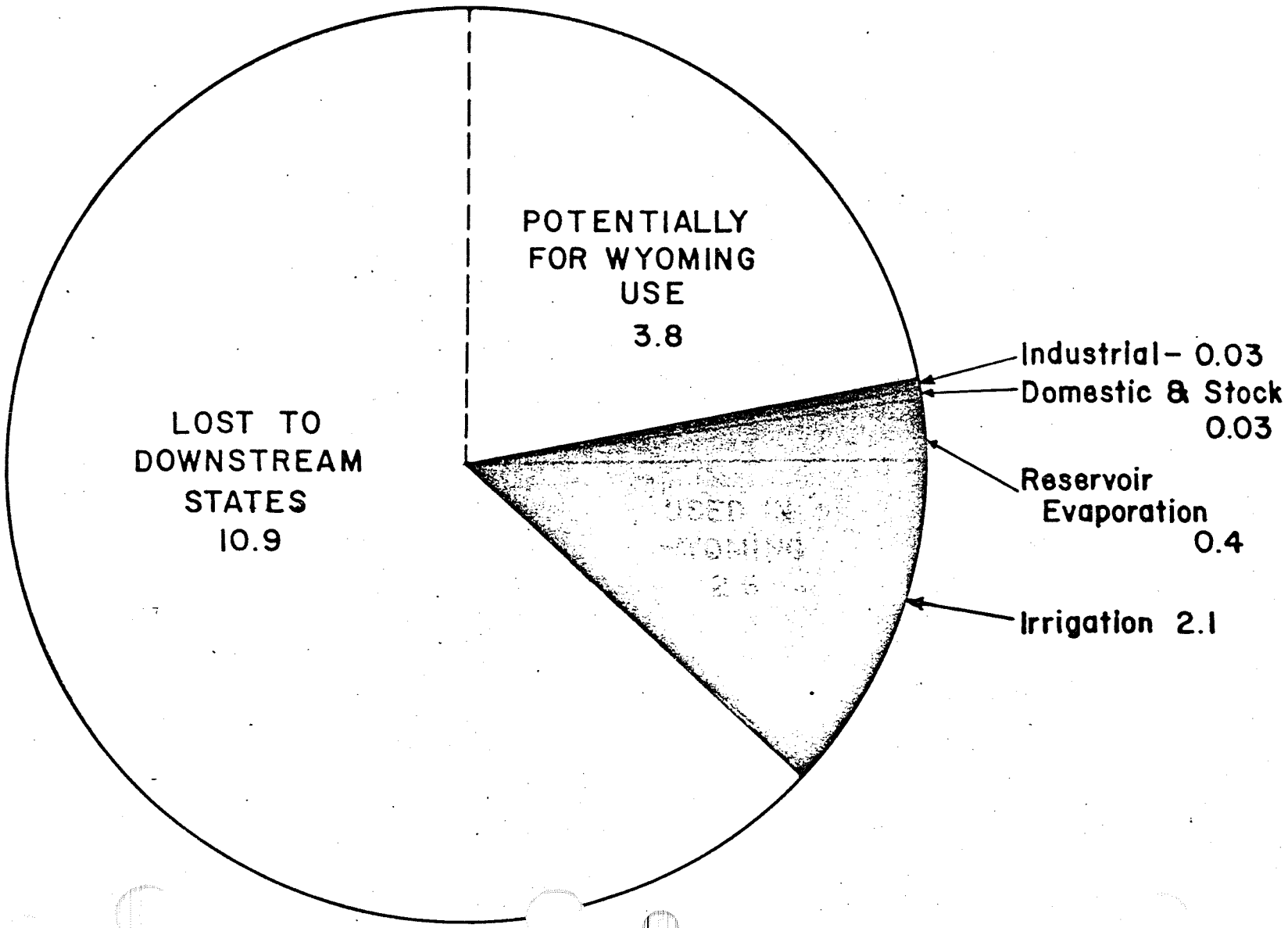


Exhibit 7

1035

WYOMING'S "USE IT OR LOSE IT" WATER STATUS

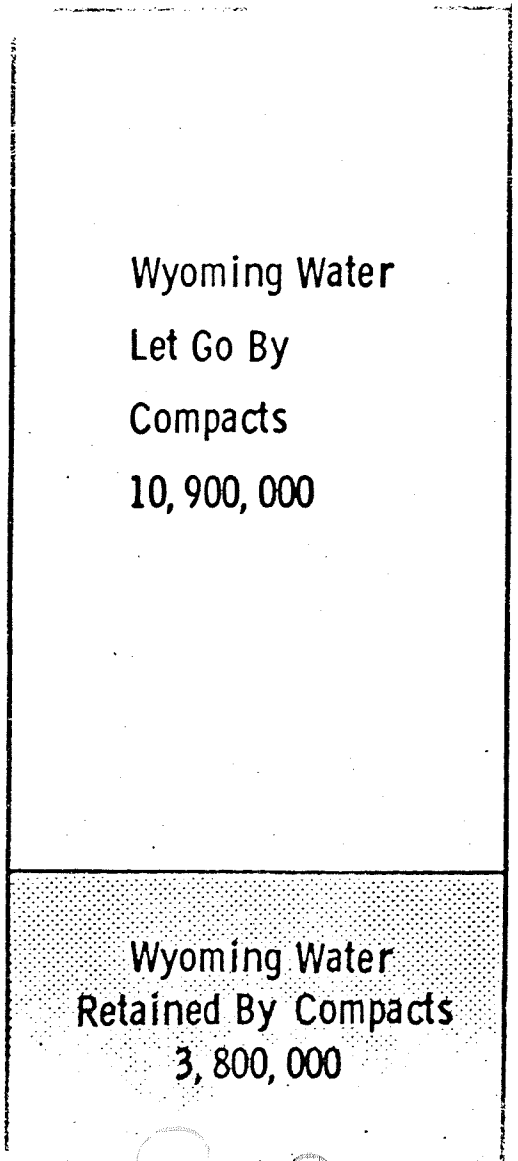
(Millions of AF/Yr.)



HOW DOES SLURRY WATER COMPARE ?

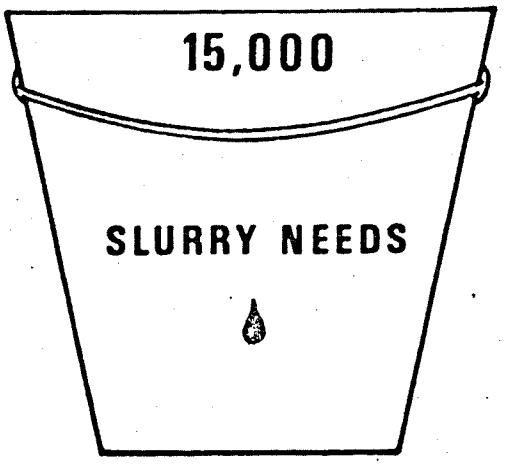
(Acre-Feet Per Year)

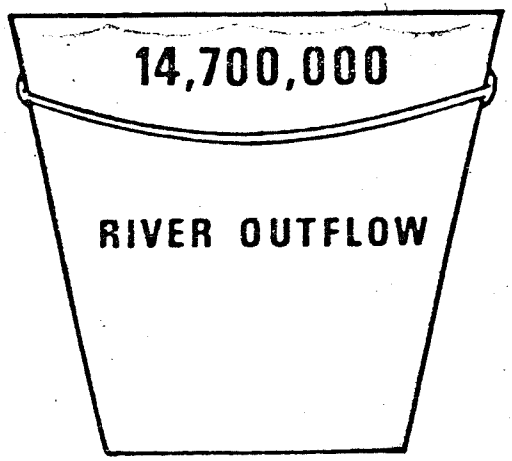
Total = 14, 700, 000

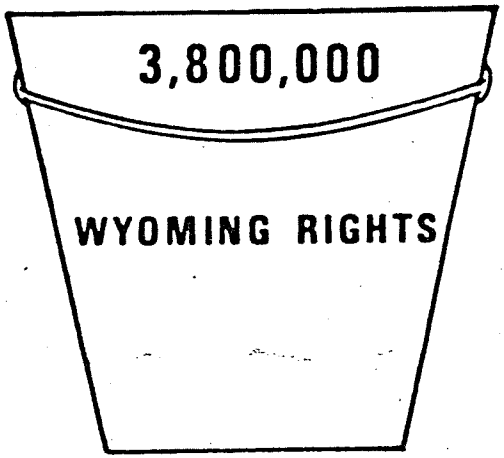


SLURRY NEEDS ARE A DROP IN THE BUCKET

(Acre-feet of water per year)







1048-

ETSI/COAL SLURRY TRANSPORTATION

LEGAL PROTECTION FOR USERS OF UNDERGROUND WATER

1 - Enrolled Act No. 10, Senate

- Deepen wells and pay pumping costs, or
- Provide equal quantity of suitable water, or
- Find a different source of water, or
- Cease and Desist

2 - Wyoming State Engineer

- All of the above, and
- Post $1,000,000 bond, and
- Guarantee priority to eight cities, and
- Require five monitoring wells

3 - ETSI Management

- Agree to the above terms for Wyoming, and
- Avoid irrigation water

1037 - A

Ex 9

ETSI/COAL SLURRY TRANSPORTATION

COMPARISON OF WATER COSTS

	COST OF IRRIGATION WATER	
	SHALLOW WELL	DEEP WELL
DEPTH (feet)	800	3400
CAPACITY/WELL (gpm)	1000	200
INVESTMENT ($)	20, 000	200, 000
COST/AF USED ($)	8/ AF	400/ AF *

* Cost would be $130/AF if well used year-round as would be case for pipeline use. Irrigation was assumed 4 months/year.

5015

Fact Sheet #3

"PROFITABILITY OF RAILROADS"

The railroads have stated:

The railroads claim that the loss of the coal-haul of 25 million tons per year by ETSI will severely damage the finances of the railroads. Some even claim that it will break the railroads.

Fact:

Not true. By 1985, the total coal hauled from the Wyoming Powder River Basin will increase from the 57.6 (1978) million tons to 225.8 (1985) million tons. Taking the 25 million tons ETSI would haul from this figure, the railroads would then have 169.2 million tons to haul as compared to their present 57.6 million tons. (See attached coal production projections developed by State of Wyoming as Exhibit 1.)

The railroads claim they are today having serious economic problems. The 1977 Annual Report of Santa Fe, for example, shows a net profit of $158,479,000, or an increase of 31.6% over 1976.

1. See attached schedule on net profits of railroads and holding companies taken from 1977 Annual Reports of railroads and from Standard and Poor's reports as Exhibit 2.

Atch. 12

2. Also see attached the large coal reserves and land grants to some of these railroads involved in this hearing on Exhibit 3.

The Committee on Interior and Insular Affairs of the United States Senate, in its report on the Coal Slurry Pipeline Act of 1974 stated:

> "It is clear that a dramatic increase in railroad transportation capacity will be needed in addition to coal slurry pipelines. Coal pipelines will not take existing business away from railroads."

The report of the National Academy of Engineering is quoted in the Senate Committee Report thusly:

> "As the NAE clearly points out, the task of expanding the transportation system calls for innovation to assure consumers the fullest domestic energy benefits. It is clear that a dramatic increase in railroad transportation capacity will be needed in addition to coal pipelines. Coal pipelines will not take existing business away from railroads. Most pipelines will be part of a planned development of new long-term coal supply for electric utilities."

WESTERN COAL DEVELOPMENT MONITORING SYSTEM
QUARTERLY SUMMARY AUGUST, 1977
STATE OF WYOMING

Actual and Industry Projected Capacity
(in million tons per year)

		Inc.			Inc.
1975	18.0	4.4	1981	145.6	28.6
1976	22.4	16.4	1982	163.3	17.7
1977	38.8	18.8	1983	182.6	19.3
1978	57.6	28.4	1984	202.5	19.9
1979	86.0	31.0	1985	225.8	23.3
1080	117.0		FULL	281.8	56.0

Full production is 726% of 1977 production in Wyoming
1985 production is 582% of 1977 production in Wyoming
Increased production from 1977 actual to 1983 completion date of the ETSI coal slurry pipeline is 143.4 million tons
Leaving 118,000,000 tons to be hauled by rail over and above ETSI's 25,000,000 tons.
One hundred cars, each loaded with 100 tons of coal, equals 10,000 tons per train, or 11,800 mile-long trains out of Wyoming alone just to handle increased coal production. To handle 11,800 trains in 365 days, over 32 trains per day will be needed, or one more coal train out of Wyoming every 45 minutes, 24 hours per day, 365 days per year, and one empty car returning to Wyoming each 45 minutes. This means car, truck, and emergency vehicles will have to wait for one more coal train at a highway crossing every 22 1/2 minutes, or about 3 trains per hour every hour of the year in addition to present rail crossing traffic tie-ups.

EXHIBIT 1

HOW ARE THE RAILROADS DOING IN 1978?

(from late 1978 Standard and Poor's reports)

	1977	1978
Burlington Northern Transportation Operation Revenues (1st nine months)	$1,433,600,000	$1,686,700,000
Chicago and North Western Revenues (1st six months)	280,700,000	310,900,000
Frisco Gross Revenues (1st nine months)	265,700,000	294,800,000
Kansas City Southern Gross Revenues (1st six months)	96,400,000	109,900,000
Katy Industries Net Sales (1st six months)	91,120,000	92,390,000
Missouri Pacific Sales and Revenues (1st six months)	754,200,000	842,700,000
Santa Fe Industries Total Revenues (1st nine months)	1,526,800,000	1,367,500,000
Southern Pacific Rail Operating Revenues (1st nine months)	1,350,000,000	1,421,000,000
Union Pacific Total Revenues (1st nine months)	1,861,700,000	2,155,200,000

1/29/79

Exhibit 2

AN ANALYSIS OF 1977 REVENUES AND NET INCOME COMPARED TO 1976
FOR RAILROADS SERVING THE LOWER GREAT PLAINS

	Revenues & Sales 1977	Increase Over 1976	Net Income 1977	Increase Over 1976
Burlington Northern	$2,109,400,000	+11.2% ('76 over '75 +19.0%)	$ 76,900,000	+ 5.3% ('76 over '75 +38.0%)
Chicago & North Western*	562,800,000	+ 6.3%	not avail. (earnings per share in 1977 - $3.64)	not avail. (expect 1978 to be $3.64)
Frisco (St. Louis-San Francisco Railway Co.)	356,848,336	+11.0%	16,715,033	+39.1%
Kansas City Southern	192,600,000	+ 8.0%	5,100,000	+78.0%
ty Industries, Inc. (formed by M.K.T. Railroad in 1967)	176,900,000	+ 9.0%	10,700,000	+37.0%
Missouri Pacific	1,527,000,000	+18.5%	116,200,000	+44.9%
Santa Fe Industries, Inc.	1,850,383,000	+16.1%	158,479,000	+31.6%
Southern Pacific	2,098,331,000	+11.4%	118,182,000	+ 7.9%
Union Pacific	2,554,300,000	+24.0%	221,900,000	+14.0%

hicago and North Western Transportation Company was formed in 1970 by the employees of Chicago and North Western Railway Company, a subsidiary of Northwest Industries. On June 1, 1972, the company acquired substantially all the transportation assets of Chicago and North Western Railway in consideration of assumption of liabilities.

1/29/79

Exhibit 2

WHO OWNS COAL RESERVES

THE FEDERAL GOVERNMENT OWNS MUCH OF THE WESTERN COAL RESERVES AND RATES No. 1.
OWNERS OF PRIVATELY-HELD RESERVES OF COAL ARE AS FOLLOWS:

exhibit 3

RAILROADS

BURLINGTON-NORTHERN (2ND LARGEST)	11,400,000,000 TONS
UNION PACIFIC (3RD LARGEST)	10,000,000,000 TONS
SANTA FE	370,000,000 TONS

RAILROAD LAND GRANTS

TOTAL LAND GIVEN TO THE RAILROADS - 131,136,220 ACRES (OTHER TOTALS GO AS HIGH AS 180,000,000 ACRES). THIS EQUALS A COMBINED TOTAL OF ALL THE LAND IN KANSAS, OKLAHOMA, AND ARKANSAS.

TOTAL LAND ACREAGE IN THESE THREE STATES:

KANSAS	82,264 SQ. MI.	=	52,648,960 ACRES
OAKLAHOMA	69,929 SQ. MI.	=	44,748,160 "
ARKANSAS	53,104 SQ. MI.	=	33,986,560 "
TOTAL	205,287 SQ. MI.	=	131,383,680 ACRES

EXHIBIT 4

TRANSCONTINENTAL RAILROAD LAND GRANTS

(By Act of 37th Congress, July 1, 1862)

RAILROAD CROSSED BY ETSI*	GRANT	
	ACRES	SQUARE MILES
Chicago and Northwestern	6,181,616	9,659
Burlington Northern (Northern Pacific)	29,241,420	45,690
Union Pacific	18,933,317	29,583
Atchison, Pacific and Santa Fe	14,057,678	21,965
Chicago Rock Island and Pacific	609,061	952
Missouri Pacific	2,666,705	4,167
St. Louis - San Francisco	513,954	803
Missouri - Kansas - Texas	705,622	1,103
Kansas City Southern	None	
Missouri Pacific and St. Louis - San Francisco Jointly	1,161,284	1,815
TOTAL	74,070,657	115,737

Source: 1862-1962 Centennial Trans-Continental Railroad Land Grants by United States Department of the Interior, Bureau of Land Management

*Total Grants to all railroads amounted to 94,233,653.12 acres.

EXHIBIT 5

1124-A

Fact Sheet #4

LABOR SUPPORTS THE COAL SLURRY PIPELINE

Almost every segment of the economy is sympathetic to this pipeline, with the exception of the railroads and railroad related unions.

Labor leaders in Washington have been very active in supporting the Coal Slurry Pipeline. For example, Peter Fosco, General President of the Laborers' International Union of North America, AFL-CIO testified before a Senate Committee in September, 1975. Mr. Fosco was highly in favor of the passage of this bill which would give the right of eminent domain to coal slurry pipelines. He pointed out that transportation systems had been granted eminent domain rights by the government since the beginning of the Republic. Canals, railroads, power lines, natural gas pipelines, oil pipelines, construction of interstate highways have all enjoyed this privilege, and in his words, Mr. Fosco states:

> "To add coal slurry pipelines to this distinguished company is simply to recognize a public interest in what must now become a basic energy source for our country, and to recognize it in a form that is common to all other energy or freight transmission systems."

Mr. Fosco further states in discussing railroads:

Atch. 17

"Leaving aside all of their intellectual flights, they are, quite simply, arguing that the American people should be denied demonstrable benefits of a new technology because they -- the railroads -- cannot compete with it. Coal slurry technology will contribute to the energy and environmental goals of this country and it should no more be suppressed as a favor to the railroads than the automobile should be suppressed as a favor to horse breeders."

Another labor leader who is strongly supportive of the coal slurry pipeline concept is General President Martin J. Ward of the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry. He testified before a House Committee in July, 1975. Mr. Ward stated that he was not only representing the UA, but he was also speaking a Vice Presi- and member of the Executive Council of the AFL-CIO, and of the 17 Union Building and Construction Trades Department. In addition there are three other unions who are highly interested. One is the 300,000 member International Union of Operating Engineers, another is the Laborers' International Union of North America with 500,000 members and the Pipeline Division of the 2 million member International Brotherhood of Teamsters. All of these, according to Mr. Ward, share a deep interest in construction of coal slurry pipelines. He further stated that a national

conference of the 3.5 million member Building Trades Department unanimously approved a resolution in support of this vital legislation. He states:

> "Coal slurry pipelines are an important addition to our current modes of transportation for this coal. They increase the options available to us. Pipelines are one of the safest, most reliable and most economical haulage methods ever developed."

He termed these pipelines as an "invaluable addition to current modes of moving coal."

In Kansas the Building Trades Union and the State Federation of Labor, AFL-CIO both passed resolutions endorsing the coal slurry pipeline and urging the Governor and the Legislature of Kansas to endorse it and support such legislation. These two groups embrace almost all labor unions in the state. In addition the Farm Bureau, the Kansas Wheat Growers, the Kansas League of Municipal Utilities, the Kansas Electric Cooperatives, Inc. and others support this project.

RESOLUTIONS PASSED BY Labor & Other Kansas Supporters [redacted]

See Collective Exhibit #1 attached hereto.

File - Resolutions

s and conditions shall be for a day's work in the same t. or occupation at the time the work is performed, and, be it further

RESOLVED, That the AFL-CIO call on all state councils to work for the amending of the Davis-Bacon Act to provide for the prevailing rate and supplemental benefits to be paid at the time the work is performed on all federal contracts.

Referred to Committee on Resolutions.

Resolutions at National AFL-CIO Convention.

Energy

RESOLUTION NO. 193—By Delegate Robert A. Georgine, Building & Construction Trades Department.

WHEREAS, In the 23 months since the Arab oil embargo, this country has made bare progress towards energy independence with imports continuing to rise towards intolerable levels, further s ing American consumer purchasing power, fueling inflation mpeding a recovery from the economic crisis, and

WHEREAS, The supply of energy is critical to a healthy economy and many of the nation's utilities are postponing or cancelling badly-needed coal-burning and nuclear powered facilities due to financial problems brought on by the current high-interest tight money capital markets, rising construction costs, the lengthy lead-times involved in power plant construction, declining profits and high debt-equity ratios, and

WHEREAS, The building tradesmen of this country, already faced with the highest unemployment of any industry, have already lost more than 520,000 construction jobs over the next five years or an average job loss of 104,000 man-years each successive year due to utility construction cutbacks, and

WHEREAS, Existing state and federal legislation and regulations are serving to needlessly delay, complicate and add further costs to power plant construction, and

WHEREAS, This country, spoiled by years of inexpensive energy availability, has developed wasteful energy consumption habits, and

WHEREAS, The activities of the Federal government regarding energy policy are still divided between numerous agencies and relatively uncoordinated; therefore, be it

RESOLVED: That the AFL-CIO strongly urges that the:

—Congress take immediate action by adopting three pend- ieces of legislation:

a—The Electric Power Facility Construction Incentive Act of 1975;

b—The Coal Slurry Pipeline Legislation;

c—The Price-Anderson Act; and,

(2—Congress create a separate National Energy Production Agency with the sole responsibility for directing and coordinating the efforts of all Federal, state and local agencies in carrying out the goal of achieving national energy sufficiency, and

(3—Congress adopt legislation and the Administration undertake actions to reduce the environmental straight jacket presently thwarting this country's efforts to achieve energy independence, and

(4—Congress pass legislation to promote building energy conservation in order to reduce incidence of certain practices which waste as much as 40 percent of the energy consumed in a building.

Referred to Committee on Resolutions.

Union Label

RESOLUTION NO. 194—By Delegate Robert A. Georgine, Building & Construction Trades Department.

WHEREAS, The Union Label and Service Trades Department, AFL-CIO is constantly engaged in developing an ever increasing demand for products that bear union labels, and services identified by shop cards, store cards, and service buttons, and

WHEREAS, The growing demand throughout the nation for these products and services made it vitally necessary that more and more goods and services marked by the emblems of organized labor be available to purchasers demanding them, and

WHEREAS, In order for a product to bear a union label this agreement must be negotiated along with the wage and hour contract between union and employer; therefore, be it

RESOLVED: That the Convention of the AFL-CIO urge its affiliated national and international unions to encourage their local unions to make every possible additional effort to have the goods manufactured by its members identified by their union label through negotiated contracts or union label license agreements.

Referred to Committee on Labels.

Jobs

RESOLUTION NO. 195—By Delegate Robert A. Georgine, Building & Construction Trades Department.

WHEREAS, The construction industry is this country's largest industry, comprising over 12 percent of our total production of goods and services, and

Kansas State Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the State of Kansas

RECEIVED

JAN 18 1979

E.T.S.I.

Hutchinson, Kansas

January 16, 1979

Mr. Walt Hale
Energy Transportation Systems, Inc.
220 West Douglas
Suite 140, Page Court
Wichita, Kansas 67202

Dear Mr. Hale:

In response to request for copy of resolution supporting legislation and construction of the coal slurry pipeline by the Kansas State Pipe Trades Association, I am unable to find original resolution, therefore, you may use this letter in lieu of this resolution if need arises.

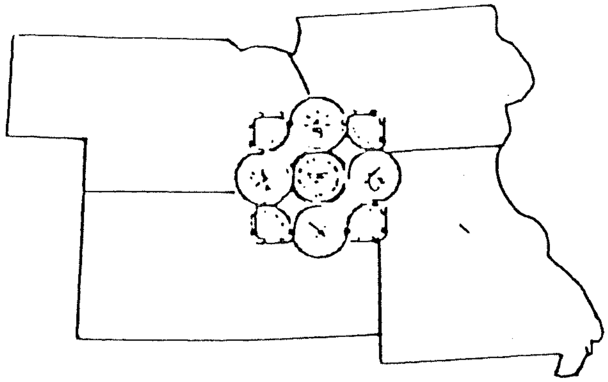
With best wishes and assuring you of our continued support, I am

Sincerely,

A. F. Wasinger

A. F. Wasinger
President, KSPTA

... PIPE TRADES ...



NEBRASKA
President Verne L. Robertson
Secretary Paul D. Shaffer

KANSAS
President C. A. Hardy
Secretary Clarence Berends

4th Vice President
Edward J. Brabec

IOWA
President [illegible]
Secretary John F. Mathiasmeier

MISSOURI
President Leo L. Flotron
Secretary Robert J. Lanning

International Representative
J. W. Peckinpaugh

United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada

---

WHEREAS: This nation's energy supply must make greater use of solid fuels, with coal and uranium the most important options, and

WHEREAS: The National Coal Association estimates that a total of seven billion tons of coal has already been committed to proposed Electric Generating Plants and Coal Gasification projects, and

WHEREAS: Transporting coal from mines to power plants using conventional transportation systems will create severe bottlenecks, and

WHEREAS: The vast coal reserves located in the States of Illinois, Kentucky, Ohio, West Virginia and Pennsylvania lie adjacent to large rivers or other water sources and could be transported economically through coal slurry pipelines, and

WHEREAS: The Coal Slurry Pipe Line Act of 1974 was unanimously approved by the U. S. Senate, and is now being considered by the House of Representatives, be it therefore

RESOLVED: That the Four-State Pipe Trades Association, representing over 12,000 members throughout the States of Missouri, Iowa, Nebraska and Kansas recommend the passage of HR-1836, and be it further

RESOLVED: That a copy of this resolution be sent to the Honorable James A. Haley, Chairman, Interior and Insular Affairs Committee, Room 1324, Longworth House Office Building, Washington, D. C. 20515

Leo Flotron Verne Robertson Respectfully submitted
Robert J. Lanning Paul D. Shaffer
C. A. Hardy
Clarence Berends
Eugene F. Rufe
John F. Mathiasmeier

Officers of the Four-State
Pipe Trades Association (MINK)

KSFL, afl-cio
5th Biennial Convention
October 22-24, 1975

RESOLUTION

SUPPORT OF A COAL SLURRY PIPELINE

WHEREAS, The Kansas State Building Trades Council is greatly concerned over the rapidly declining supply of natural gas in the State; and

WHEREAS, The jobs of thousands of workers in the State of Kansas depend directly on adequate supplies of energy for industry, business and residential uses; and

WHEREAS, Alternate sources of energy must come from sources other than natural gas; and

WHEREAS, It is estimated that forty percent (40%) of the world's coal reserves now lie in the State of Wyoming, Montana and surrounding States; and

WHEREAS, The demand for transportation of coal will increase many times more than the present demand and existing systems of transportation will no doubt be unable to meet the vast demand in the next ten years; and

WHEREAS, the idea of transporting coal by coal slurry pipeline presents a necessary additional means of transportation of coal which is more economical and reliable than any other existing system,

NOW THEREFORE BE IT RESOLVED by the Kansas State Building Trades Council that this Council hereby urges the Kansas State Legislature and the Governor of this State strongly to support the granting of eminent domain rights to the coal slurry pipelines as provided in Senate Bill 191 and that the granting of such authority be made at the earliest possible date; and

BE IT FURTHER RESOLVED, that a copy of this Resolution be sent to the Honorable Robert Bennett, Governor of Kansas, to the Honorable Ross Doyen, President of the Kansas Senate, and to the Honorable Duane S. McGill, Speaker of the Kansas House of Representatives.

Kansas State Building & Construction Trades Council

W. C. A. Hardy
(W. C. A. Hardy, President)

Clem Blangeres
(Clem Blangeres, Secretary)

opeiu #320, afl-cio

4

Kansas State Building and Construction Trades Council

Alan Thompson, *President*
903 Western Ave.
Topeka, Kansas
913-233-4027

Olin Miles, *Vice-Pres.*
606 Burton Str.
Wichita, Kansas
316-264-3870

Jim DeHoff, *Executive Secretary*
2 East 7th
Lawrence, Kansas 66044
913-843-3151

January 3, 1978

Energy Transportation Systems Inc.
Mr. Walter Hale
220 West Douglas
Suite 140, Page Court
Wichita, Kansas 67202

Dear Mr. Hale;

This letter is to confirm that at the October 20, 1975 Kansas State Building Trades Convention held at the Glenwood Manor, Overland, Kansas, the delegates adopted a resolution to support legislation allowing construction of a Coal Slurry Pipeline, through the State of Kansas.

The resolution was adopted by unanimous support of all delegates.

Sincerely,

Alan Thompson

ALAN THOMPSON
President

AT/sf

KSFL, afl-cio
5th Biennial Convention
October 22-24, 1975

RESOLUTION

SUPPORT OF A COAL SLURRY PIPELINE

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Kansas State Building & Construction Trades Council

W. C. A. Hardy
(W. C. A. Hardy, President)

(Clem Blangeres, Secretary)

opeiu #320, afl-cio

10 13

LINCOLN JOURNAL 4/4/77

Slurry line gets backing of K-N Gas union official

Hastings (UPI) — The president of a union local which represents Kansas-Nebraska Natural Gas Co. employes has urged the Carter administration to push for legislation granting the right of eminent domain to pipelines carrying coal.

Darryl Malesker of Hastings, president of Communications Workers of America Local 7476, said coal slurry pipelines offer a high level of safety, more direct routing, the land above can be used for more productive uses, one-way delivery and a low impact of inflation which can mean lower transportation costs.

Malesker commented in a letter to James R. Schlesinger, President Carter's energy adviser. Malesker's union represents 650 K-N employes in Nebraska, Kansas, Colorado, Texas, Oklahoma, Wyoming and Montana. Kansas-Nebraska Natural Gas Co. is among the backers, proposing to build the coal slurry line.

Malesker said that because his union was connected with the energy field, "we are aware of the need for additional energy."

Malesker told Schlesinger there was no so-called "water issue" as expressed by pipeline opponents, mainly railroads.

Malesker said Nebraskans have become "keenly aware of the importance of our water resources."

"I submit to you," Malesker said, "that our state's problems arise out of our own uncontrolled and unlimited irrigation practices."

Malesker said construction of a pipeline would mean an investment in Nebraska of an estimated $129 million in materials and payroll expenditures.

In addition, Malesker said the estimated annual taxes which would be paid by pipeline operators to the counties in Nebraska "is almost $2 million."

Fact Sheet #5

"IT TAKES MORE ENERGY USE TO TRANSPORT COAL BY PIPELINE THAN BY RAIL"

The railroads have stated:

With the energy crisis such as it is, railroads are the best means of transportation because less energy is used by a railroad in hauling a ton of coal from Wyoming to Arkansas than if it was transported by pipeline.

Fact:

ETSI disagrees. For the pipeline to haul 25,000,000 tons of coal a year 1000 miles, the steam and direct energy requirements amount to 1.0% of the total energy transported. The diesel fuel used by the railroad amounts to 2.6% of the total energy content of the coal transported. If you consider the conversion losses of converting coal into electricity then the energy consumption by pipeline would be 2.0% of the energy transported. But this is not a fair comparison because both electricity and diesel fuel exist as manufactured sources.

For a more in depth explanation of this, there is attached a technical explanation of how these figures were computed. (See Collective Exhibit #1.)

Atch. 18

Bechtel Incorporated
Engineers—Constructors

Fifty Beale Street
San Francisco, California
Mail Address: P.O. Box 3965, San Francisco, CA 94119

February 22, 1977

Mr. E. J. Wasp
Energy Transportation Systems Inc.
50 Beale, 19th Floor
San Francisco, CA 94119

Subject: Pipeline vs. Rail Coal Delivery
Energy Consumption Comparison

Dear Mr. Wasp:

The purpose of this letter is to present a comparison of the amount of energy consumed in the transportation of 25 million tons of Western coal 1,000 miles by alternative pipeline and rail systems. In this analysis the amount of diesel fuel consumed by unit trains is compared with the energy in the form of electricity and low pressure steam which would be required for a pipeline system. Recent studies on the 25 MMTA ETSI system from Wyoming to Arkansas has been used as a basis for this comparison. The conclusions are:

1. The diesel fuel consumed by the rail system would amount to 2.6 percent of the total energy content of the transported coal.
2. The steam and direct electric energy requirements for a pipeline system would amount to 1.0 percent of the total energy transported.
3. If the conversion losses involved in transforming coal into direct electric energy were considered, then the pipeline system energy consumption would represent 2.0 percent of the energy transported. We do not believe that the comparison should be made on this basis because both electricity and diesel fuel exist as manufactured energy sources.

The derivation of these energy consumption figures is as follows:

I. Energy Transported

Annual Coal Throughput	=	25×10^6 tons/year
Heat Content of Coal	=	8500 BTU/lb
Annual Energy Transported	=	425×10^{12} BTU

COLLECTIVE EXHIBIT #1 (Fact Sheet #5)

II. Rail System

Varying estimates have been published as to the diesel fuel consumption rates of coal unit trains. The following three references are given:

A. Eastern Power River Coal Basin EIS, page VII-212, unit train transport of coal from Orin Jct., Wyoming to St. Louis, Missouri:

Coal Transported	=	11,000 tons
Rail Distance	=	1,011 miles (one-way)
Total Diesel Fuel Consumption	=	24,035 gal (rd-trip)
Diesel Fuel Consumption Rate	=	463 ton-miles/gal

B. The Coal Future: Economic and Technological Analysis of Initiatives and Innovations to Secure Fuel Supply Independence, National Science Foundation Grant No. GI-35821(A)1

Coal Transported	=	25×10^6 tons
Rail Distance	=	1,200 miles (one-way)
Diesel Fuel Consumption	=	1.8×10^6 barrels (assumed rd-trip)
Diesel Fuel Consumption Rate	=	397 ton-miles/gal

C. Energy and the Environment, Electric Power, Council on Environmental Quality, August 1973.

Average Rail Distance	=	300 miles
Diesel Fuel Consumption Rate	=	200 ton-miles/gal

Based upon these sources, a nominal diesel fuel consumption rate of 400 ton-miles/gal was chosen. It should be understood that this figure relates to the net weight of product hauled and the one-way rail distance. Using a 30% rail circuituity factor and a 1,000 mile pipeline distance, the rail energy consumption is derived as follows:

Rail Distance	=	1,300 miles
Coal Transported	=	25×10^6 tons/yr
Annual Diesel Fuel Consumption	=	81.25×10^6 gal/yr
Heat Content of Diesel Fuel	=	138,000 BTU/gal
Annual Energy Consumption	=	11.2×10^{12} BTU
Rail Energy Consumption	=	2.6%

81.25 x 10 000 000

81,250,000,000

81 Billion 250 Million

III. Pipeline System

The pipeline system energy consumption is comprised of electric power requirements for coal preparation, pipeline pump stations, water supply and terminal facilities plus steam for slurry heating prior to mechanical dewatering.

A. Steam requirements for dewatering are based on a recent evaluation of a centrifuge scheme utilizing operational data from the Mohave dewatering system. The total annual steam energy requirement is 5.2×10^{12} BTU. It has been assumed that the steam used in the dewatering plant will be low pressure extraction steam from the power plant. Since most of the total steam energy requirement is obtained from the release of heat of condensation, the net energy loss at the plant will be less than the energy utilized by the dewatering plant. The following calculation derives the net steam energy requirements:

1. 2,000 psi, 1,000°F steam supplied to power plant turbines.

2. Steam expands isentropically through turbine to 120°F. Enthalpy of steam leaving turbine is 860 BTU/lb.

3. Steam is extracted at 50 psi for dewatering plant. Enthalpy of this low quality steam is 1,100 BTU/lb. Steam condenses completely as it passes through heat exchanger at 50 psi and 281°F. Enthalpy of water leaving exchanger is 250 BTU/lb. Heat available to heat exchanger is:

   $1,100 - 250 = 850$ BTU/lb.

4. If the steam had continued to expand isentropically through turbines the heat energy available to the turbines would have been:

   $1,100 - 860 = 240$ BTU/lb.

5. Therefore, the net power plant energy loss is equal to 240/850 or 28 percent of the heat used for dewatering.

   Steam Energy Consumed = 28% of 5.2×10^{12} BTU = 1.5×10^{12} BTU

B. The electric energy requirements for a 1,000 mile pipeline system are based on a recent analysis of the ETSI system and are estimated as follows:

Annual Electricity Requirements

1.	Preparation Plant	301×10^6	kW-hr
2.	Dewatering Plant	146	"
3.	Pump Stations	502	"
4.	Water Supply System	40	"
	Subtotal =	989	"
	Less Grinding Credit*	-226	"

*75 percent of the power utilized for slurry preparation has been deducted because grinding would be required at the power plant for rail system deliveries

Net Electric Power = 763×10^6 kW-hr

- With Direct Energy Conversion

Energy Conversion Rate	=	3,413 BTU/kW-hr
$(763 \times 10^6$ kW-hr) (3,413 BTU/kW-hr)	=	2.6×10^{12} BTU
Steam	=	1.5×10^{12} BTU
Annual Direct Energy Consumption		4.1×10^{12} BTU
Direct Pipeline Energy Consumption	=	1.0%

- Including Conversion Losses of Coal to Electricity

Energy Conversion Rate	=	9,300 BTU/kW-hr
(763×10^6) (9,300)	=	7.1×10^{12} BTU
Steam	=	1.5×10^{12} BTU
Annual Total Energy Consumption	=	8.6×10^{12} BTU
Total Pipeline Energy Consumption	=	2.0%

Yours truly,

T. C. Aude

TCA/drm

cc: P. E. Snoek
A. T. Jackson
D. E. Hesse

TRANSPORT EFFICIENCY

BASIS FOR COMPARISON

DELIVERY DISTANCE — 1,000 MILES

ENERGY EQUIVALENT OF 25 MILLION TONS OF WESTERN COAL, AT 8,500 BTU/LB.

RAILROAD, BARGE CIRCUITY: ~+30%

HOW SOCIETY VALUES FUELS
BTU vs. BTU

	UNIT PRICE	$/MMBTU
COAL, AT MINE	$7/TON	0.41
NATURAL GAS	$1.50/MCF	1.55
DIESEL FUEL	35¢/GAL.	2.53
ELECTRICITY	2¢/KW-HR.	5.86

TRANSPORT EFFICIENCY

AVERAGE LOSS AS % OF ENERGY TRANSPORTED

COAL SLURRY PIPELINE, 1,000 MILES	2.0%
UNIT TRAIN, 1,300 MILES	2.6%
BARGE TOW, 1,300 MILES	2.0%
EHV, 1,000 MILES	10.9%

ENERGY TRANSPORT COMPARISON

UNIT TRAIN

NOMINAL DIESEL FUEL CONSUMPTION RATE = 400 TON-MILES/GAL.

RAIL DISTANCE = 1,300 MILES (30% CIRCUITY)

ANNUAL DIESEL CONSUMPTION = 81.25×10^6 GAL./YR. = 81 Billion 250 million gal/yr.

HEAT CONTENT OF DIESEL FUEL = 138,000 BTU/GAL.

ANNUAL ENERGY CONSUMPTION = 11.2×10^{12} BTU

$$\text{RAILROAD ENERGY CONSUMPTION \%} = \frac{425 \times 10^{12}}{11.2 \times 10^{12}} = 2.6\%$$

ENERGY TRANSPORT COMPARISON

COAL SLURRY PIPELINE — 25MMTA 1000 MILES

COMPONENT	POWER REQUIREMENT	%
PREPARATION PLANT	301×10^6 KW-HR.	30
PUMP STATIONS	502×10^6 KW-HR.	50
DEWATERING PLANT	146×10^6 KW-HR.	15
WATER SUPPLY SYSTEM	40×10^6 KW-HR.	5
SUBTOTAL ELECTRICITY	989×10^6 KW-HR.	100
LESS GRINDING CREDIT	-226×10^6 KW-HR.	− 23
NET ELECTRIC POWER	763×10^6 KW-HR.	
STEAM ENERGY CONSUMED	1.5×10^{12} BTU	

ENERGY TRANSPORT COMPARISON

COAL SLURRY PIPELINE - Continued

ASSUMING ELECTRIC POWER IS AVAILABLE @ 3,413 BTU/KW-HR.

- ELECTRICITY; $(763 \times 10^6$ KW-HR.) (3,413 BTU/KW-HR.) $= 2.6 \times 10^{12}$ BTU 63 %
- STEAM $= 1.5 \times 10^{12}$ BTU 37 %

TOTAL 4.1×10^{12} BTU

DIRECT PIPELINE ENERGY CONSUMPTION 1.0% OF 425×10^{12} BTU

INCLUDING CONVERSION LOSSES, 9,300 BTU/KW-HR.

- ELECTRICITY; (763×10^6) (9,300) $= 7.1 \times 10^{12}$ BTU
- STEAM $= 1.5 \times 10^{12}$ BTU

TOTAL 8.6×10^{12} BTU

TOTAL PIPELINE ENERGY CONSUMPTION 2.0% OF 425×10^{12} BTU TRANSPORTED

A DIFFERENT PERSPECTIVE

MODE	LOSS, % OF DELIVERED ENERGY	FUEL PER TON	UNIT COST	TOTAL COST/TON	COMMENTS
UNIT TRAIN	2.6	3.20 GAL.	35¢/GAL.	$1.12	60% IMPORTED ?
BARGE	2.0	2.50 GAL.	35¢/GAL.	$0.88	60% IMPORTED ?
EHV	10.9	0.11 TON	$7.0/TON	$0.77	U.S. MINED
SLURRY PIPELINE	2.0	0.05 TON	$7.0/TON	$0.37	U.S. MINED

COAL SHIPMENTS
(1975 DATA)

LOADED AT MINE FOR SHIPMENT BY RAIL	64.50%
LOADED AT MINE FOR SHIPMENT BY WATER	10.70%
TRUCKED TO FINAL DESTINATION	12.20%
USED AT MINE-MOUTH GENERATING PLANTS	11.30%
SLURRY PIPELINE	0.60%
USED AT MINE	0.70%
TOTAL	100%

Fact Sheet #6

"SAVINGS TO CONSUMER AND COST OF TRANSPORTATION"

The railroads have stated:

The railroads make claims that it costs more to ship a ton of coal by pipeline than it does by unit-trains, when based on 25 million tons per year over a 1000-mile haul.

Fact:

If the railroads are correct in this statement, then the pipeline cannot meet the competition of the railroads, and the pipeline would take nothing from the railroads. The facts are that ETSI can transport coal in the proposed project of 25 million tons for the 1000-mile distance from Wyoming to Arkansas for one-third to one-half the cost of rail. The Black Mesa pipeline with eight years experinece, has proven coal has been reliably transported for about one-half the cost railroads would have had to charge.

The U. S. Office of Technology Assessment (OTA) completed a study in 1978 for a hypothetical pipeline running from Wyoming to Texas, a distance of 936 miles hauling 35 million tons of coal a year. The rail route was 1,264 miles. The OTA study showed the rate per ton would be $5.90 by pipeline and $8.90 by rail.

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TRANSPORTATION COSTS
PIPELINE SAVINGS OVER RAIL
(25 MMTA SYSTEM)

Decade of Operation	System Utilization	Rail $/T	P/L $/T	Difference $/T	Throughput Million Tons	Savings Billion
1st	Pipeline Volume Building to Full 25 MMTA Capacity	16.78	8.14	8.64	174	$ 1.5
2nd	Full 25 MMTA System Capacity Utilized	25.15	7.38	17.77	250	$ 4.4
3rd	Full 25 MMTA System	39.98	7.34	32.64	250	$ 8.2
						$14.1

EXHIBIT "A"

STATEMENT OF

JACK K. HORTON
CHAIRMAN OF THE BOARD
SOUTHERN CALIFORNIA EDISON COMPANY

BEFORE THE

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
OF THE
UNITED STATES HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

IN SUPPORT OF H.R. 1863
"COAL SLURRY PIPELINE ACT OF 1975"

"...From the time the pipeline began commercial operation on November 1, 1970, it has been needed to transport coal for 40,896 hours and has been available for 40,554 hours..."

"...Our experience to date indicates that the Black Mesa Pipeline has transported coal to the Mohave Plant at a cost benefit of nearly 50% below that of alternate transportation costs. Another of the more attractive features of the slurry pipeline is the relative freedom from inflationary impacts..."

"...Therefore, substantial savings are not only currently being realized, but are anticipated to continue to the benefit of millions of electric power consumers because of the economics of the coal slurry pipeline..."

ENERGY TRANSPORTATION SYSTEMS INC. / 220 W. Douglas / Suite 140, Page Court / Wichita, Kansas 67202 / (316) 264-0686

Exhibit B

Floyd Lewis, President of Middle South Utilities, before the Senate Committee on Interior and Insular Affairs on June 11, 1974 stated that when coal is moved by rail over one thousand miles about three-fourths of the delivered price will represent the cost of transportation. He then stated:

> "Our studies indicate that the average transportation cost by rail over a 30 year period . . . will be between three and four times that of average transportation cost by slurry pipeline.
>
> "Expressed in dollars, the annual movement of 25 million tons of coal by slurry pipeline, as compared to rail would result in savings of approximately $14 billion over a thirty year period, or $14 billion our customers need not and would not pay through their monthly electric bills."

EXHIBIT "C"

ENERGY REQUIRED TO MOVE WESTERN COAL FROM THE POWDER RIVER BASIN OF WYOMING TO WHITE BLUFF, ARKANSAS

COST
(AT 1977 ASSUMED PRICES)

MODE	FUEL	COST	TOTAL COST PER TON	COMMENT
UNIT TRAIN	DIESEL OIL	$ .35/GAL.	$1.12	60% IMPORTED
BARGE	DIESEL OIL	$ .35/GAL.	$ .88	60% IMPORTED
EXTRA-HIGH VOLTS OF ELECTRICITY	COAL	$7.00/TON	$ .77	U.S. MINED
SLURRY PIPELINE (TO MAKE ELECTRICITY TO OPERATE PUMPS)	COAL	$7.00/TON	$ .37	U.S. MINED

TRANSPORT EFFICIENCY

COAL SLURRY PIPELINE - 1,000 MILES (DIRECT)	2.0%
UNIT TRAIN - 1,300 MILES (AS ROUTE EXISTS IN 1978)	2.6%

Exhibit D

Exhibit D

9. Rural Electric Cooperatives Association, Region VII
10. Communications Workers of America, Local 7476
11. Wichita Area Chamber of Commerce

SOME OF THE NATIONAL SUPPORT FOR COAL SLURRY PIPELINES

1. U.S. Departments of Interior, Energy, Consumer Affairs, Commerce, Transportation, and Agriculture
2. American Public Power Association
3. American Electric Power Service Corporation
4. Boeing Engineering & Construction
5. Building & Construction Trades Department (AFL-CIO)
6. U.S. Chamber of Commerce
7. Environmental Protection Agency
8. General Public Utilities Corp.
9. Laborer's International Union of America (AFL-CIO)
10. National Association of Electric Companies
11. National Federation of Independent Business
12. National Rural Electric Cooperative Association

COMPARATIVE INFORMATION

Energy Transportation Systems Inc.
220 West Douglas
Page Court, Suite 140
Wichita, KS 67202
(316) 264 - 0686

ECONOMICS...

...The pipeline is a continuous one-way delivery system that takes advantage of a mile decline from Wyoming to the Middle South.

...The pipeline spans the shortest distance from mine to market.

...The pipeline will use electric power generated from coal to move the slurry. Energy cost per ton [redacted] is about $.37.

...Only 30 percent of the highly-automated pipeline's annual budget is subject to inflation.

...The pipeline delivers powdered coal, which is a finished product, for electric generating plants.

...No expenses other than transportation costs via set tarrifs will be incurred by the shipper.

ECONOMICS...

...Empty coal cars must return up the mile-high incline to the mine for reloading.

...The rail route from Wyoming to the Middle South is approximately 30 percent longer than the pipeline.

...Scarce and largely imported diesel fuel will power the coal trains. Energy cost per ton [redacted] is about $1.12.

...Seventy percent of the railroads' annual budget is subject to inflation, with over 50 percent going for labor alone.

...The railroad delivers chunk coal. Each electric plant must have their own plant to powder the coal before it can be used.

...Shippers must either buy or lease their own coal cars. An average coal car costs $36,000, or over $3 million for a 100-car unit train

Exhibit E

COAL SLURRY TRANSPORTATION
ENVIRONMENTAL ASPECTS

- Safe - No Fires or Impact Accidents
- Aesthetically Attractive - Reusable Land Surface
- Peaceful - Noiseless - Hidden
- Clean - Dustless - Smokeless
- Odorless - No Fumes
- Traffic Appeal - No Crossings, No Traffic Tie-ups

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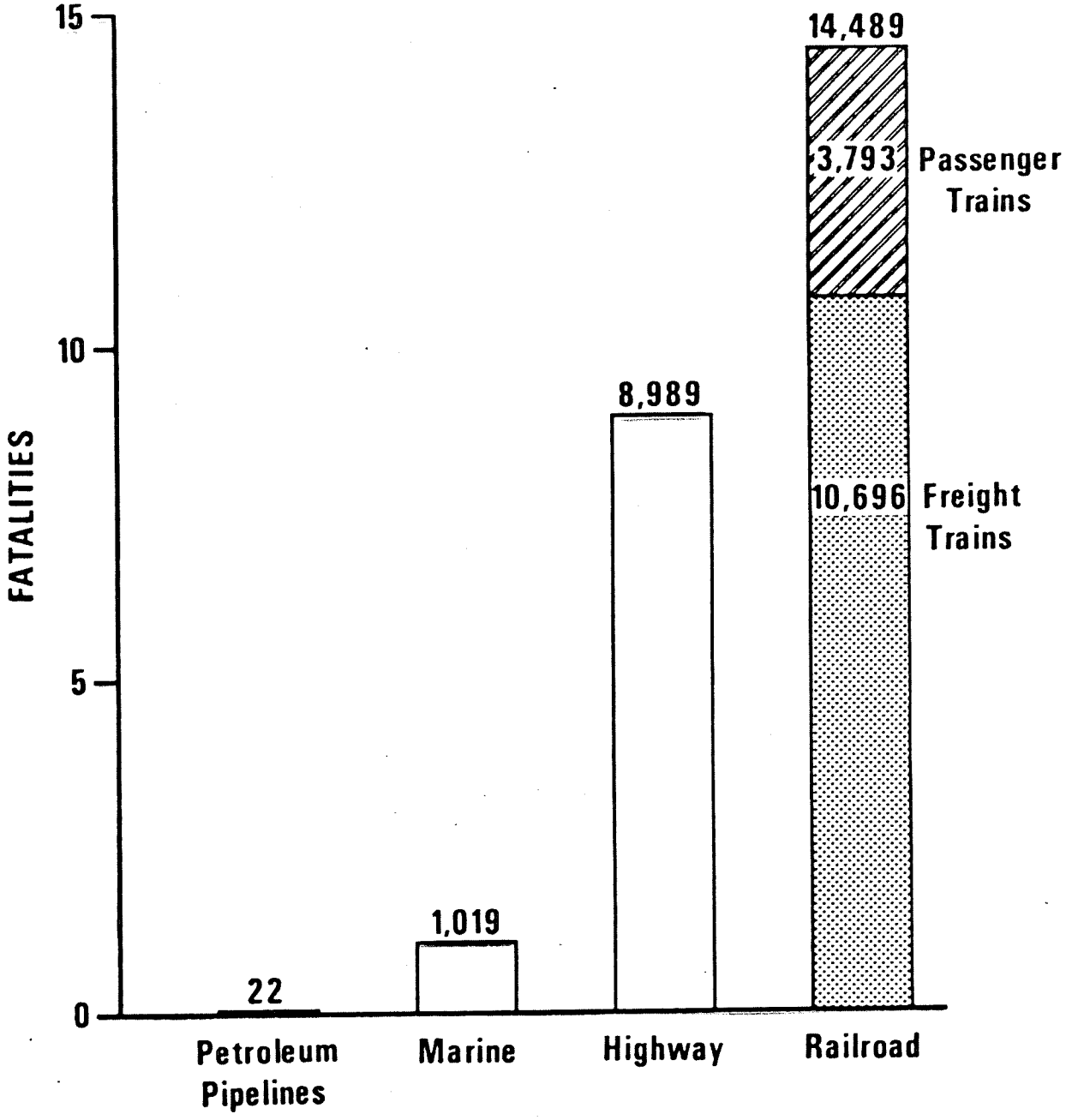
Exhibit 1

ETSI/COAL SLURRY TRANSPORTATION

FATALITY RATES FOR SURFACE FREIGHT TRANSPORTATION (Period 1963-1968)



*NATIONAL TRANSPORTATION SAFETY BOARD

1063A

Exhibit 2

SUMMARY OF TRAIN AND TRAIN-RELATED ACCIDENTS - 1975

State	Casulaties in all Accidents/Incidents		Number of Accidents
	Killed	Injured	
ARKANSAS	39	936	139
COLORADO	18	560	64
KANSAS	30	1004	206
NEBRASKA	30	1249	130
OKLAHOMA	28	556	106
WYOMING	12	443	70
TOTALS	157	4748	715

Source: Dept. of Transportation
Federal R.R. Administration
Summary of Accidents/Incidents, 19[illegible]

Exhibit 3

ETSI/COAL SLURRY TRANSPORTATION

LEGAL PROTECTIONS FOR KANSAS

FEDERAL

ICC: Jurisdiction
Rules and Regulations
Tariff Control

EPA: Air
Water
Land

Environmental Impact Statement

STATE

Eminent Domain Limitations

Safety Protection

Fact Sheet #8

"THE COAL SLURRY PIPELINE WILL NOT BENEFIT KANSAS,
SO KANSAS SHOULD IGNORE IT."

The railroads have stated:

Kansas will receive no benefit at all from the coal slurry pipeline, and Kansas should, therefore, ignore it.

Fact:

It is true that, at the present time, ETSI does not have a customer in Kansas, but this is not to say that it never will. After the line is installed and when natural gas is being shut off for the utilities, there will be a good market demand for the cheap transportation of coal by ETSI. At the present time, only two utilities are using coal, and the railroads have forced them to sign a 40-year contract with the railroads. This is true even though the utilities had to buy their own trains. They were forced to contract at the mercy of the railroads.

But, even though ETSI has no customer at the moment, the gamble on the future is a good bet. In the meantime, ETSI will spend a lot of money buying rights-of-way, constructing the line, and later operating it. Over 10,000 jobs will be created during construction with a payroll of $8,700,000. And, $134,000,000 will be spent on construction.

In addition to this, the real benefit will be the fact that the pipeline is in Kansas and probably available for future energy sources for industry, utilities, and cities. This cheap energy could be a real advantage.

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The Kansas taxpayer will benefit in that ETSI will pay property taxes to the counties through which the line passes and an ad valorem tax of $2,800,000. It will also pay an income tax of at least $120,000 per year.

Also, electric consumers will benefit through the grid system of utilities in Oklahoma and Arkansas where ETSI will deliver coal at a cheaper transportation cost. (see attached exhibits)

ECONOMIC BENEFITS TO KANSAS

INVESTMENT	$134,000,000
AD VALOREM TAX	$2,800,000 PER YEAR
INCOME TAX	$ 120,000 PER YEAR
TOTAL TAX	$2,920,000 PER YEAR
POWER COST	$1,800,000 PER YEAR
CONSTRUCTION PAYROLL	$8,700,000 FOR ONE YEAR

ENERGY TRANSPORTATION SYSTEMS INC. / 220 W. Douglas / Suite 140, Page Court / Wichita, Kansas 67202 / (316) 264-0686

RELATIVE ADVANTAGES

RAILROADS

1. LOWER CAPITAL INVESTMENT REQUIREMENTS.
2. LOWER TARIFF RATES FOR SMALLER VOLUMES AND SHORTER HAULS.
3. FLEXIBLE AS TO ORIGIN AND DESTINATION.
4. PROVIDES MAXIMUM USE OF EXISTING FACILITIES.
5. FLEXIBLE AS TO LOAD AND DISTANCE.
6. SIDE BENEFITS FROM IMPROVED RAILROAD CAPACITIES.
7. ROLLING STOCK HIGHLY SALVAGEABLE FOR OTHER SERVICE.
8. AVAILABLE NOW.

SLURRY PIPELINES

1. PROMISE LOWER TARIFF RATES FOR HIGHER VOLUMES AND LONGER HAULS.
2. HIGH RELIABILITY AND SAFETY FACTORS.
3. STABLE AND PREDICTABLE COSTS.
4. HIGH CAPACITY.
5. LITTLE UPSET TO THE ENVIRONMENT.

WICHITA EAGLE
2-2-78

The Slurry Line Might Help

The coal slurry pipeline bill has been killed in committee and apparently will not be heard from again in this session of the Kansas Legislature.

That's disappointing.

The bill would have granted the power of eminent domain to the pipeline companies so they could cross the rights of way of the railroads.

To grant the power would cut into the railroads' lucrative coal-hauling business. Obviously, the railroads haven't lost any of their legislative clout.

So, for the fourth straight year, sponsors of a proposed slurry line running 1,036 miles from the Wyoming coal fields to an Arkansas electric power plant have lost out in Kansas.

Apparently the legislators who killed the bill have been convinced by the railroads that Kansas has no stake in the line because the coal would not be delivered in the state.

They may have been deceived.

It is true that, as presently conceived, the slurry line would deliver no coal in Kansas. Pipeline officials say, however, that the line can be designed to deliver coal in Kansas on its way to Arkansas.

It would be in the state's interest to have this added capability for delivery of western coal.

Though the railroads have said repeatedly that they can handle President Carter's objective of doubled coal production by 1985, there are many in the coal and electric power industry who doubt it.

Fortunately, the game is not lost because the Kansas Legislature has killed another bill.

A similar bill at the federal level is supported by the Carter administration. It is scheduled for House Interior Committee action this session of Congress.

In addition, it is possible that the right to pass beneath the railroads at certain points will be granted in the courts. Energy Transportation Systems Inc., the California company that would build the pipeline, has already won the right in several cases.

We believe that as more and more electric power plants turn to coal for fuel and as coal gasification plants are built, the capabilities of the railroads will be strained.

Without an alternative transportation system, we could face serious problems.

ADVANTAGES OF
COAL SLURRY PIPELINE

- ECONOMIC
- PROVEN TECHNOLOGY
- RELIABLE
- EFFICIENT
- MINIMUM ENVIRONMENTAL IMPACT
- INDIGENOUS RESOURCE
- SHORT LEAD TIME
- PRIVATE FINANCING

ENERGY TRANSPORTATION SYSTEMS INC. / 220 W. Douglas / Suite 140, Page Court / Wichita, Kansas 67202 / (316) 264 - 0686

Fact Sheet #9

WYOMING AND NEBRASKA DO NOT

APPROVE OF THE COAL SLURRY PIPELINE"

The railroads have stated:

The people of Wyoming are not in favor of the coal slurry pipeline.

Fact:

Not true. The Wyoming Legislature enacted a law giving ETSI the right to take up to 20,000 acre-feet of water per year from the Madison Formation. This law is in effect as long as ETSI, in good faith, proposes to build the line.

The Wyoming citizens want to sell the coal and get it out of Wyoming rather than industry coming to Wyoming to use it. A mine mouth utility requires seven times as much water to generate electricity as it takes to ship the coal to some other state. They willingly gave the one-seventh of that water to ETSI to get the coal out.

Attached are some editorials and stories discussing the attitude of the Wyoming people. See attached exhibits.

Atch. 22

Energy Transportation Systems Inc.
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Telephone (316) 264-0686

FOR RELEASE

February 6, 1979

FOR ADDITIONAL INFORMATION:

contact Walter A. Hale
Midwest Area Manager

WICHITA, KANSAS — A decision by a committee of the Wyoming House of Representatives rejecting a bill to repeal water rights for a planned coal slurry pipeline was hailed today as an "enlightened act by fair-minded legislators".

Walter A. Hale, Midwest Area Manager for Energy Transportation Systems Inc. (ETSI), said he hoped the 8-1 vote by the Mines, Minerals and Industrial Development Committee against a bill proposed by Wyoming Representative John P. Vinich would "lay to rest once and for all efforts to make the state of Wyoming go back on its firm commitment to authorize the use of Wyoming water for the ETSI pipeline".

Hale pointed out that nearly every year since the Wyoming legislature approved allocation of water to ETSI from the underground Madison Formation attempts have been made to repeal the rights "and each time those efforts have been soundly defeated".

"By now, I think the message should be clear that the granting of these water rights to ETSI, approved in 1974 only after long and exhaustive study by the state of Wyoming, is something that should be allowed to stand without any further hassling," Hale said. "Let's get on with the business of putting this water to what actually is a wise, conservative use of a precious resource. All of the tired, old arguments raised to cast a shadow over Wyoming's carefully considered granting of these water rights should now be put away for good."

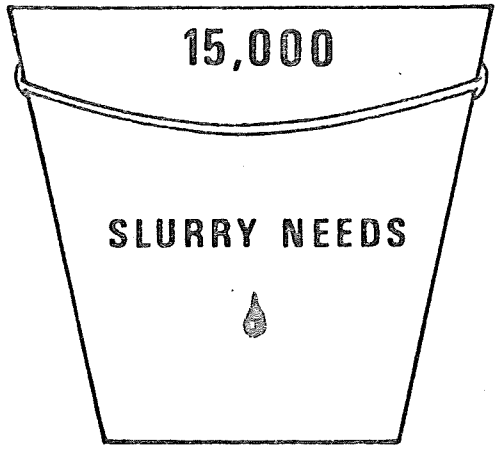
Hale said the Committee's action represented the second major victory for the ETSI project in less than two weeks. On January 25, 1979, a federal district judge in Nebraska issued a decision in favor of ETSI's right to cross under railroad tracks in western Nebraska. It was the 65th and last remaining case of its type pending, all of which have been decided in ETSI's favor.

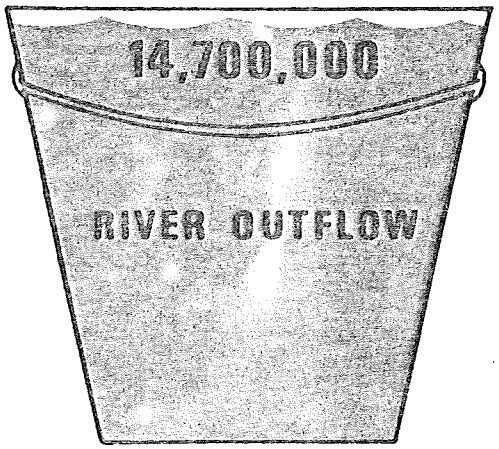
"This is all part of a rapidly growing conviction that coal slurry pipelines are vitally needed to help ease the nation's energy crisis and that they should be granted the right to compete openly in the marketplace in the coal-moving business," Hale said.

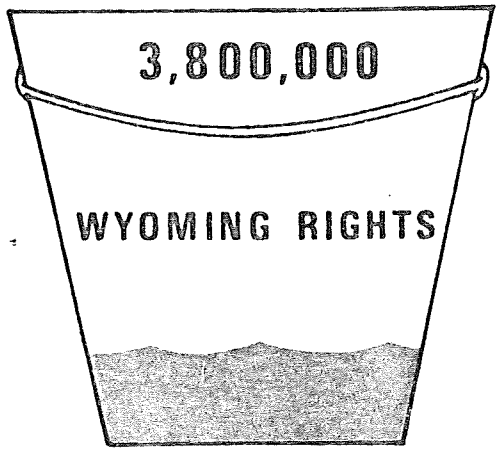
ETSI/COAL SLURRY TRANSPORTATION

SLURRY NEEDS ARE A DROP IN THE BUCKET

(Acre-feet of water per year)







1048-A

Let's Try the Slurry Line

The proposed slurry pipeline that may be built from northeastern Wyoming to southeastern Arkansas makes sense. Indeed it makes more sense than most such industrial undertakings and here's why. It will provide a maximum of investment, $204 million, in this state with a minimum of social impact, only 75 employes.

It will allow a broadened tax base including higher coal severance tax revenues of more than $11 million a year. It is environmentally clean, as the regional manager for Energy Transportation Systems, Inc., Frank Odasz, said here Wednesday; it will erect no impassable barriers to livestock or wildlife.

The only major objection that has been rasied to the ETSI project is that it will deprive this state of "its precious water resources." But the fact that this will involve 15,000 acre-feet of water pumped from the Madison Formation at depths of over 3,000 feet while Wyoming allows nearly 15 million acre-feet of surface—not underground—water to go down its streams each year makes this claim patently absurd. This is not a reasonable point of contention, but for some reason it is being raised as the bogeyman of the entire slurry pipeline project.

Wyoming has vast coal resources that will last several centuries into the future, to a time when coal probably will no longer be used for anything, certainly not for energy generation. For by that time, 400 years or more ahead, man certainly will have developed such sophisticated and presently unimagined means of energy usages, so that coal will be as remote a concept as fueling with wood, which was widely used for home heating and cooking and even for locomotives a hundred years ago. Just think of the progress in the energy arena alone that has been made in the past 50 years when Henry Ford's Model T was a standard means of automotive transport, provided you didn't venture too far from settled communities with graded or paved streets.

But if we study the water thing alone, it seems an impossibility that this one project at 15,000 acre-feet a year would even begin to deplete the resources of the Madison Formation which the U. S. Geological Survey estimates at a relatively constant figure of one billion acre-feet. The 15,000 acre-feet ETSI intends to use is only a tenth of the total estimated recharge of the Madison Formation, which is 150,000 acre-feet a year.

In other words, take away 15,000 acre-feet and the Madison Formation is still added to, by inflow of water, of 135,000 acre-feet a year. It would take 10 slurry pipelines using 15,000 acre-feet of water a year just to bring the recharge of the Madison Formation to a standstill; even at that there would still be the one billion acre-feet of residual capacity.

So many safeguards have been built into this project to protect communities and irrigators that it seems impossible that any advers results could occur. But looking at one positive aspect, the ETSI wells which will be drilled over a 12-5 square mile area of northern Niobrara County will provide some technical information on how the Madison Formation may better be used for the benefit of Wyoming irrigators and communities. At the present, water produced from the Madison Formation is prohibitively expensive for irrigation purposes. Mr. Odasz estimates it costs $8 an acre-foot for water produced from shallow wells for irrigation purposes; drilling to the 3,000 foot level into the Madison costs $400 an acre-foot for the water produced for irrigation purposes.

Let us proceed to at least test this one project; to paraphrase current TV commercial slogans, let's try it, maybe we'll like it. At any rate, the objections that have been raised would seem to have no merit on the basis of rational consideration.

The Sidney Telegraph

EDITORIAL PAGE

Efficiency's sake

Opposition to construction of a coal slurry pipeline from the Wyoming coalfields to Arkansas power plants flies directly in the face of efficiency.

A San Francisco-based group has proposed the project. To accomplish it, the firm needs the right of eminent domain -- the same right accorded to gas and oil pipelines -- from the states across which the pipeline would go, including Nebraska. (The tentative route in Nebraska would be 261 miles, from a point south of Harrison to a point southwest of McCook. The backers say their Nebraska investment would be $129 million, with annual expenditures in the state of $2.3 million in operating expenses and almost $2 million in taxes.)

Not that efficiency is the only deity we should be worshipping these days. But, with energy sources strained and demand growing, it doesn't make sense to oppose efficiency, even for vested interests.

Here is the plot: there is plenty of coal in Wyoming, but few power plants. There are plenty of power plants in Arkansas, but little coal. The pipeline people say they can powder the coal, mix it with water and pump it to Wyoming for $7.90 a ton, which, they contend, is $20 a ton less than a railroad can do the same job. That, they say, would save consumers about $14 billion over the next 30 years. In addition, they argue, the enormous increase in rail traffic that would be necessary to handle the big amounts of coal in question would be dangerous to people and their environment.

The two catches are implicit in this argument. First, railroads don't take kindly to that kind of talk and consequently have been leading the opposition. (Without eminent domain, the pipeline would end at the first railroad it came to.) The second is that some people are worried about the impact of removing the vast amounts of water necessary from beneath the earth. (The pipeline people say they're drilling into a deep formation that is sealed off from the sources of irrigation and municipal water supplies and that there would be no noticeable impact.)

The Niobrara (Wyo.) County Chamber of Commerce backs the idea. It says in the near future some 50 trains a day will be passing through Lusk, each with 110 cars and each traveling at 50 miles an hour on a single track.

The Western Nebraska United Chambers of Commerce and several Nebraska Panhandle newspapers oppose the idea. They cite worries about the water supply and the health of the rail industry, which, they say, would lay less track, pay fewer taxes and employ fewer people in the Panhandle.

The Legislature hasn't yet acted, and delays are apparent in other states as well.

If more information is necessary, let them obtain it. But we don't believe in stifling new businesses just to protect existing ones. That is worshiping inefficiency, and it isn't right to make consumers pay the price.

Wyoming State Legislature

213 Capitol Building / Cheyenne, Wyoming 82001 / Telephone 307/777-7881

SENATOR EDWARD D. MOORE
Converse-Niobrara Counties
Box 161
Douglas, Wyoming 82633

Committees:
Transportation and Highways
Labor and Federal Relations,
Chairman

March 20, 1978

Editor
McPherson Sentinel
McPherson, Kansas

Your 1/31/78 editorial criticized the Wyoming Legislature for a foolish authorization of Wyoming water for a coal slurry pipeline. "Foolish"? - maybe like a fox!

Now that our legislative session is over, I share with you some reasons why Wyoming allocated [illegible] acre-feet/year to a coal slurry pipeline.

Those who understand Wyoming water, know that this is a drop in our water bucket - one-thousandth the amount now flowing from Wyoming and only 3.3% of the inventory in the rechargeable underground aquifer from which the water will be withdrawn. Wyoming does indeed have the water. Our problem is to put it to beneficial use before we lose it.

The development cost of the water for ETSI will be about $400/acre-foot. If used for agriculture, a farmer or rancher would go broke fast. We feel that it is a better strategy to let industry take the risk of developing the water at no expense to the Wyoming taxpayer. We have imposed strict statutory restraints on ETSI to protect Wyoming water users, and a Third-Party Beneficiary contract that prevents ETSI from using federal laws to frustrate our state goals. Moreover, future pipelines will face the same restraints on a case-by-case basis.

We like the environmental benefits of a buried pipeline:

No pesticides, fences, or roads to hamper
our ranching operations.
No traffic interference, noise, accidents
or fatalities.

Our studies show that exporting the coal not only minimizes our pollution problems but also does [illegible] than coal conversion

Editor -McPherson Sentinel

processes - only 1/7th that of a corresponding power plant.

We especially like the economical return of $2.3-million each year from ad valorem taxes alone to relieve pressure for property tax increases. This comes to $150 for every acre-foot used in the pipeline.

We have heard the "priceless water" argument before, but find it doesn't hold water. If it did, the railroads could make a fortune hauling it back to Wyoming in their empty unit-trains. If the Kansas Legislature wants slurry lines to route around Kansas and blow tens of millions of pipeline dollars in favor of property or income tax dollars, that is their business; but we respectfully submit that if Wyoming wants to stake a claim for an unused water supply that helps our economic health and maintains our environmental goals, that is our business.

We hope at least that you agree that we are entitled to our own opinion of who's foolish.

Respectfully yours,

Senator Eddie Moore
Converse - Niobrara Counties

EM/sh

Resource Council Opposes Coal Plants, Favors Pipelines

7/24/75

SHERIDAN, Wyo. (UPI) — The Powder River Basin Resource Council said today that no additional coal conversion plants should be built in Wyoming and coal should be shipped by slurry pipelines to where it is needed.

The council, a conservation group formed in 1973 by ranchers in the coal-rich basin, said in a new position paper that the slurry pipelines should use excess water and water from other states. Railroads would be another alternative means of transporting the coal, it said.

"Since large coal conversion plants would utilize huge quantities of water and would bring to Wyoming's small communities large numbers of people that they are not equipped to handle, and since water and people are plentiful in areas which will utilize the energy produced, no additional coal conversion plants should be built in Wyoming," the paper said.

The council also said most coal mining should still be done in deep, eastern beds where the coal has greater energy content and where strip strip mining is not required.

Strip mining in Wyoming should not be allowed in areas that can't be reclaimed or in regions of scenic or agricultural value, the group said, and land use planning should be used to determine the kind of development that should be allowed.

The council said agricultural and domestic uses of Wyoming's water should be protected by law.

Energy Transportation Systems Inc.
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Suite 140, Page Court
Wichita, Kansas 67202
Telephone (316) 264-0686

FOR RELEASE

February 6, 1979

FOR ADDITIONAL INFORMATION:

contact Walter A. Hale
Midwest Area Manager

WICHITA, KANSAS — A decision by a committee of the Wyoming House of Representatives rejecting a bill to repeal water rights for a planned coal slurry pipeline was hailed today as an "enlightened act by fair-minded legislators".

Walter A. Hale, Midwest Area Manager for Energy Transportation Systems Inc. (ETSI), said he hoped the 8-1 vote by the Mines, Minerals and Industrial Development Committee against a bill proposed by Wyoming Representative John P. Vinich would "lay to rest once and for all efforts to make the state of Wyoming go back on its firm commitment to authorize the use of Wyoming water for the ETSI pipeline".

Hale pointed out that nearly every year since the Wyoming legislature approved allocation of water to ETSI from the underground Madison Formation attempts have been made to repeal the rights "and each time those efforts have been soundly defeated".

"By now, I think the message should be clear that the granting of these water rights to ETSI, approved in 1974 only after long and exhaustive study by the state of Wyoming, is something that should be allowed to stand without any further hassling," Hale said. "Let's get on with the business of putting this water to what actually is a wise, conservative use of a precious resource. All of the tired, old arguments raised to cast a shadow over Wyoming's carefully considered granting of these water rights should now be put away for good."

Hale said the Committee's action represented the second major victory for the ETSI project in less than two weeks. On January 25, 1979, a federal district judge in Nebraska issued a decision in favor of ETSI's right to cross under railroad tracks in western Nebraska. It was the 65th and last remaining case of its type pending, all of which have been decided in ETSI's favor.

"This is all part of a rapidly growing conviction that coal slurry pipelines are vitally needed to help ease the nation's energy crisis and that they should be granted the right to compete openly in the marketplace in the coal-moving business," Hale said.

WHO SUPPORTS THE COAL SLURRY CONCEPT?

1. The Wyoming Water Users' Association

   Source: Letter dated 9/20/77 from J.W. O'Meora to Robert B. Crosby, Lincoln, Nebraska. Mr. O'Meora is Executive Director of the National Water Resources Association, Washington, D.C. He stated in part in speaking of the coal slurry concept " .... our progressive association in Wyoming has endorsed the concept."

2. F.A. Kirkpatrick, Hydraulic Engineer, Water Resources Division, U.S. Geological Survey, Reston, Virginia, presented an overview on "Critical Water Problems and Slurry Pipelines" in Washington, D.C. on August 25 - 26, 1977. The report was opposed by the Director, U.S. Geological Survey, August, 1977. In speaking on coal transportation, he said: "Transporting of coal to existing users will require all means of coal movement, including unit-trains, barges and coal slurry pipelines. The latter is considered most desirable compared to the development of conversion industries in the West when overall water consumption is considered."

Railroads and Slurry Pipelines

From the time man picked up his first rock and used it to hurl it at a target, he has made use of his brain to develop techniques to aid him in his pursuit of life. Every technical development, each step along the way in availing ourselves of tools, is part of this process.

When man developed the railroad, it was a move to improve on the less efficient means of hauling goods overland by wagon and canal boat, or people by a means faster and more economically than by stagecoach or horseback. The truck has partially supplanted the railroad in the handling of relatively small consignments because of the features of speed and convenience of handling such lots of goods.

Once upon a time rail cars handled virtually all oil shipments; in the past 50 years, however, the rail tank car has almost disappeared for purposes of oil and gasoline shipment, to be replaced by pipelines and tanker trucks. It now would seem likely that pipelines also will be used to transport commodities that lend themselves to reduction to a form of liquid called slurry, in ever increasing amounts. The projected 1,036-mile coal slurry pipeline which Energy Transportation Systems Inc. is building from northeastern Wyoming to southeastern Arkansas is a case in point.

The slurry pipeline is a mode of transportation whose time has come, and the railroads, unions and politicians who oppose it for various reasons can no more stay the hands of the clock, or prevent its utilization, than could the canal boat owners and their crews, or the stagecoach line operators and their employes, halt the development of the railroads.

This does not mean the railroads will disappear as did the old Erie or Chesapeake canal systems. Pipelines lend themselves less to public transportation than do railroads; theirs is the specialized movement of large volumes of goods in liquid or partially liquified form usually for serving the purpose of one or a limited number of firms specializing in the same field of endeavor.

But at least in this limited form they will not be denied their utility, and it is absolute folly for some to spend their time telling one and all that they must not be permitted to exist, or operate, or fulfill thier functions.

At the current United Transportation Union convention here Monday, Congressman Roncalio reportedly said that he would devote his efforts to defeating a bill pending in the House of Representatives which give coal slurry pipelines the right of eminent domain among other things. This measure sped through the Senate incidentally well over a year ago, at about the same time the 42nd Legislature's budget session of 1974 was debating the Wyoming coal slurry measure, which also passed.

But despite Roncalio's pledge to fight to the death this measure, it probably will be enacted, and the reason it will be is abundantly clear in the speech an official of Peabody Coal Co. gave to the Wyoming Mining Association convention here Saturday. It was a message of considerable significance because among other things William G. Stockton, vice president for public relations and traffic of Peabody, said that if the problem of sulfur dioxide pollution is not solved quickly "we will run into a logistics problem of moving the Wyoming coal to market."

"Already the energy task force of the National Academy of Engineering has predicted that to meet our Project Independence goals implies the development of 100 new five-million tons per year surface mines in the West, not to mention the vast expansion required in the East. It also predicts the requirement of 8,000 new railroad locomotives and 150,000 new 100-ton capacity coal cars. It does not mention the extent of new railroad construction or maintenance of present rail facilities. The coal industry expansion is expected to require 25 to 35 billion dollars of capital investment in the next 10 years, Obviously the cost of railroad expansion will run into many billions also, and even then our good friends may not be able to handle the volume. This is one reason the Academy of Engineering also recommends the construction of at least four new coal slurry pipelines each 1,000 miles in length, each carrying 25 million tons per year."

Two things of importance to Wyoming are suggested by Stockton's interesting observations: One is that the sulfur dioxide question, how to remove SO2 pollution from stack emission gases, has not been solved despite the stringent emission requirements imposed by the Wyoming Environmental Quality Council. Secondly, unless the SO2 question is resolved, more low sulfur Wyoming coal will be demanded in the East; it will have to be moved by both rail and slurry pipeline, and indications are both modes of transportation will be taxed to capacity. The railroads have nothing to fear except the fears that have been conjured up by their own imaginations. But regardless, the energy needs are such that they will have to be solved by the most efficient means possible.

Of course there always is one other possibility; the sulfur dioxide question could be solved allowing coal-fired plants to the east and south to use high-sulfur coal; in that event there would be less demand for Wyoming coal and the economic boom would be off, or at least diminished in this state. Then what would some of our politicians who oppose coal development, say about that?

Fact Sheet #10

"TRAFFIC JAMS AT RAILROAD CROSSINGS WILL BE NO PROBLEM"

The railroads have stated:

The charges made that by 1985 the coal shipments out of the Powder River Basin in Wyoming, will not be so numerous as to cause traffic jams.

Fact:

To haul 25,000,000 tons of coal by rail rather than pipeline, it will be necessary for a 100-car train loaded with 10,000 tons of coal to pass some points every hour and forty-five minutes, night and day, every day of the year, going and coming.

The people in Lusk, Wyoming, and in Nebraska are complaining bitterly about this traffic. It boggles the mind to think of rail traffic hauling 200,000,000 tons of coal out of that area of Wyoming by 1985. Trains coming out and empty cars returning will literally be bumper-to-bumper.

The coal haul into western Kansas is barely beginning, but already the citizens of Dodge City, Kansas are complaining of traffic tie-ups.

Dr. William Talley, chairman of Oklahoma Governor David Boren's Advisory Council on Energy, said: "If Oklahoma's coal needs in the middle and late 1980's are to be met exclusively by the railroads, we can look for a mile-long train with 100 coal-hopper cars, entering or leaving the state 22 times a day, seven days a week, 52 weeks of the year ... about one every hour".

Atch. 23

A UNITED STATES GOVERNMENT OFFICIAL FORECAST

The United States must build 544 new power plants of 1,100,000 kilowatts each between now and the year 2000, according to the U.S. Department of Commerce. That's a billion-dollar power plant every two weeks. The Commerce Department also says the United States population will be 262 million at the turn of the century, that oil consumption will grow until 1985 then decline, gas consumption will continue to fall off, and coal use will soar after 1985.

These 544 plants of 1,100,000 kilowatt generating capacity will operate on the average at about 65 percent load factor or above.

This means 5,694 hours (65 percent of 8,760 hours in a year) of operation, or 6,263,400,000 kilowatt hours per plant...a total of 3,407,289,600,000 (3.4 trillion kilowatt hours) for the 544 plants each year.

Each kilowatt hour generated will require about 1.2 pounds of coal, or 4,088,747,500,000 (4.09 trillion) pounds of coal to operate these plants for one year. This is 2,044,373,700 tons (2,000 pounds each) of coal to be delivered to where the power plants are built to be close to load centers and where low-cost water is available for cooling purposes. One ton of coal burned in a power plant requires about eight tons of water to be evaporated for cooling tower use.

This will take 204,437 loaded unit trains of 100 cars each holding 100 tons each (10,000 tons per train), or one train loaded and moving every 2.57 minutes of the 525,600 minutes in a year. One empty train will be moving across highways and city streets each 2.57 minutes returning to the mine to be reloaded, or a train tieing up traffic somewhere in America every 1.28 minutes between power plant and coal mine.

All of this is in addition to all other rail traffic and all coal moved in 1978 according to the U.S. Department of Commerce. The only way this traffic can be reduced will by by nuclear fission, fusion, or water power additions to the 1978 electric power generation fuel or energy mix. Solar, wind, geothermal, or any newly discovered energy source might help. These most likely will make only a minimal contribution before the year 2000 in view of the stage of research and available water power and geothermal sites where natural gas- and oil-generated power must change to coal, such as the lower Great Plains, where ETSI proposes to serve.

So, coal and coal transportation will have to be the main replacement of oil and natural gas, as well as the fuel for the 544 new billion-dollar plants needed by 1999...just 20 years away.

TESTIMONY ON THE

DOT-DOE NATIONAL ENERGY TRANSPORTATION STUDY

BY

GOVERNOR RICHARD D. LAMM

DENVER, COLORADO

NOVEMBER 3, 1978

Railroads - Environment

"...Communities not only become segregated and lose cohesiveness, but emergency vehicles of all types are prevented from providing their public services. Additionally, waiting vehicles consume petroleum...."

/March 3 letter - Senators Zorinsky (Nebraska), Anderson (Minnesota), Host (Colorado), and Hashell (Colorado)/

* * * * * *

Railroads - Traffic

"...At the present time, Colorado is criss-crossed by 58 100-car, mile-long coal unit trains per week. By 1985, we expect that this number will reach 390 unit trains per week. By 1985, some towns could easily see between 60 and 80 unit trains each day. This could translate into 2 to 6 hours per day of traffic congestion where grade separations do not exist. To the person whose house is on fire while the fire station is on the other side of the tracks or for the heart attack victim waiting for the ambulance to arrive, such delay is criminal...."

"...In less than two years, we have revised our estimates from 8 crossings needed at a cost of $4 million to 156 grade separations that may be warranted at a cost of over $156 million. It is extremely important to note that most of these crossings are needed as a result of unit coal trains moving through Colorado; Wyoming coal for Texas. Thus, Colorado doesn't get one dime from these movements to mitigate their impact. In the absence of adequate programs to help relieve the hardships and safety hazards which the lack of adequate highway-railroad crossings create, we have been forced to use other program funds for improving critical crossings...."

WESTERN COAL DEVELOPMENT MONITORING SYSTEM
QUARTERLY SUMMARY AUGUST, 1977
STATE OF WYOMING

Actual and Industry Projected Capacity
(in million tons per year)

		Inc.			Inc.
1975	18.0	4.4	1981	145.6	28.6
1976	22.4	16.4	1982	163.3	17.7
1977	38.8	18.8	1983	182.6	19.3
1978	57.6	28.4	1984	202.5	19.9
1979	86.0	31.0	1985	225.8	23.3
1080	117.0		FULL	281.8	56.0

Full production is 726% of 1977 production in Wyoming
1985 production is 582% of 1977 production in Wyoming
Increased production from 1977 actual to 1983 completion date of the ETSI coal slurry pipeline is 143.4 million tons
Leaving 118,000,000 tons to be hauled by rail over and above ETSI's 25,000,000 tons.
One hundred cars, each loaded with 100 tons of coal, equals 10,000 tons per train, or 11,800 mile-long trains out of Wyoming alone just to handle increased coal production. To handle 11,800 trains in 365 days, over 32 trains per day will be needed, or one more coal train out of Wyoming every 45 minutes, 24 hours per day, 365 days per year, and one empty car returning to Wyoming each 45 minutes. This means car, truck, and emergency vehicles will have to wait for one more coal train at a highway crossing every 22 1/2 minutes, or about 3 trains per hour every hour of the year in addition to present rail crossing traffic tie-ups.

KANSAS
Beloit Solomon Valley Post
JUN -7 1978

Pipeline for coal

The idea of a coal slurry pipeline to bring coal from the western states to Kansas seems like a good idea to us.

A recent study by the Oazrks Regional Commission warns that Kansas is likely to cut its gas consumption in half by 1985. The economics of the situation means we will have to switch from gas to coal as a source of power to generate electricity.

At the present time there are barriers impeding the construction of coal slurry pipelines. We need state legislation to approve eminent domain authority so coal slurry pipelines can be built.

The western states have vast coal reserves which can well help solve our energy problems for several centuries. Where large volumes of coal are to be shipped long distances, for long periods, slurry pipelines are cheaper than rail transportation, and they have the additional advantage of stability of cost over the long term. Since they are capital intensive and highly automated, slurry pipelines are protected from the impact of inflation. Most of their operating costs relate to the capital investment, which never changes. Only 30 per cent of the operating cost -- for labor, supplies and electric power -- is subject to inflation. By contrast, rail transportation is highly vulnerable to inflation. Labor, fuel and supplies account for well over 70 per cent of railroad operating costs.

The issue is one of critical concern. It will take three years for construction after enabling legislation is passed. It's time our Kansas legislators authorize the right of eminent domain to coal slurry pipelines just as such rights are available to other forms of transportation including, highways, railroads, petroleum pipelines and interstate gas pipelines.

Exhibit F

ETSI/COAL SLURRY TRANSPORTATION

ENERGY COSTS

(To transport 1 ton of coal to a power plant 1,000 miles away)

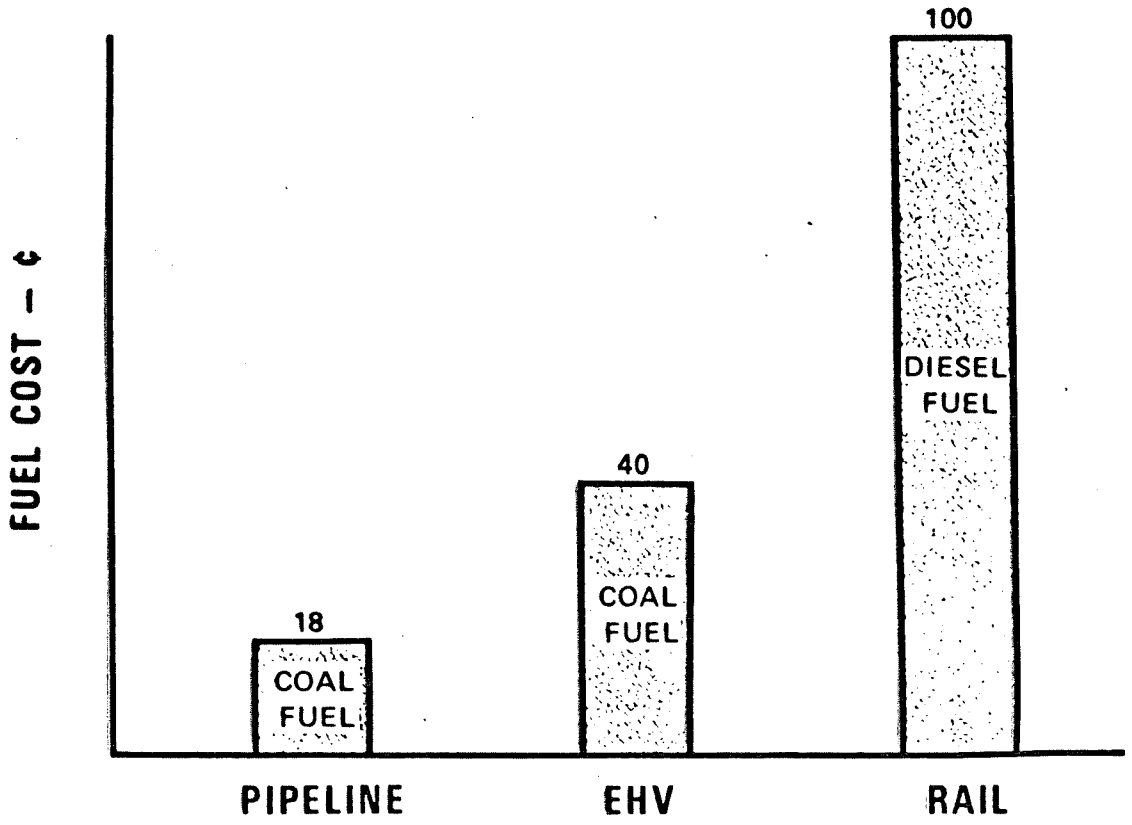

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EXHIBIT G

ETSI/COAL SLURRY TRANSPORTATION

PIPELINE PROFILE

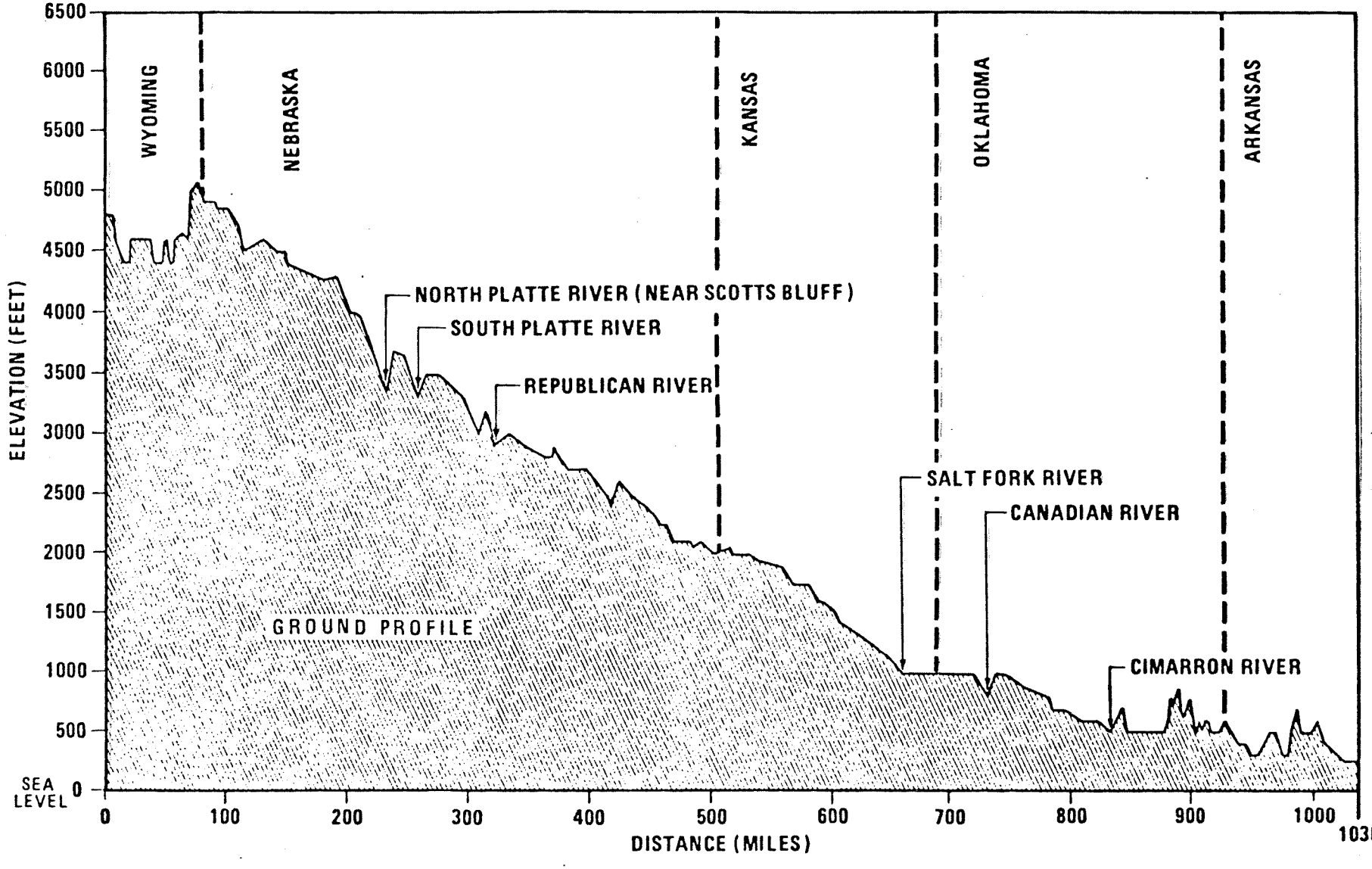

EXHIBIT H

1051

ETSI/COAL SLURRY TRANSPORTATION

KANSAS

CONSUMER SAVINGS DUE TO ESCALATION
PIPELINE versus RAIL

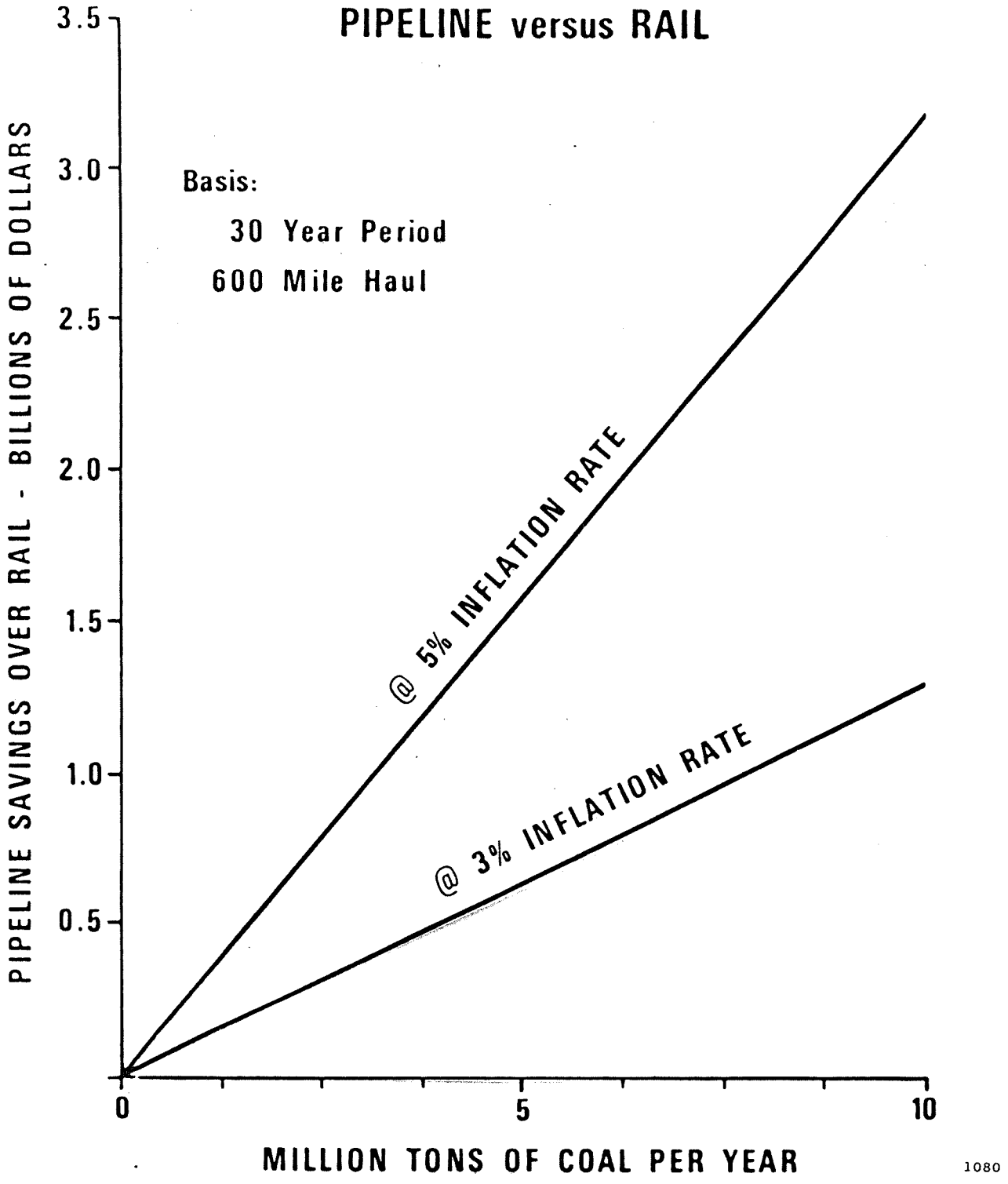

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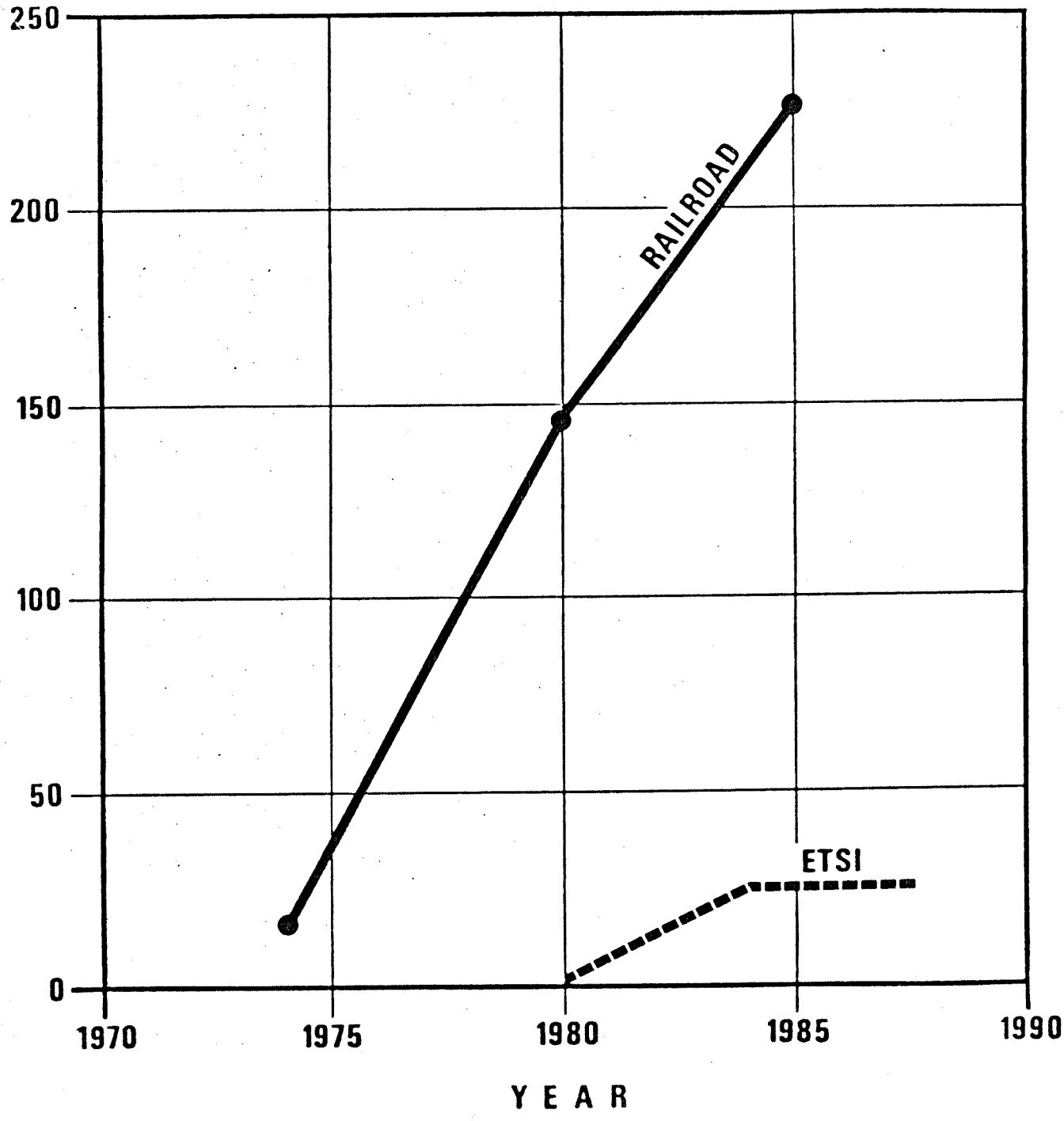
EXHIBIT I

ETSI/COAL SLURRY TRANSPORTATION

COAL PROJECTIONS RAILROAD BURLINGTON NORTHERN *

(million tons/year)



* L. W. Menk, Chairman of Burlington Northern

1112A

EXHIBIT J

Fact Sheet #7

"COAL SLURRY PIPELINES ARE NOT ENVIRONMENTALLY SOUND AND TAKE MORE LAND OUT OF PRODUCTION THAN RAILROADS"

The railroads have stated:

Coal slurry pipelines are not environmentally desirable because they tear up and scar the countryside. Also that the ETSI pipeline takes 12,000 acres of land out of production for its right-of-way whereas the land taken out of production by railroads is nominal.

Facts:

Coal slurry pipelines must file and comply with impact statements and the requirements of the Federal Environmental Protection Act and all State Acts through which it passes. Once the line is laid the top soil is returned to normal and put back into production, except at a pumping station or at the beginning and end where coal is processed.

The railroad rights-of-way constitute strips of land 200 to 400 feet wide cross country and more in switching and depot areas. The figures are undisputed that the pipeline, once it is laid, does not take land out of production but returns it to production after installation. The land is not disturbed more than one week. It is estimated ETSI will take about 600 acres of land out of production for pumping and processing stations the full 1000-mile length of the line. On the other hand for

Atch. 20

the 1300 mile rail line, the rights-of-way, depots, switch yards, etc., will keep 27,143 acres out of production.

Southern California Edison Company, the sole customer of the Blac Mesa Pipeline made a statement to Congress on this subject as follows:

> "Concern over the environment has become an area of major importance in industry decision-making in recent years. To that extent, coal slurry pipelines offer significant environmental advantages over other forms of transportation. Pipelines are the least disruptive to the environment since they involve a minimal disturbance of the land. They are underground and, thus, out of sight and noiseless. As noted by Mr. W. J. Wasp of Bechtel Inc., '...one can stand directly over the Black Mesa pipeline without perceiving visual or audible evidence that the equivalent of 160 rail cars of coal per day is flowing only three feet beneath your feet.' Furthermore, slurry pipelines are immune from the effects of severe weather conditions and surface accidents and, finally, slurry lines can be powered by electricity generated from domestic coal in lieu of imported oil.

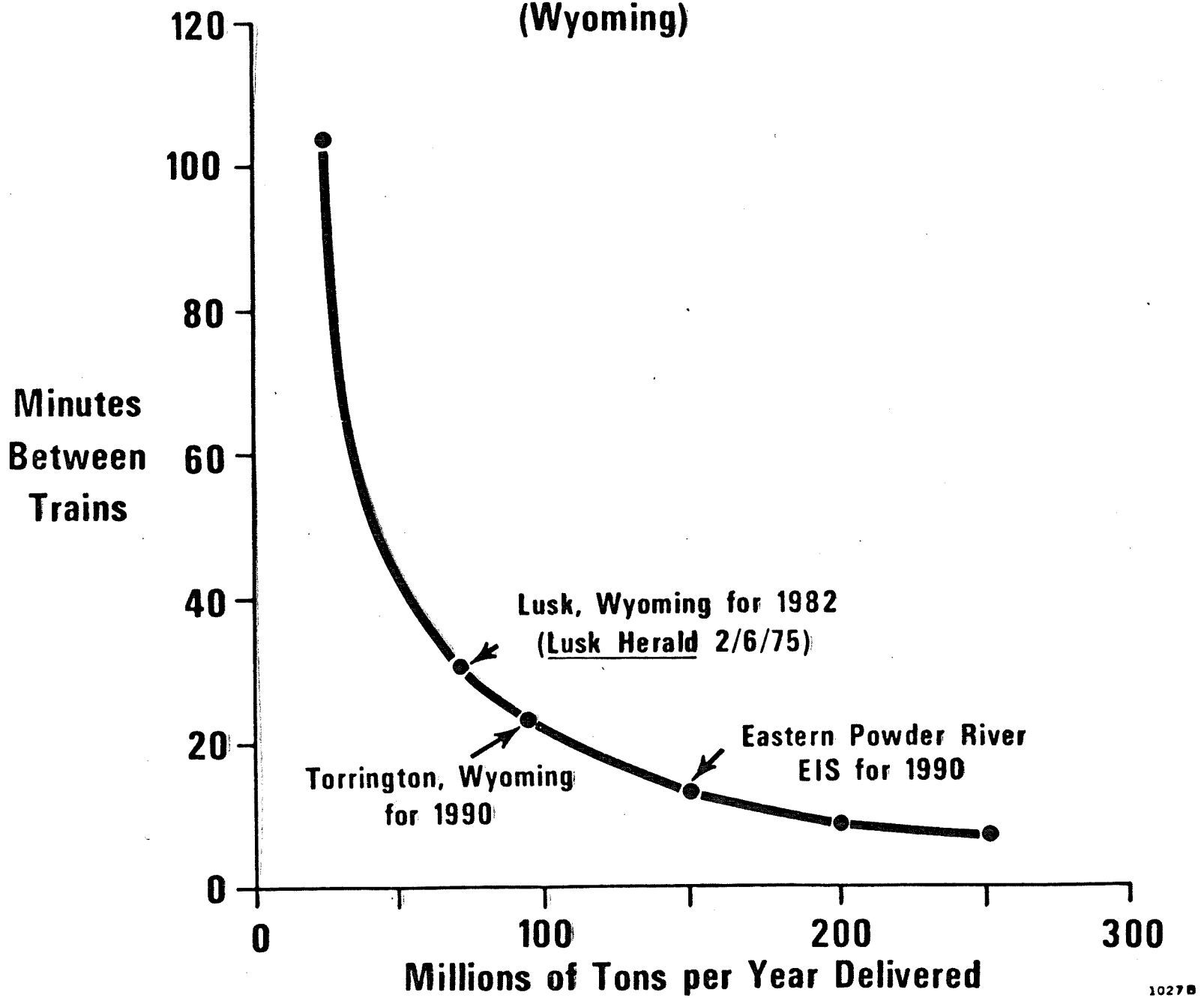
"It should, therefore, be apparent that coal slurry pipelines would be of significant environmental benefit in transporting Western Coal to market with a minimal disruption on the environment."

See Exhibits 1 through 4 for environmental and safety comparisons of pipelines vs. rails.

Mr. Howard Cowan, Vice President of Oklahoma Public Service, testifying in support of House Bill 1609 said that a fully loaded 25 million ton per year pipeline serving Oklahoma utilities could result in a saving of 12 billion dollars over a 30 year period.

ETSI/COAL SLURRY TRANSPORTATION

PIPELINES AVOID RAILROAD TRAFFIC AND NOISE PROBLEMS (Wyoming)



10278

(illegible) Sees No Problems From Coal Traffic

Alliance 12-21-78

GRAND ISLAND, Neb. (AP) — Grand Island's coal train traffic, already expected to increase because of expanding business on the Union Pacific and Burlington Northern Railroads, will increase even more than predicted.

But the traffic, scheduled to increase each year through 1985, should create no problems for Grand Island, according to railroad and city officials.

It has been known for some time that train traffic through Grand Island on the Burlington Northern and the Union Pacific Railroads would increase as a result of coal mining in Wyoming.

But the announcement that Chicago and North Western Railroad also wants to haul coal through the city is the newest development. The proposal must be approved by the Interstate Commerce Commission before it can be put into effect.

Chicago and North Western could have as many as seven full coal trains and as many seven empty coal trains a day going through Grand Island, Joe McCartney, assistant director of public relations for Union Pacific, said.

The railroad may move as much as 25 million tons of coal annually through Grand Island by 1985, he added. Note (2)

Union Pacific currently is moving 23 million tons of coal through Grand Island annually and is expecting this total to increase 8 percent annually each year through 1985, McCartney said. Note (1)

This increase is exclusive of the coal that would be hauled by the Chicago and North Western trains on Union Pacific tracks.

The above article appeared in the Alliance, Nebraska newspaper on December 21, 1978.

Note 1: Union Pacific is now moving 23 million tons of coal through Grand Island, "and is expecting this total to increase 8% annually, each year through 1985", according to a Joe McCartney, Assistant Director of Public Relations for Union Pacific. "This increase is exclusive of the coal that would be hauled by the Chicago and North Western Railroads. An 8% annual increase on 23 million tons will become 39,420,000 tons by 1985."

Note 2: The Chicago and North Western "may move as much as 25 million tons of coal annually through Grand Island by 1985" on Union Pacific tracks.

This is in addition to the 39,420,000 tons or a total of 64,420,000 tons on Union Pacific tracks through Grand Island, Nebraska.

What does this mean at each street the railroad crosses in Grand Island or any other Kansas or Nebraska town with similar 1985 coal-train traffic?

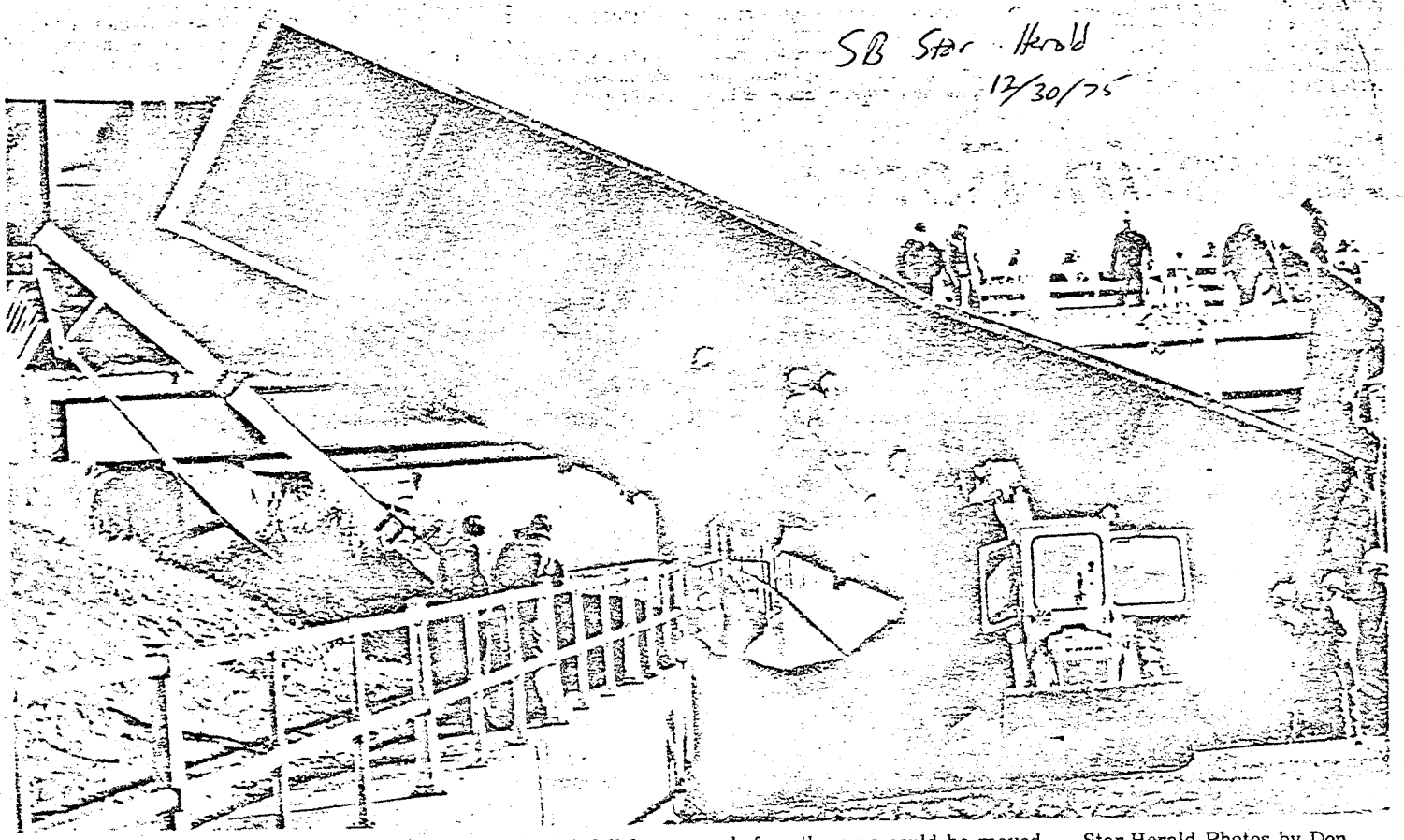
An Analysis of the Above:

It means that 64,420,000 tons is 6,442 full trains, each consisting of 100 cars, each holding 100 tons (200,000 pounds). Then the empty trains have to return to the mines. This is a total of 12,882 trains through Grand Island, in the 8,760 total night-and-day hours which there are in a full 365 day year. This is an average of at least one unit coal-train every 41 minutes of every one of the 525,600 minutes in a year.

The railroad and city officials say this "should create no problems for Grand Island," according to the news article.

"No problem opinion" is not realistic. It is an impossible situation...if all coal-traffic is on the surface to compete with truck, car and people traffic.

SB Star Herald
12/30/75



WORKERS SCOOP coal from one of two cars which fell from overpass and blocked the main entrance into Alliance for several hours Monday. Nearly 200,000 tons of coal had to be removed before the cars could be moved. — Star-Herald Photos by Don Christensen

Crash Gives Alliance Unexpected Coal Gift

By DON CHRISTENSEN
Regional Editor

ALLIANCE — Travel was expected to return to normal today after Burlington-Northern Railroad employes worked feverishly Monday cleaning up a five-car derailment at the Third Street overpass.

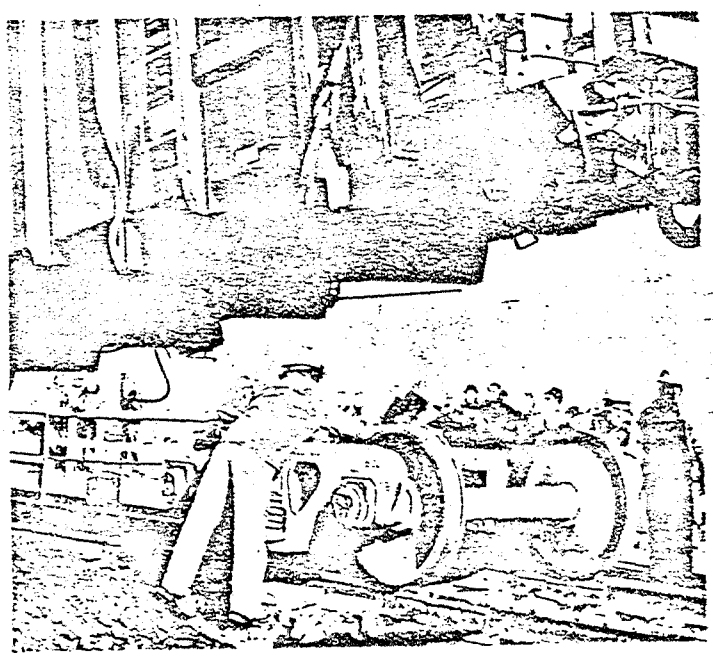
The crash blocked traffic into Alliance for several hours while workmen scooped nearly 200,000 tons of coal before the cars could be removed from the street below the viaduct.

THREE OTHER cars derailed but they did not block traffic. Burlingtonofficials said they thought a broken axle on one of the cars caused the derailment on the 105-car train that was bound for Pueblo, Colo. from the coal mines of Gillette, Wyo.

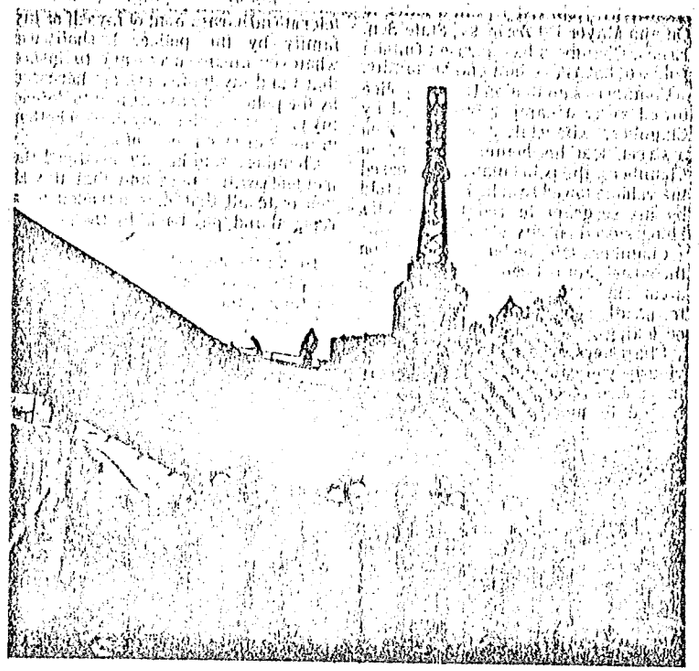
The Tenth Street crossing, nearly seven blocks away, also was damaged from the derailment and traffic had to be re-routed south of Alliance while railroad crews made repairs. The derailment occurred about 2:15 a.m. Burlington officials said. The overpass crosses Highway 2 and 385 which is the main entrance into Alliance from the west. Burlington spokesmen said they thought it was fortunate the accident occurred at a time when there was very little motor vehicle traffic below.

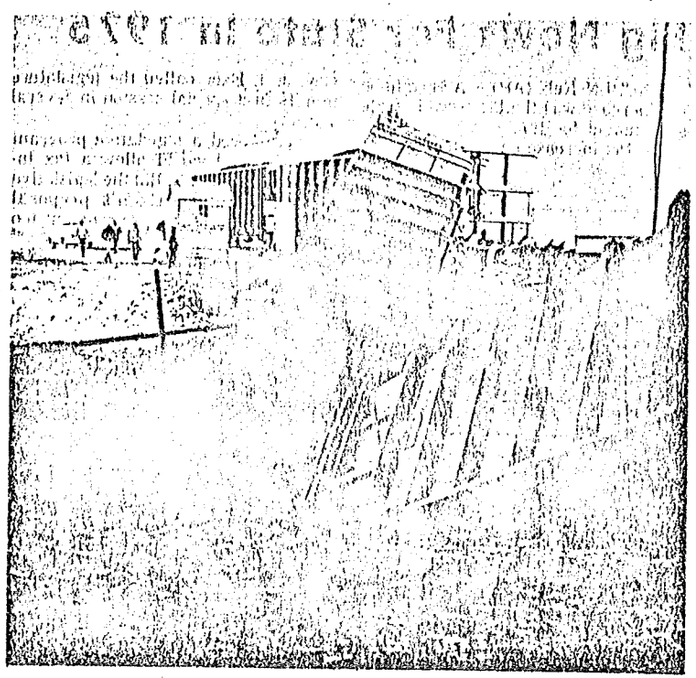
NO INJURIES were reported, although an unidentified emoloye assigned to the switch yard was sitting inside a small switch house just a few feet away from the crash site.

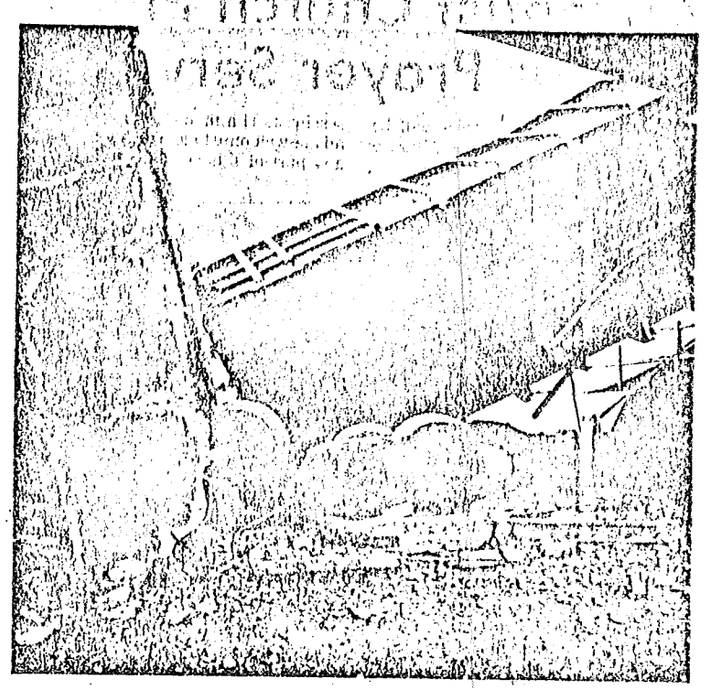
Extensive damage was reported to the overpass and the railroad said it will have to replace part of it later. The coal that spilled into the street was picked up by the City of Alliance and will be used at the power plant at no cost to the city.



RAILROAD employes position wheels while a crane lowers coal car back onto the tracks.







ROAD BLOCK— Third Street remains covered with coal dust following a derailment early Monday morning of a coal train at the overpass on West Third Street. At left, a hook pulls on one spilled car in an attempt to dump its contents. The two cars formed a V-shape down to the street below. The middle photo shows a top view of the cars and in the background are two other derailed cars. At right, a concrete section of the overpass fell with the coal cars but Burlington Northern officials said the overpass is useable.
(Times-Herald Photos)

Coal Spill Blocks Alliance Traffic

Entry to Alliance from the west was all but stopped Monday morning as a Burlington Northern loaded coal train derailed spilling two cars onto Third Street from the overpass and tearing up the Tenth Street crossing.

An estimated 200-300 tons of coal fell onto Third at 2:15 a.m. as a 105-car freight train derailed from what officials said was a broken axle on one of the cars. It was hypothesized the axle broke at the West Alli... Dump and the car dragged to the overpass uprooting planks at the Tenth Street crossing. It was closed at 6 a.m. for repair.

The overpass received minor damage, a BN spokesman said, but it is "of sufficient condition to operate trains." However, a portion of the steel structure will be replaced in the near future.

A total of five cars were derailed in the mishap and one was overturned in order to more easily handle it. City trucks hauled away the coal that will be given to the city for use at the Municipal Power Plant.

The city reported three street lights damaged. W. C. Martinec was the engineer and J. M. Cyza the conductor. The train was enroute from Gillette, Wyo., to Pueblo, Colo.

...o one was injured in the mishap.

THE ALLIANCE TIMES-HERALD

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Hays Daily News

AUG - 3 1975

Railroad vs. Pipeline

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How Will Coal Be Shipped?

DOUGLAS, Wyo. (UPI) — Rancher Rhea Tillard knows Wyoming's coal is marked to fire eastern power plants, but he would rather have it go by pipeline than railroad to get there.

Tillard, and many ranchers in eastern Wyoming, don't want a train every 30 minutes hauling coal past their doors; they don't want the ranges scarred by tracks. They prefer a noiseless pipeline three feet underground doing the same job.

The line would be only the third in the nation and by far the longest, snaking 1,036 miles from mines in Gillette, Wyo. to a power plant complex in White Bluff, Ark. The others are in Arizona and Nevada.

The $750 million pipeline would carry 25 million tons of pulverized coal a year for about 30 years beginning in 1980. The coal would be slurried through the pipe by water from deep wells in northwestern Wyoming.

The railroads are fighting the pipelines, disputing claims they cannot handle the job of transporting huge quantities of western coal needed to feed power plants. They say the pipelines hit them where it hurts the most, taking the large consumers of coal and leaving only smaller customers for the railroads.

"If you take the cream off by taking this part of our business it will affect our ability to serve our customers," a Union Pacific spokesman said. "It threatens the ability of our railroads to serve the entire public, and by threatening us, it threatens employment levels and our ability to serve the communities."

They are refusing to let Energy Transportation Systems, Inc. cross tracks in 40 of the 49 places they must to build the Wyoming pipeline. ETSI is hopeful Congress will resurrect the proposed Coal Pipeline Act of 1974, killed in the House last year, which would assure right-of-way.

Rep. Teno Roncalio, D-Wyo., has opposed the act, expressing concern about the effect pulling 15,000 acre feet of water annually out of the state will have on current users. A lawsuit has been threatened by neighboring South Dakotans.

"There's no basis for a suit," said Frank Odasz, Rocky Mountain manager for ETSI which has posted a $1 million bond and agreed to shut down operations if the pipeline interferes with water users.

The Wyoming Stockgrowers Association refused to support the line because of the water issue, but environmentalists have taken a neutral stand.

"There's no way of saying whether it's excess water or not," said Lynn Dickey of the Power River Basin Resource Council. "There's no way of telling how it will affect users until it begins."

Wyoming's Gov. Ed Herschler opposes the line because it uses state water, but his predecessor Stan Hathaway, now interior secretary, supported it.

Hathaway's backing prompted a legislator to tack the pipeline onto a bill designed to give Wyoming control over water that was used in other states, and it passed after a stormy session. The project gained approval of the Arkansas legislature but was tabled in Nebraska and Kansas for a year's study, leaving ETSI and the railroads stalemated.

"Railroad presidents have conferred with legislative bodies in those states," Odasz said. "Never underestimate the power of the railroad lobby."

Disaster Team's Record Excellent at Tough Job

EDITOR'S NOTE — They're disaster experts, plowing through wreckage of every major airline crash and railroad derailment. Their job is to find the cause — and from that help prevent similar mishaps in the future. They're weak in number but their record is strong, this 200-man National Transportation Safety Board.

By JOHN BARBOUR
AP Newsfeatures Writer

Nothing stems the flow of the nation. Americans on the move. Not ticket lines, security frisks, costly gasoline, toll booths, blowouts, insurance. Not even death.

The log records 220 million airline passengers a year, 2.5 billion aircraft miles, 100 million cars traveling more than a trillion miles, seven million motorcycles, four out of five Americans over 16 licensed to drive, 325,000 miles of railroad track, 28,000 locomotives, 1.7 million railroad cars.

The cost was more than 10,000 railroad accidents a year, more than 4,500 private airplane crashes, more than 44,000 dead on streets and highways, more than the mind can tolerate, and a potential for a lot more.

IN THE BLUR OF COMING AND going — with the detachment of a tennis pro who isolates the stroke from the game — a crew of some 200 experts dissects the failure of metal and men in microscopic detail and examines the pathologyof disaster, the autopsy of blame.

This is the staff of the National Transportation Safety Board, a creature of Congress. Its "Go-Teams" jet to the scene of crashes, explosions, derailments in hours.

They pick through the remains, the twisted metal, the human debris. They reconstruct what they can of the accident from aircraft tapes, skid marks, broken rails and ruptured pipe.

They plumb the horror in the eyes of witnesses, the dark sounds heard in the night, the jumbled events in the disorder of shock and memory. From this they patch together a high-speed vehicle from its trail of wreckage. They do this in the interest of safety, and the hope that the dead have a message for the living.

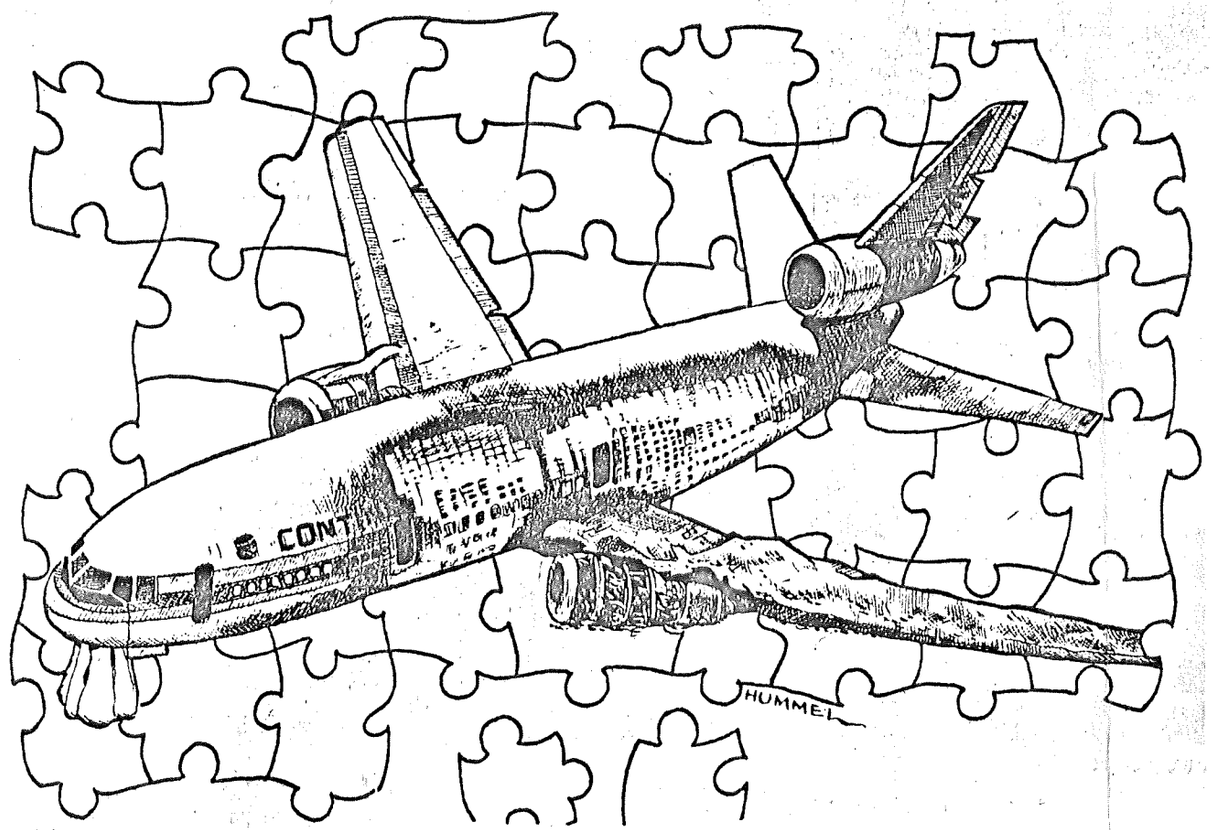
THE DRAMATIC IMPROVE-ment in domestic airline safety over the years is credited to investigations by this group that has earned the reputation of the world's best accident probers.

1976 year was the safest year in airline history for U.S. airlines, only 28 accidents, four of them fatal. The death toll of 45 was the lowest since 1954 when 42 persons died in three fatal accidents. In 1977, the record was marred by the worst airline tragedy in history, the take-off collision of two 747s in the Canary Islands that killed 582. Board experts rushed to the scene and recreated the weird events that involved fog and misunderstood tower instructions.

Many of the dead, the board's experts found, would have lived if they had moved promptly to emergency exits. Instead they sat tight and burned in their seats.

It irks James King, board chairman, that people should accept the inevitability of accidental death and injury. He and other board members point to airplane safety as an example of what can be done. "I think now in safety it's second only to the intercity bus," King says.

KING LIKENS THE FATALISTIC notion that accidents will happen with similar notions about poverty or disease. "That's nonsense. Nobody has to die of smallpox today. My father had diphtheria. I never had it. I had scarlet fever, mumps, whooping cough. Not one of my children did. We are not condemned to certain things."



Continued - pg 1 over

The board is approaching new horizons, new hazards to test its capability. Prime among them are railroad derailments involving hazardous chemicals and highway deaths.

The railroads bring perils to smalltown America. Every day railroad cars full of dangerous cargo roll through a thousand downtowns. The potential for disaster is enormous.

In one February weekend, one of 24 derailed cars exploded in Waverly, Tenn., killing 12 and setting downtown afire; near Cades, Tenn., 24 cars on another train derailed and leaked lethal sodium hydroxide, forcing 100 people from their homes; and near Youngstown, Fla., another train derailed, spewing poisonous chlorine gas into the air, killing eight and sickening 67 others.

IN THE FIRST TWO MONTHS OF 1977, 10 derailments involving dangerous materials forced people from their homes from West Virginia to Michigan. There are some 7,000 derailments a year.

Board experts estimate that one-third of all U.S. railroad accidents are preventable by the use of current regulations and know-how.

King expects rails to have a renaissance, but that will mean wholesale repair of decaying road beds and track.

The solution might be to have the federal government take over maintenance of the right-of-way which railroads have ignored because of their financial condition. The railroads would be responsible for maintenance of their rolling stock.

In one rail accident in Florida, the release of dangerous materials could have been prevented, the board found, by installing extra metal shields on the front of tank cars, so that when coupling devices slip, the tank would not be punctured.

THAT COULD PREVENT 85 percent of the punctures at the cost of a few thousand dollars per tank car, King says. "Now that isn't cheap I know, but looking at the Louisville & Nashville railroad accident in Pensacola, the cost was $800,000. They had to rebuild 12 miles of track. They haven't even settled the legal suits yet. By the time they finish, it's going to be astronomical."

King thinks the board can convince railroads that safety is more profitable than living with accidents.

Same thing for truckers. To meet overall length regulations, truck cabs are getting smaller and trailers longer. The cramped cabs add to driver fatigue. At the same time truck schedules argue against the 55 mph speed limit, and trucks are going faster.

"For every truck driver you hear killed, they kill 40 people in cars," King says with outrage. "The automobiles are getting smaller and the death toll is going to get higher."

The responsible federal agency is the Bureau of Motor Vehicle Safety, Department of Transportation. The board has oversight responsibility for the bureau, which has only 128 people to monitor the nation's vehicles.

"WE STARTED TO ISSUE A REport saying you're not doing your job," King says. "Then we stopped. It wasn't fair. It's like me sending you down with a bucket into the hold of the Titanic and then telling you the ship sank because you didn't bail out fast enough."

Instead the board sent a supporting letter, promising to back a bureau request for more people.

The inequities of the road that lead to death aggravate King and other board members. King wonders if the board shouldn't pressure the Interstate Commerce Commission to get after trucking firms.

"Here's a corporation," he explains. "They put a truck on the road, a lease job. But they knew the truck. They never kept maintenance records because that would show prima facie evidence of neglect. The truck driver came over a hill and killed eight people, injured 27. His brakes failed. He's now in jail for 20 years on negligent homicide.

"But the guys who put him on the road, in the corporation, are all sitting back in the board room. That's wrong."

THE ICC, KING SAYS, COULD keep track of trucking firms "and make sure they never pull that sort of business again."

He points to the pipeline construction in Alaska as a remarkable safety record under difficult weather and terrain situations. They hired bush pilots but they made them live by the safety book or get out.

"They flew more people, more dangerous materials in difficult weather, met their schedules and had an incredible safety record," King says. "Why? It was profitable to be safe."

When you're only 200-strong, King explains, you have to be selective. The board's experts, ranging from meteorologists to metallurgists, from old railroad men to pilots, investigate some 800 civil aviation accidents a year, some 400 railway accidents and various other catastrophic surface events including highway, pipeline and marine incidents. It also reviews nearly 4,000 accident investigations by the Federal Aviation Administration.

The board can only recommend action, but with the weight of Congress behind it, its recommendations are generally followed by the agencies over which it has review — the FAA, the Coast Guard, the Federal Highway Administration, the Federal Railway Administration among them.

THE BOARD HAS A LONG HISTORY. Formerly the investigative arm of the Civil Aeronautics Board in 1938, it was changed to the National Transportation Safety Board in 1966, and established as an independent agency in 1974.

Under law, any board recommendation must be answered by the secretary of transportation within 90 days in writing. If he chooses to reject any recommendation, he must "set forth in detail" his reasons.

While the board's experts "solve" some 96 percent of the air crashes it investigates, they are sometimes stumped when the accident remains are burned beyond recognition or lost at sea. In one DC6 accident, dragging the Gulf of Mexico produced only two seat cushions.

WHILE THE TECHNICAL staff ranges in salary from $18,000 to $47,000, most accident investigators earn no more than $35,000, and the board increases its purview but operates on less than $14 million a year.

Former acting board chairman Kay Bailey would like to see the board's responsibilities include investigation of all small aircraft accidents, and she thinks that the board's marine staff should be beefed up to get ready for tankers carrying liquefied natural gas.

But at the same time the board has to maintain its surveillance of commercial aircraft safety or the death toll will climb again.

pg2.

Wichita Beacon
November 9, 1977

Railroads balk at repairing crossings

By Fred Mann
Wichita Beacon staff

The next time you lose a filling driving over a bumpy railroad crossing in Wichita, it won't help you to know that a third of the crossings here need repair but have been ignored by the railroads.

A late-September survey by the city's maintenance department found 100 of the city's 295 crossings have not been fixed, and have not even been worked on, in spite of defect notices issued after an April inspection by the city.

"We have to stay on them (railroads) all the time," said Bob Loveland, street maintenance supervisor. "We shouldn't have to."

The September survey is the latest chapter in the rocky history of crossing repairs here. Deadlines to make repairs have been missed, extended, and missed again. A city ordinance providing a $25-per-day fine for failure to fix crossings is unworkable and constant notifications to make repairs have failed to provoke action.

In July, 1976, the Kansas Corporation Commission (KCC) issued deadlines for the railroads to fix 146 bad crossings. The last was to have been repaired by Dec. 1, 1976. The April inspection found that 100 of the 146 crossings were not worked on at all.

Here's a breakdown:

Rock Island

In July, 1976, the company was given 60 days to repair 20 crossings. It asked for, and received, an extension, then notified the KCC repairs had been made.

In April, inspectors wrote: "We could discover very little evidence that much has been done since the July, 1976, inspection. We had written up 20 locations at that time and could find only four locations where it appeared some work had been done. In addition, eight crossings found to be in satisfactory condition last July are now in need of repair."

In September, the city maintenance department found that 24 crossings cited in April have had no work done on them. Four have been worked and nine crossings are satisfactory. Rock Island has 87 crossings in Wichita.

George Wilton, superintendent of maintenance in the public works department, said that Rock Island is "virtually hopeless, they just make temporary repairs. . . So far it's just a lot of promises."

Wilton noted the financial problems of the company as one reason for the inaction. Rock Island filed for bankruptcy in March, 1975. Recently, however, Rock Island notified the maintenance department that it would begin work on its crossings here immediately. Loveland said the company had obtained a federal grant to fix its crossing around the country. Work is expected to begin this week on all Rock Island crossings between 21st street and Pawnee, Loveland said.

Missouri Pacific

In July, 1976, the company was given until Dec. 1 to fix 52 crossings. MoPac asked for, and received, an extension to June 1.

The April report noted "that of the 52 locations. . . the railroad has repaired the crossings at 18 locations." Of 29 crossings found satisfactory in July, the April inspection found 12 that needed work.

The report noted that the company's roadmaster had made arrangements with a local paving contractor to do asphalt and concrete work. "This should result in a much better repair record," the report said. The April report also found that repairs made were major ones, including complete reconstruction of crossings at 21st, McLean, Seneca and Lincoln.

In September, the maintenance department found 30 crossings have had no work done, 26 have been improved, 24 are satisfactory and one has deteriorated.

Santa Fe

In July, 1976, the company was given 120 days to fix 53 crossings. Santa Fe missed its first deadline, asked for and received an extension of five months, then asked for, and received, another extension shortly before the second deadline passed.

In April, inspectors found "that the crossings at 15 locations have been repaired or are under contract to by repaired that were written up last July. Crossings at 38 locations still need repairs, although it is possible that patching was done and is needed again. Of the locations reported as O.K. in July, we now have 16 in need of repair."

The September survey found that 29 crossings had been ignored since April. Santa Fe had worked on Santa Fe had worked on 37 crossings, the inspection found, while 40 were satisfactory and one deteriorated. Sante Fe has 107 crossings in the city.

Frisco

In July, 1976, Frisco was given until Dec. 1 to fix 16 crossings. The company notified the KCC that repairs were made on time.

After the April inspection, investigators wrote: "Work requested during the July 1976 inspection has been done at four locations. Work at 12 locations either was not done or needs to done again. Crossings found to be O.K. at the July inspection now need repair at eight locations."

The report noted that Frisco, which owns 56 crossings here, has relatively few crossings to repair, and pointed to a big repair campaign in the early 1970s that paid off.

In September, the maintenance department found 12 Frisco crossings on

(MORE)

which nothing was done since April. Eleven crossings have had some work done, 32 were satisfactory and one deteriorated.

Wichita Terminal Association

In July, 1976,, the company was given 30 days to fix five crossings. It notified the KCC before the deadline passed that repairs had been made.

The April inspection confirmed the pairs, but noted there "were two abandoned crossings which we requested be removed, but this was not done." The report also said minor repairs were needed at eight locations.

The September inspection found five crossings that hav been neglected since April, five that have been worked and four that were satisfactory.

* * * *

Loveland surveyed the reports. "Frisco worked 11 crossings in six months, Rock Island worked four in six months, Terminal worked five, MoPac 26, Santa Fe 37. . . that's not very much," he said.

The ordinance providing the $25-per-day fine was passed in 1971. Since then, said Loveland, not a single fine has been levied against a railroad company.

"By the time the city gets around to fining them, they go out and throw in a shovel full of asphalt," he said.

The ordinance also allows the city to repair crossings and charge the railroads for the work. Loveland said this is not feasible. "It 's a problem of coordinating materials and train schedules," he said. "The railroads have to help me know when they run."

The city could be liable if there's an accident at a crossing on which the city is working, he said.

The KCC can take the railroads to court to force repairs, but this has never been done either, Loveland said. "They (the KCC) just go a couple of rounds with us, then turn around and give them (the railroads) extensions."

Jack Tierce, KCC inspector in charge of the Wichita situation, said he is waiting to hear from the city before he makes another trip here.

Loveland said there are no plans now to call in the KCC since railroads are either working or planning to work on their crossings. Missouri Pacific and Santa Fe are doing some work, while Rock Island will begin repairs soon. Wichita Terminal and Frisco are in "pretty good shape," Loveland said.

The KCC will be called in, he said, if the railroads stop working.

The maintenance department first issued a list of defective crossings in 1967, and followed that with a revised list in 1970.

After the 1971 ordinance was passed, railroads worked on their crossings diligently, but slacked off after two years.

The maintenance department now inspects crossings near the first of each year. The inspections produce a flood of defect notices.

In addition to the yearly inspections, the maintenance department issues notices after receiving, and checking out, complaints of citizens.

Railroads say repairs are expensive and they point to a lack of time and manpower. Said Gary Bohannon, assistant agent for Santa Fe, "There are priorities, we've got lots of miles of track to maintain."

Loveland, saying that the railroads don't have work crews stationed permanently in Wichita, said, "If a gang is in the area, and there's a derailment elsewhere, they'll pull all their people off and leave us hanging."

Cold weather, material shortages and the time-consuming chore of replacing entire crossings are among the reasons given by railroads for missing July deadlines.

The April inspection found that of the 146 crossings ordered repaired in July, 100 had not been worked at all. That number matches the figure of the September inspection, but it doesn't represent the same crossings.

One reason for the deterioration, according to Wilton, is the use of asphalt between tracks. "Crossings can't be rigid," he said, "they have to give under the constant use of cars. A lot of the railroads use asphalt which won't hold up under the up and down motion of traffic."

Asphalt has an average life of six years and an installation and maintenance cost of $28.25 per linear foot per year.

Other crossing materials, such as wood, concrete and metal, are cheaper and last longer, according to maintenance department figures.

Wilton has pointed out this fact to the railroads. "Yes, many times," he said. "Every time I meet with them, I jump on them."

The hardest to convince is Rock Island, which uses asphalt here because the company says it's the most feasible material for its crossings all over the country.

Missouri Pacific and Frisco also have been reluctant to try other materials. "They see the light," said Wilton. However, he added, their budgets, and that of Rock Island, don't allow for an initial investment in these materials.

Rubber panels last for 30 years and have an installation and maintenance cost of $39.73 per linear foot per year. Several railroads have expressed an interest in using the panels and the city has made $85,000 in community development funds available to the railroads to install the rubber at crossings on Central.

The city is now writing up contracts with Santa Fe and the Wichita Terminal Association, the companies that own most of the tracks on Central, to finance installation of rubber crossings.

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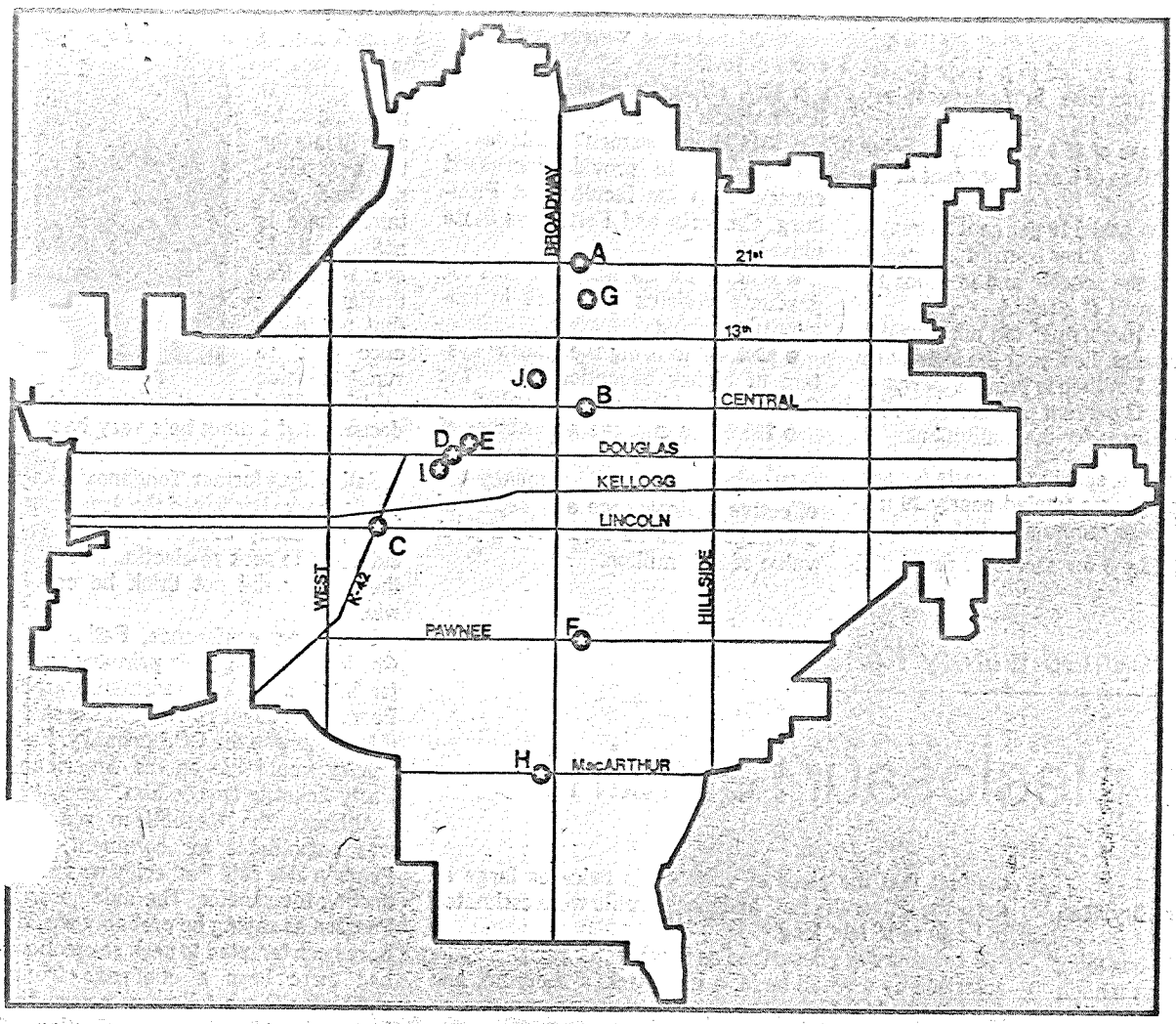

Wichita Beacon/Judy Young

Wichita's 10 worst

Here are the 10 worst crossings in Wichita, according to the city maintenance department (not in order):

(A) 21st west of Mosley - owned by Rock Island.

(B) Several on Central east of Santa Fe - Wichita Terminal Association and Santa Fe.

(C) McCormick and K42 - Missouri Pacific.

(D) Douglas east of Millwood - Missouri Pacific.

(E) Martinson north of Douglas - Missouri Pacific.

(F) Pawnee west of Mead- Rock Island.

(G) 17th and Mead - Rock Island.

(H) MacArthur west of Broadway - Rock Island.

(I) Vine south of Burton - Missouri Pacific.

(J) 8th and Wichita - Missouri Pacific.

REPAIRS OF ROUGH CROSSINGS IN WICHITA

			Results of Inspection April			Results of Inspection September		
Railroad	Crossings Owned in Wichita	Need Repairs July, 1976	nothing done	improved	became worse	nothing done	improved	became worse
Santa Fe	107	53**	38	15	16	29	37	1
Missouri Pacific	81	52*	34	18	12	30	26	1
Frisco	56	16	12	4	8	12	11	1
Rock Island	37	20*	16	4	8	24	4	0
Wichita Terminal Assoc.	14	5	(2 abandoned tracks not removed)	5	8	5	5	0
Total	295	146	100	46	52	100	83	3

*—indicates extension of deadline to fix crossings granted by Kansas Corporation Commission

Wichita Beacon/Judy Young

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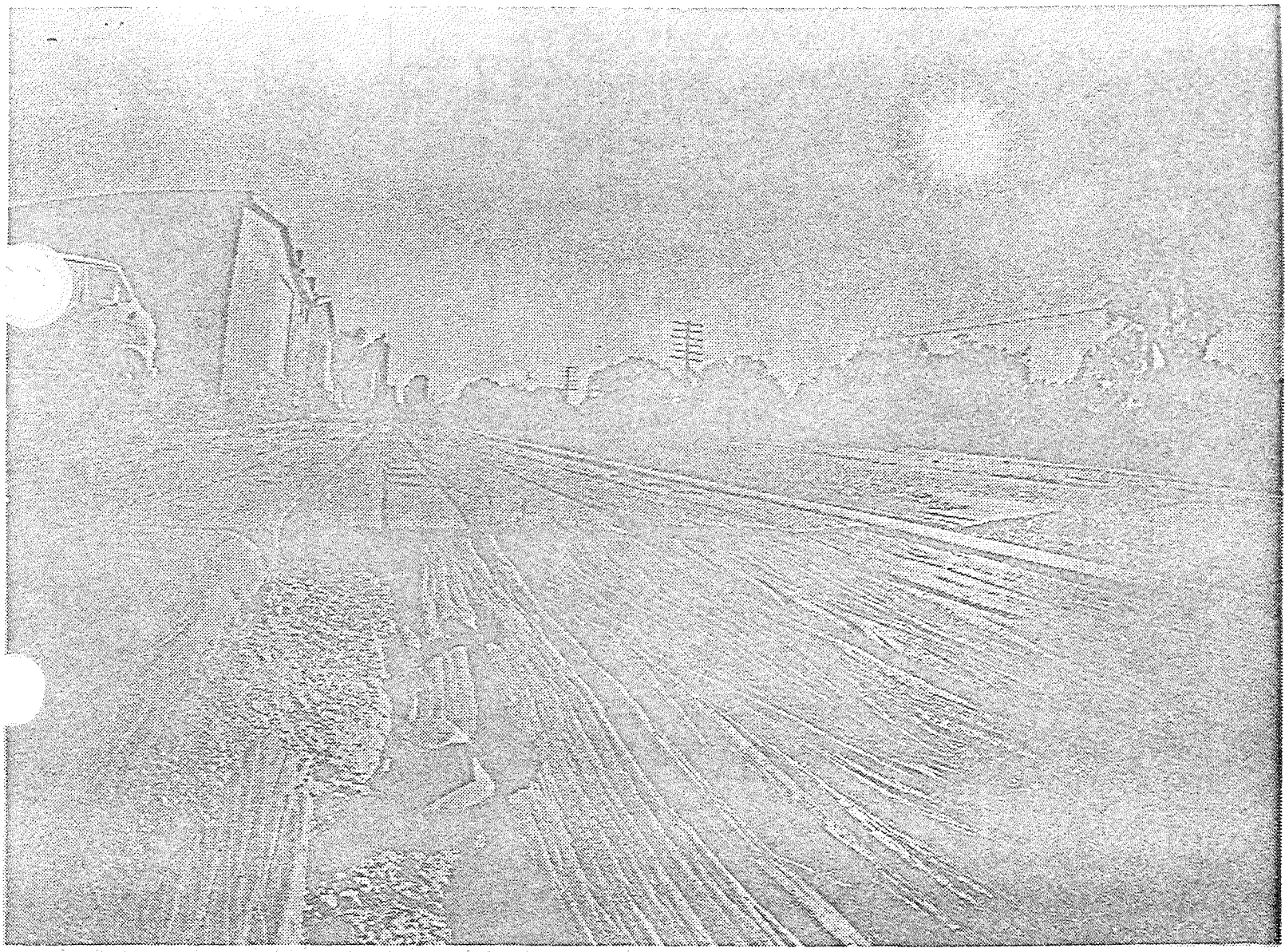


Wichita Beacon/John Avery

Crossing at 15th and Santa Fe shows some signs of neglect.

Wichita Beacon/John Avery

Bumpity, bump, goes another car over a rough railroad crossing in Wichita. Keeping the railroads on their toes is a full-time job, city maintenance employees say.

Fact Sheet #11

"LOSS OF JOBS"

The railroads have stated:

The opponents of the coal slurry pipeline claim that for ETSI to operate the proposed pipeline will cost a loss of many jobs for railroad employees.

Fact:

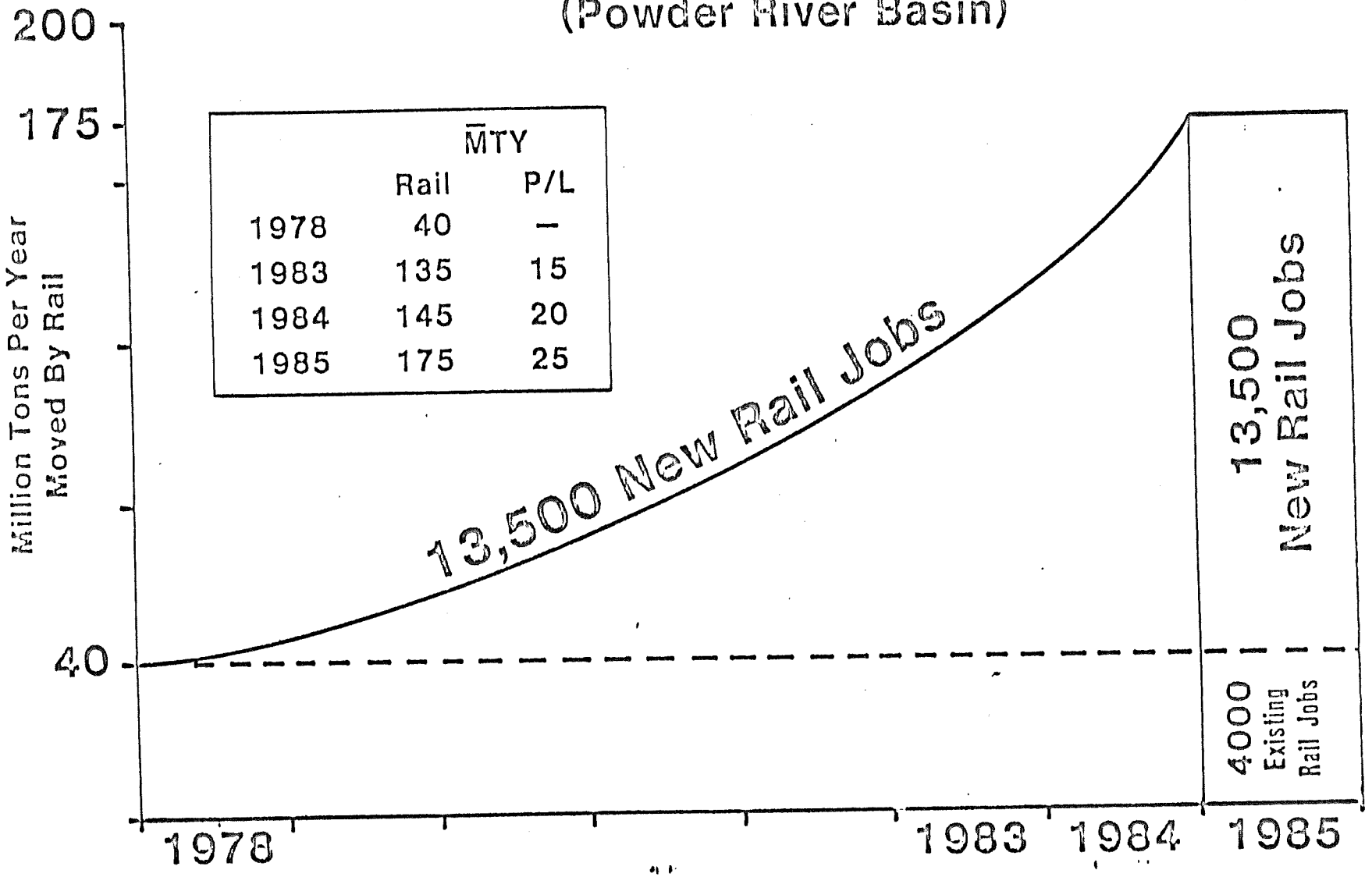
Not true. The demand for coal is daily increasing. Four thousand railroad employees are now being used to haul the 40 million tons of coal now coming out of the Powder River Basin in Wyoming. By 1985, when ETSI will be in operation, this demand will have increased to 200 million tons of which ETSI will haul 25 million tons. To meet this demand for the additional haul of 135 million tons, the railroads will have to employ 13,500 new railroad workers.

Atch. 24

ETSI

New Rail Jobs

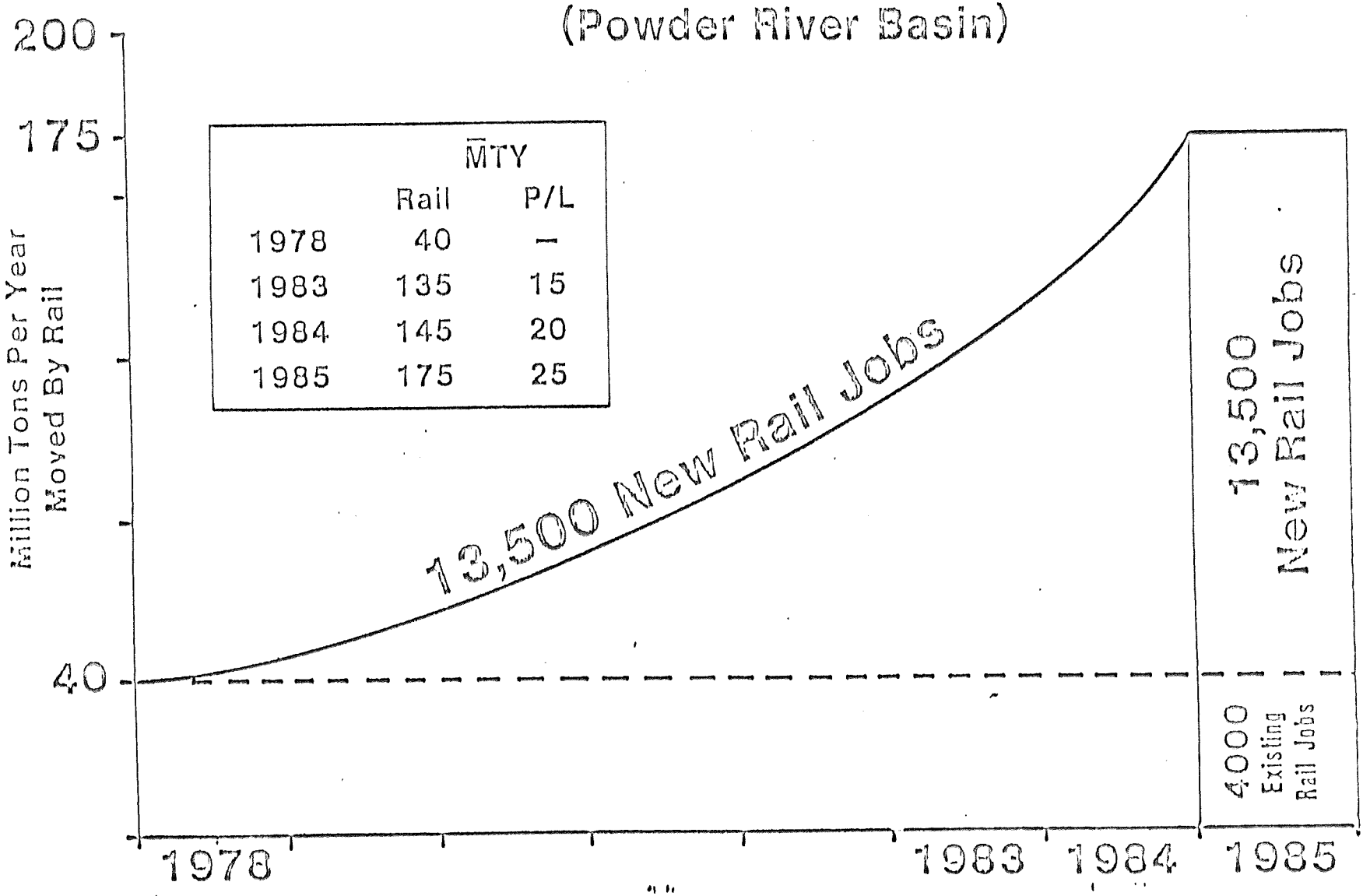
175 Million Tons Per Year in 1985
(Moved by Rail)
(Powder River Basin)



ETSI

New Rail Jobs

175 Million Tons Per Year in 1985
(Moved by Rail)
(Powder River Basin)



Awards, BN Talk Accent H'ford C Of C Banquet

By ROBERT L. CAMPBELL

HEMINGFORD (T-HNS) — Highlighting the annual Hemingford Chamber of Commerce banquet Monday night were a keynote address by Burlington Northern's Alliance Division Supetintendent Glenn Saylor, an introduction of new chamber directors and the presentation of awards to outstanding people of the community.

Addressing a crowd of about 65 people in St. Bridget's Catholic Church, Saylor outlined the railroad expansion program currently being developed in the Alliance-Hemingford area and assured Hemingford residents that B-N is in business to stay for a while.

"Coal mines must have a 20-year supply before they will open," Saylor informed his audience. With B-N now transporting coal for Kerr-McGee, which owns seven mines in the Gillette, Wyo. area, Saylor did not seem to be stretching the point when he said, "We have lots of coal to haul."

Despite the great quantities of fossil fuel being shipped through western Nebraska, "reports that B-N is giving the right of way to coal are not completely true." According to Saylor, 170 locomotives have been taken out of coal service and will be used to haul grain.

Among improvements listed by the railroad superintendent are the near-completion of a $55 million repair shop in Alliance and the upgrading to 132-pound double track by 1983. Presently the Hemingford area line is unique on the B-N system with an estimated 100 million gross tons of freight projected for shipment on the 112-pound single track during 1979.

Despite the great increase of B-N employment — from 150 people in 1973 to 1,300 today to an estimated 2,400 by 1980 — Saylor told his listeners, "Hemingford is very, very smart not to overreact" in the realm of new housing construction. He added that the community can retain its desirable small-town sovereignty by carefully planning growth and development.

After fielding questions from members of the audience, Saylor concluded his talk by explaining why B-N is not in the business of people transportation. "With Amtrak losing $1 billion in 1976 . . . and with airlines being 90 percent more efficient, it just doesn't make sense for us to get into that field."

Following an award presentation to outgoing president Don Hanks, Hemingford Chamber of Commerce president Bill Manion introduced the eight other directors and named his committee chairmen for 1979. The six appointees and their committees are: Neil Bailey, retail; Ed Planansky and Bruce Engel, membership; Dee Brauninger, community improvement; John Laeger, agriculture; and Arlee Phillips, entertainment.

In another awards presentation, three Hemingford citizens were singled out for "meritorious service above the ordinary duties of a citizen."

Dee Brauninger, co-minister of the Church of Hemingford with her husband Bob and yoked parish minister of the Presbyterian Church in Alliance, was named Woman of the Year. The mother of two children, Ms. Brauninger moved to Hemingford in 1976 from Boulder, Colo., where she was an assistant minister and Montessori school administrator. She was educated at Whitehall (Mich.) High School, Albion College and Chicago Theological Seminary. Ms. Brauninger taught English and religion in Sapporo, Japan during 1967-68 before moving to Boulder.

Named Man of the Year was Sam Cullan, who, when elected in 1976, was the youngest state senator in Nebraska history. Cullan is a native of Hemingford and farmed with his dad, Harry Cullan, before being graduated with honors in 1975 from the U. S. Merchant Marine Academy in Kingsport, N.Y. Cullan served as chairman of the legislative bill review committee and was a member of the public works committee of the 85th Legislature. He has been named chairman of the public health and welfare committee for the 86th Legislature.

A leading Hemingford businessman for 21 years, George Osborne, was named Old timer of the Year. Osborne has served on the Village Board, the school board, the telephone company board of directors and was Mayor of Hemingford for eight years. He is a member of the Masonic Lodge, the Cattle Capital Shrine Club and the American War Dads. Osborne, a native of Pittsburgh, Penn., moved from Denver to Hemingford in 1945.

THE ALLIANCE TIMES-HERALD

VOL. 91, NO. 195 (USPS 014-020) ALLIANCE, NEBRASKA TUESDAY, JANUARY 16, 1979 FIFTEEN CENTS

Fact Sheet #12

"ETSI IS NOT A COMMON CARRIER

AND IS NOT REGULATED BY THE ICC"

The railroads have stated:

ETSI is a private company which will not operate as common carrier and will not be regulated by the ICC.

Fact:

Not true .... ETSI will be required to operate as a common carrier and will be regulated by the ICC to the same degree and extent as all of the other oil companies and transportation companies operating 153,000 miles of pipelines in the United States.

Mr. George Stafford, then Chairman of the ICC, told the Committee of Interior and Insular Affairs, U.S. Senate on July 12, 1974 of the extent of jurisdiction the ICC would have in this regard, when he said in a letter:

"Generally, this Commission's jurisdiction over pipelines extends primarily to the following matters: The pipelines' duty ' . . . to provide and furnish transportation upon reasonable request therefor . .' (Section 1 (4) and ' . . . to establish reasonable through routes with other such carriers . . .' (Section 1 (4) and 15 (3)) and establish ' . . just and reasonable rates, fares, charges and classification . .' (Section 1 (4) (5) and (6)); the prohibition against subjecting any shipper, locality or territory ' . . . any undue or unreasonable prejudice or disadvantage in any respect whatsoever . . .' (Section 3); the requirement that every pipeline file with the Commission all rates, charges, classifications, regulations and practices for transportation between all points on its system (Section 6) and not demand or

Atch. 25

correct any different compensation for transportation than specified in its filed tariff (Section 2 and 6(7)); the authority of the Commission to review all pipeline rates and, if it determines that such rate is unjust or unreasonable or unjustly discriminatory or unduly preferential, to suspend such rate and determine and prescribe the just and reasonable rate (Section 15(1) (7)); the prohibition against a pipeline's entering into any agreement with any other pipeline for the pooling or division of traffic, service or gross or net earnings, except upon the specific approval by order of the Commission (Section 5(1)); the duty of every pipeline to file annual, periodical and special reports as the Commission may require and in the form so required (Section 20(1)); the authority of the Commission to prescribe a Uniform System of Accounts for pipelines which shall be used by all pipelines (Section 20(3)); and to prescribe rates of depreciation for pipeline property which must be used by all pipelines (Section 20(4)); and the authority of the Commission or any duly authorized special agent, accountant or examiner at all times to inspect all accounts, books, records, correspondence or other documents of every pipeline (Section 20 (5)); and to provide a basic and annual valuation of each pipeline's properties (Section 19a)."

Under the Interstate Commerce Act, we have jurisdiction over all interstate pipelines, except those utilized for the transportation of water and natural or artificial gas. That jurisdiction includes coal slurry pipelines. There is presently only one such pipeline operating pursuant to the Act, that is, the Black Mesa Pipe Line, Inc., a wholly-owned subsidiary of Southern Pacific Pipeline, Inc. It runs

273 miles from the Black Mesa coal area of northeastern Arizona to a point near Davis Dam in Nevada.

Pipelines under our jurisdiction are subject to those provisions of the Act which forbid unjust discrimination and undue preference. Also, they are subject to those sections dealing with just and reasonable rates, reasonable facilities for the interchange of traffic, and compliance with the long- and short-haul provisions of section 4. Pipelines must also comply with the accounting, reporting and valuation regulations, and the procedural provisions of the Act covering rates and tariffs. Section 1(4) of the Act imposes upon pipelines the duty ". . . to provide and furnish transportation upon reasonable request therefor".

We emphasize Mr. Stafford's statement that the Act imposes the duty " . . . to provide and furnish transportation upon reasonable request therefor." This requires ETSI to operate as a common carrier because of the provisions of the Interstate Commerce Act itself.

To constitute a "common carrier" the corporation must hold itself out as engaged in a public service for all persons who may want to use such service so that it would be liable for refusal without excuse to carry for all who might apply. (8 Words and Phrases -- Common Carriers, Pocket Supp. 7).

K.S.A. 66-105 defines a common carrier as:

"The term 'common carriers' as used in this act (Chapter 66, Article 1, Powers of State Corporation Commission) shall in-

include all . . . pipeline companies, and all persons and associations of persons, whether incorporated or not, operating such agencies for public use in the conveyance of . . . property within this state."

For a variety of reasons coal slurry pipelines necessarily have to be common carriers. This is so because of both the language and interpretations of the Interstate Commerce Act (and other acts) which have had the inevitable effect of making pipelines common carriers. Also, if the pipeline crosses federal lands it must be a common carrier. This is a requirement for crossing such lands. Also, the requirement is found in Section 28 (r) (1) of the Mineral Leasing Act of 1920 (30 U.S.C. 185) as amended by Public Law 93, 153 (1973). The common law imposes strict duties on common carriers where no statute may be in effect.

One of the most succinct discussions of the duties of a common carrier under the common law appears in a Senate Report in the legislative history of the Trans-Alaska Pipeline Authorization Act itself (U.S. Code Congressional and Administrative News, No. 11, 1973, p. 4293, Senate Report No. 93-207, June 12, 1973:

> "Under common law, common carriers of a particular kind of goods have the duty to receive and transport all such goods tendered to the limit of their capacity and at reasonable rates. If a common carrier lacks the capacity to transport all the goods tendered it, it must transport all shippers with respect to rates. Operators of common carriers are also required to furnish without discrimination loading and offtake facilities, but this obligation is limited by

by both custom and reason. Failure of a common carrier to discharge its obligations as such makes it subject to action for damages, and if this remedy is not adequate, to injunctive relief."

Failure to adhere to these legal strictures could result in drastic sanctions. Cf. Denver Petroleum Corp. v. Shell Oil Co., 306 F Supp. 289 (D.C. Colo. 1969).

Mr. E.R. Miller, Executive Director of the Nebraska Railroad Association, in discussing this subject, stated:

"I agree with . . . ETSI that we are common carriers and maybe a little bit more common than the ETSI line would be, to the extent that we serve all of the public in any commodity . . ."

Mr. Miller then stated of the coal slurry pipeline concept " . . . and it technologically is possible. It's feasible."

We conclude that ETSI must operate as a common carrier because the Interstate Commerce Act, 49 U.S.C., paragraph 1, et seq requires all such pipelines in interstate commerce, to act as such. A full legal Brief will be submitted on request.

Fact Sheet #13

Energy Transportation Systems Inc.
220 West Douglas
Suite 140, Page Court
Wichita, Kansas 67202
Telephone (316) 264-0686

ETSI

2/6/79

"FOOT IN THE DOOR ACCUSATION"

The railroads have stated:

The railroads are saying that the reason ETSI is asking for eminent domain against the entities having that right...mainly the railroads...is that once it gets this right, it will come back to the legislature for an expansion of such rights to include eminent domain against individual landowners.

Fact:

Those responsible for right-of-way acquisition for the ETSI project have acquired more than 12,000 miles of right-of-way for pipelines throughout the United States, Canada, and several foreign countries. These acquisitions have involved negotiations with more than 40,000 individual landowners and a multitude of local, state, and federal regulatory authorities.

Experience on these projects clearly illustrates that rights-of-way across privately-owned lands can be negotiated on a fair and equitable basis and that, in the absence of institutional barriers such as now presented by the railroads, total rights-of-way for major cross-country pipelines can be acquired in face-to-face negotiations without any threat of eminent domain. Some projects, for which portions of or all of the rights-of-way have been acquired without any eminent domain rights, are as follows:

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Client	Materials Transported	No. of Miles All Projects	Location
Lakehead Pipeline	crude oil	1,395	Wisconsin, Illinois, Indiana (75% farmlands, grain, and row crops)
Southern Pacific Pipe Lines, Inc.	products	1,588	Texas, California, Oregon, Nevada, Arizona (orange groves, some timber, pasture lands, vegetable farms, alfalfa)
Black Mesa Pipeline, Inc.	coal slurry	273	Arizona, Nevada (range lands, minor alfalfa fields)
San Diego Pipeline Company	products	120	Southern California (orange groves, vegetable farms, and other row crops, military grounds, city and municipal land)
Alton Pipeline Company	coal slurry	180	Utah, Nevada (range lands, some alfalfa)
Calaveras Cement	limestone slurry	17	Northern California (timber, grazing lands, minor grape vineyards)
Lone Star Cement Company	limestone slurry	50	Washington (fine farmlands, alfalfa, some vegetables, and row crops)

Based on the success of these projects, ETSI has no reservations about being able to acquire the privately-owned rights-of-way for their proposed Wyoming-to-Arkansas project. Therefore, as a legal representative of ETSI, I hereby state that we do not now, nor do we plan to in the future, seek any broader eminent domain rights in Kansas than would be provided by H.B. 2193.

ENERGY TRANSPORTATION SYSTEMS INC.

Walter A. Hale

BY: WALTER A. HALE
MIDWEST AREA MANAGER

Fact Sheet #14

"THE RAILROADS SAY COAL SLURRY PIPELINE IS UNFAIR COMPETITION"

The railroads have stated:

The railroads claim the coal slurry pipeline is unfair competition, yet if any are built they want to build them and be the owners thereof.

Fact:

1. Prior testimony by the railroads has complained of "unregulated competition" or "unfair competition" by coal clurry pipelines. One witness for the railroads testified that the railroads "simply cannot afford any additional transportation competition" (Senate Interior and Insular Affairs Committee testimony, July 11, 1974, Hearing Record p. 144 on the Federal coal slurry pipeline Act.)

2. But otherwise, the railroads agree that coal slurry pipelines are technically feasible and, in fact, apparently privately agree that they are inevitable. For example:

(a) Southern Pacific Company owns the one domestic operating coal slurry pipeline-- the Black Mesa line;

(b) The Burlington-Northern participated in a long-term study regarding coal slurry pipelines. Even today, as a part of its coal leasing program, it requires a 50% ownership in any planned pipeline moving Burlington-owned coal.

Atch. 27

(c) A pipeline subsidiary of the Union Pacific Railroad (Calnev Pipeline Company) chaired a panel presentation on coal slurry pipelines in Tulsa, Oklahoma, in September of this year and its representative agreed that coal slurry pipelines are necessary and inevitable;

(d) One of the railroads which refused ETSI's request for crossing rights (the MKT) indicated its position might be different if it was offered an equity position in the pipeline.

(e) The railroads have told Rep. William Wampler that they could accept his National Coal Policy Act of 1975 (H.R. 9906) <u>if</u> the words "or other carriers" were deleted from Section 502. See Exhibit 1.

3. If this legislation is not passed, as a practical matter no one but a railroad will be able to build coal slurry pipelines, thus giving the railroads a double-barrelled monopoly.

APPENDIX E

"The National Coal Policy Act of 1975" (H.R. 9906)

EMINENT DOMAIN

SEC. 502. (a) Railroads are hereby authorized to build and operate, or to lease, coal pipelines on their rights-of-way, with origins, interchanges and deliveries, both on and off line, patterned on current or modified systems.

(b) Where railroads or other carriers cannot otherwise acquire necessary rights-of-way for the construction and operation of such pipelines through private negotiations, the Secretary of the Interior is hereby authorized to grant certificates of public convenience and necessity for such railroads or other carriers to exercise the power of eminent domain where such pipelines can be shown to be in the national interest and under appropriate criteria and procedures to be established by the Secretary of the Interior, in consultation with the Department of Transportation, the Department of Agriculture, and the Environmental Protection Agency, for the issuance thereof.

EXHIBIT 1

FARM BUREAU MUTUAL INSURANCE CO., INC.
KANSAS FARM LIFE INSURANCE CO., INC.
KFB INSURANCE CO., INC.

Lee F. Sells
Agency Manager

LaCrosse, Kansas
January 11, 1979

Mr. Pete McGille
Energy transportation Systems, Inc.
220 W. Douglas
Suite 140 Paige Court
Wichita, Kansas 67202

Dear Mr. McGille;

The Rush County Farm Bureau Board at their regular board meeting on January 9, 1979 voted to endorse the coal slurry pipe line with the request that all consideration be given to the land owner and tennant in regard to future terraces and diversion ditches that may be put on the land in the future. We want the pipe line deep enough so as not to cause problems or force the cancellation of future soil conservation work.

Sincerely,

Raymond P. Georg

Raymond P. Georg, Policy Chairman
Rush County Farm Bureau

RG/ms

La Crosse, Kansas 67548 / Off. Phone: 222-3415 / Res. Phone: 222-

KANSAS FARM BUREAU
December 2, 1978

TRANSPORTATION AND UTILITIES

Coal Slurry Pipeline

In our resolution on "Energy Sources and Supplies," we ask for the lifting of federal and state regulations which limit the development of domestic energy supplies. We also express our belief that government and private industry should work cooperatively to develop all possible sources of fuel supplies.

In keeping with our support for development and appropriate utilization of existing and alternative energy supplies, and in the belief that a coal slurry pipeline offers a safe, efficient, economical means to transport one of those sources of energy, we would favor construction of a coal slurry pipeline provided that:

1) No transportation system or public utility shall be granted the power of eminent domain without such pipeline being under the regulatory control of the Interstate Commerce Commission;
2) Any grant of the right of power of eminent domain to any coal slurry pipeline shall be limited, and shall be exercised only against another transportation system, utility, corporation, association or public or private entity, having the power of eminent domain;
3) The power of eminent domain shall not be exercised against private landowners;
4) Any coal slurry pipeline entering or traversing the State of Kansas shall guarantee to the citizens and industries of this state an opportunity to purchase coal carried by the coal slurry pipeline.

MECHANICAL CONTRACTORS Association of Kansas, Inc.

PHONE 913/354-1130 • 325 FIRST NATIONAL BANK TOWER • ONE TOWNSITE PLAZA • TOPEKA, KANSAS 66603

JANUARY 1978

RESOLUTION IN FAVOR OF COAL SLURRY PIPE LINES.

The Directors of the Mechanical Contractors Association of Kansas have approved this resolution to support the right of eminent domain for the coal slurry pipeline to be constructed across Kansas. We urge the Kansas Legislature to extend this "right" for this method of transporting coal and minerals and take this action in the 1978 session.

Mechanical Contractors install the primary energy-consuming equipment and systems for environmental comfort in buildings with plumbing, heating, and air conditioning systems.

Our industry is inherently involved with energy and vitally concerned that the lowest cost electrical energy be provided to the consuming public.

We are aware of the massive changes needed to convert from oil and gas to coal in in power plants. We know that years of lead time are are required to make these changes, and unnecessary delay only worsens the problem.

The growth trend of demand for energy is so great that much evidence exists to believe that those supplying and transporting the elements to produce energy will all have a sufficient amount of business.

We support that which will give the highest priority to the consuming public over that which is best for a particular industry.

WICHITA CHAMBER OF COMMERCE LEGISLATIVE COMMITTEE

RESOLUTION

Whereas vast amounts of coal will be needed in all areas of the United States as substitutes for oil and natural gas:

Whereas most of increase will originate in the Rocky Mountain areas and be transported to other states:

Whereas the Railroads are now the only way this coal traffic can be handled:

Whereas competition in the American business community is vitally important to the economic health of the United States:

Whereas the transportation of all energy forms involves Eminent Domain at either the state and/or federal level:

Now therefore, be it resolved that the Wichita Chamber of Commerce support state and federal legislation granting Eminent Domain for pipelines carrying coal.

MISC-5 PRODUCT LIABILITY. The Wichita Area Chamber of Commerce supports legislation designed to alleviate the mounting crisis in the area of product liability.

It is our belief that any legislation should protect the consumer, as well as the manufacturer of the product, from unjust injury or frivolous law suits, which only add to the cost of the product, and tend to be an inflationary factor on economy.

MISC-6 COAL SLURRY PIPELINE The Wichita Area Chamber of Commerce supports the right of eminent domain for coal slurry pipelines which comply with all rules and regulations governing pipeline services.

12-21

OFFICE OF THE MAYOR
262-0611 — AREA CODE 316
CITY BUILDING — 204 S. MAIN ST.
WICHITA, KANSAS 67202

September 22, 1975

Dear Sedgwick County Legislator:

Enclosed is a copy of a resolution adopted by Wichita's Board of City Commissioners urging your careful consideration and support of a coal slurry pipeline project in the State of Kansas.

Your support of the concept of a coal slurry pipeline and granting the right of eminent domain for pipeline right-of-way is urgently requested.

In these days of continuing search for energy sources, we feel that the coal slurry pipeline concept signifies a special benefit for the people of Kansas.

Sincerely,

Connie A. Peters

Connie A. Peters
Mayor

CAP/ksh
Enclosure

A RESOLUTION REQUESTING
THE STATE LEGISLATURE TO
MAKE POSSIBLE THE CONSTRUCTION
OF A COAL SLURRY PIPELINE
INTO AND ACROSS THE STATE OF KANSAS
TO AID IN THE CURRENT ENERGY CRISIS

WHEREAS, the State of Kansas and the Nation face a permanent acute energy shortage in natural gas and petroleum products; and

WHEREAS, natural gas and petroleum products have historically supplied the energy needs for Kansas industries, public utilities, residential uses and such uses as are basic to the needs of a strong progressive economy; and

WHEREAS, the United States, the State of Kansas, and the City of Wichita and gas utilities have found it imperative to cut off or seriously limit the amount of natural gas available for use by residential, educational, industrial, commercial, hospital and governmental customers because of the short supply of such natural gas; and

WHEREAS, advice by knowledgeable and expert persons in the area of energy supply advise that the United States is facing a serious decline of natural gas reserves; and

WHEREAS, it is imperative that alternative sources of energy be developed as rapidly as possible; and

WHEREAS, coal is the main alternate source of energy which is capable of replacing rapid depletion of natural gas and dependence on foreign energy supplies; and

WHEREAS, there is enough coal reserve in the States of Wyoming and Montana and environs to meet the energy demands of the United States for three hundred years; and

WHEREAS, a recent National Academy of Engineering report estimated that United States coal production will double by 1985 and western coal production will increase ten times; and

WHEREAS, the equipment and services of the Nation's railroads are probably inadequate to transport such increased volume of coal needed to fill the Nation's energy requirements; and

WHEREAS, the Legislature of the State of Kansas and the Congress of the United States have granted the right of eminent domain to thousands of intrastate and interstate pipeline transporters of petroleum products, natural gas and electricity; and

WHEREAS, the coal slurry pipeline concept is a new technology involving the transportation of coal by a system that is economical, reliable, safe and environmentally attractive,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF CITY COMMISSIONERS OF THE CITY OF WICHITA, KANSAS:

That the people of the City of Wichita and of Kansas are hereby urged to give their support to the concept of transportation of coal by a coal slurry pipeline as a major answer to the energy crisis and to permit competition in our free enterprise system; and

BE IT FURTHER RESOLVED, that the Governor and the Legislature of the State of Kansas are hereby requested to grant the right of eminent domain to any corporation for the purpose of constructing and operating a coal slurry

KANSAS ELECTRIC COOPERATIVES, INC.

5709 WEST 21ST STREET • TOPEKA • AC 913 272 8740

MAILING ADDRESS P.O. BOX 4267 • GAGE CENTER STATION • TOPEKA, KANSAS 66604

CHARLES ROSS
General Manager

November 17, 1975

Mr. Bill Farmer, Attorney
Suite 830
200 West Douglas
Wichita, Kansas 67202

Dear Mr. Farmer:

I am enclosing a copy of the NRECA Region VII resolution concerning coal slurry pipelines adopted at Wichita, Kansas on October 31, 1975.

Cordially,

Harold Shoaf
Administrative Staff Assistant

HS:ps
Enclosure

COLLECTIVE EXHIBIT # 1 (Fact Sheet #4)

If possible, these rules and regulations should eliminate potential gains to those individuals and organizations that have speculated in these surface lands.

3. The immediate resumption of Federal coal land leasing in the western states.

7-3 COAL SLURRY PIPELINES

The delegates to this Region VII Meeting of the National Rural Electric Cooperative Association are deeply concerned over the ever increasing cost of service to our consumers.

Higher fuel costs and growing shortages of natural gas contribute to higher power costs and make it imperative that we support efforts to develop domestic coal resources as a source of low cost fuel for electric generation.

The transportation of coal by slurry pipeline appears to be an effective and low cost transportation method which can supplement other methods of transporting coal to the benefit of electric power consumers.

It may be impossible for coal slurry pipelines to be developed unless given the right of eminent domain.

The delegates to the Region VII Meeting of the National Rural Electric Cooperative Association favor immediate passage of pending legislation before the U. S. Congress and before Legislatures in the states of Kansas and Nebraska extending the right of eminent domain to coal slurry pipelines.

7-4 ENVIRONMENTAL PROTECTION LAWS AND REGULATIONS

The electric utility industry fully recognizes its responsibilities to construct and operate its facilities in such a manner that will minimize the adverse impact of such facilities on the environment. But, the consuming public should understand that the cost to the electric utility industry of meeting these environmental responsibilities is very substantial, and can be met only by increasing the price of electricity to the consumer.

However, the electric utility industry is being required or urged, in the name of environmental protection, to adopt expensive practices and procedures which may yield no real environmental benefit commensurate with their cost.

Therefore, we urge the Congress and those agencies of Federal, State or local governments, responsible for enactment and application of environmental protection laws, to recognize the need for achieving a balance among a clean environment, adequate energy availability and fiscal responsibility.

National Rural Electric Cooperative Association

Region VII Meeting - Wichita Kansas

October 31, 1975

Resolution 7-3 -- Coal Slurry Pipelines

The delegates to this Region VII Meeting of the National Rural Electric Cooperative Association are deeply concerned over the ever increasing cost of service to our consumers.

Higher fuel costs and growing shortages of natural gas contribute to higher power costs and make it imperative that we support efforts to develop domestic coal resources as a source of low cost fuel for electric generation.

The transportation of coal by slurry piepline appears to be an effective and low cost transportation method which can supplement other methods of transporting coal to the benefit of electric power consumers.

Slurry pipelines require substantial quantities of water. Since most western coal is found in low rainfall areas, the use of water to move coal out of the state of origin is a hardship on these states. We support the development of new water storage projects or expansion of present facilities by the appropriate agency (such as the Bureau of Reclamation) to relieve single states of the responsibility to provide water for slurry pipelines moving interstate.

It may be impossible for coal slurry pipelines to be developed unless given the right of eminent domain.

The delegates to the Region VII Meeting of the National Rural Electric Cooperative Association favor immediate passage of pending legislation before the U. S. Congress and before Legislatures in the states of Kansas and Nebraska extending the right of eminent domain to coal slurry pipelines.

RESOLUTION
COAL SLURRY PIPELINES
REGION VII MEETING
NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

WHEREAS, the delegates to this Region VII Meeting of the National Rural Electric Cooperative Association are deeply concerned over the ever increasing cost of service to our customers and

WHEREAS, higher fuel costs and growing shortages of natural gas contribute to higher power costs and make it imperative that we support efforts to develop domestic coal resources as a source of low cost fuel for electric generation; and

WHEREAS, the transportation of coal by slurry pipeline appears to be an effective and low cost transportation method which can supplement other methods of transporting coal to the benefit of electric power customers; and

WHEREAS, because of opposition of the railroads, it may be impossible for coal slurry pipelines to be developed unless given the right of eminent domain to enable them to cross railroad rights-of-way;

NOW, THEREFORE, BE IT RESOLVED by the delegates to the Region VII Meeting of the National Rural Electric Cooperative Association that we favor immediate passage of pending legislation before the Federal Congress and before legislatures in the States of Kansas and Nebraska extending the right of eminent domain to coal slurry pipelines.

Kansas Municipal Utilities, Inc.

December 2, 1977

Mr. Fred M. Kimball
Communications Consultant
Energy Transportation Systems, Inc.
Suite 140, Page Court
220 West Douglas
Wichita, Kansas 67202

Dear Fred:

It certainly was enjoyable seeing you and Bill yesterday at our Board of Directors' meeting. I thought you did an excellent job presenting the information on the coal slurry project.

Attached is a "Statement of Policy" adopted by the KMU Board on December 1, 1977.

As I mentioned during the meeting, our Board had previously taken an affirmative position on coal slurry and this statement reconfirms that earlier position.

Also attached per your request is a list of our officers and directors and I've marked the ones not present at yesterday's meeting.

Please stop by whenever you're in McPherson.

Cordially,

Louis Stroup, Jr.
Executive Director

LS:gs
Attachments (2)

P.O. Box 1225 McPherson, Kansas 67460 316-241-1423

For the Protection and Improvement of Municipal Utilities In Kansas

POWER WATER GAS

Kansas Municipal Utilities, Inc.

STATEMENT OF POLICY — COAL SLURRY PIPELINES
Adopted December 1, 1977

WHEREAS, it is national policy to meet our future electrical energy needs as far as possible through use of abundant fuels, such as coal, in order to conserve scarce supplies of oil and natural gas, and coal production must be greatly increased for that purpose, and

WHEREAS, the existing rail transportation system for coal supplies is inadequate to carry coal production of the expected magnitude and must greatly expand even if several coal pipelines are built, and

WHEREAS, transportation costs amount to 30 to 40% of the total cost of fuel to electric utilities, and slurry pipelines offer stable operating costs relatively unsusceptible to inflation, economies of scale which reduce unit costs of transportation, and the salutary influence on price of a competitive transportation industry, and

WHEREAS, slurry pipelines offer environmental benefits,

NOW THEREFORE BE IT RESOLVED: That Kansas Municipal Utilities, Inc., endorses the construction of coal slurry pipelines, assuming they are economically feasible, to share with railroads the burden of transporting vastly increased coal supplies, and urges the State Legislature of Kansas to enact legislation authorizing slurry pipelines to exercise the power of eminent domain.

P.O. Box 1225 McPherson, Kansas 67460 316-241-1423

POWER WATER GAS

"Seeing the need to convert from crude fuel to the use of coal, the Kansas Association of Wheat Growers favors the coal slurry pipeline from Wyoming to Arkansas; and thereby, we appeal to the Kansas Legislature for the Right of Eminent Domain for the pipeline.

"BE IT THERE RESOLVED, that the Kansas Association of Wheat Growers...6. Seeing the need to convert from crude fuel to the use of coal the KAWG favors the coal slurry pipe line from Wyoming to Arkansas and thereby, we appeal to the Kansas Legislature for the right of eminent domain."

Kansas Municipal Utilities, Inc. Statement of Policy--Coal Slurry Pipelines: Adopted December 1, 1977.

"NOW THEREFORE BE IT RESOLVED: That Kansas Municipal Utilities, Inc., endorses the construction of coal slurry pipelines, assuming they are economica-ly feasible, to share with railroads the burden of transporting vastly increased coal supplies, and urges the State Legislature of Kansas to enact legislation authorizing slurry pliplines to exercise the power of eminent domain."