

Yellowstone County



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Chairwoman Senator Deb Fischer--- Honored members of the Senate Committee on Commerce, Science and Transportation, thank you for allowing me to testify on an issue as important to Montana as pipeline safety.

For the record, my name is John Ostlund and I am a Yellowstone County Commissioner.

The 2.6 million miles of pipeline networks in our nation are vital parts of our country's infrastructure. In Montana and Yellowstone County, they supply the gas, diesel, heating oil, jet fuel and cooking fuel that are the life blood of our economy.

Pipeline safety is very high in our priorities especially after the Exxon spill in 2011. We have an expectation that all regulations and rules will be 100% complied with.

With that said, I worked on a daily basis with the excellent team from Exxon, the Federal EPA, the State DEQ, and our local elected officials on the cleanup and can tell you from personal experience that Exxon did a first class job on restoring the Yellowstone River to a pristine condition. Additionally, Exxon bent over backwards to insure each and every property owner was compensated for any loss and made whole.

As a follow up with the refineries, it is important to note the lessons learned from the spill and mitigation efforts from the pipeline companies and refineries to reduce future possibilities of another catastrophic incident. River crossings have been looked at, new pipelines and older ones are being bored much deeper under our important waterways, and new valves have been installed with additional monitoring equipment with a focus on pipeline safety and more efficient operations while working to reduce the possibility of future incidents.

It is in the pipeline and refineries best interest to comply with all safety regulations and I see a strong desire by the private companies to go above what is expected to provide a safe environment for transportation of our nation's critical fuel supply and look out for the best interest of their stockholders.

While regulation and compliance are important, please consider that OVER regulation drives up costs, slows progress, and impedes new development at a time when oil production in our great country is at an all-time high. America's national security depends more every year on producing and refining our own gas and diesel as we watch the Middle East become less stable. Our economy in Yellowstone County has been very stable. One big reason for that economic stability is that three of the four refineries in the state are located in Yellowstone County, along with the associated oil supply pipelines and diesel and gas distribution lines. All together, the pipelines in our state pay \$72 million dollars per year in taxes. And, if you add utility gas distribution lines into the picture, tax revenue exceeds 100 million dollars. Cenex Harvest States alone provides 337 jobs in Montana exceeding wages of \$65,000 per year (which is twice the Montana average salary), with an additional 860 jobs in pipeline construction. Exxon has 250 professional and competitive wage jobs and employs over 100 contractors every day of the year.

In total, class nine properties which are mostly pipelines, over the last few years, have paid 12.5% to 13% of all property taxes paid in Montana.

I have not mentioned Phillips 66 who will be here today with their own numbers; however, I can tell you collectively that our 3 refineries and the pipelines that support their operation play a major role in Yellowstone County's economic success story.

Of the total property tax revenue collected, the three refineries pay 32% of Yellowstone County's Road and Bridge budget. Those monies directly provide for all of the maintenance and repair of our county's rural road system, both asphalt and gravel.

These refineries, that are also great community partners, play a critical role in our county's recession proof economy and are always there when a school or a Little League team needs a helping hand.

I do have some recommendations looking forward at the regulatory process. The MOST important is not to OVER REGULATE. The process I worked through with Exxon, the EPA, DEQ and our local elected officials worked very effectively. Exxon, the pipeline companies and the Board of County Commissioners were very satisfied with the end product of a clean environment, new thought processes regarding deeper lines at river crossings, additional valves and monitoring equipment and a renewed focus on pipeline safety.

As I continue to dialog with the refineries, I am impressed with a total commitment to the goals of a 100% safety record.

If any one thing could be done to reduce the possibility of pipeline breaks it would be to provide further education in the 811 one call systems. Excavation without the one call locations has much more risk of damaging the system with catastrophic results than natural disasters can produce.

In summary, the best example of over regulation I can provide is our National Highway system and the time required to move a project from concept to completion.

In Yellowstone County, we are working on a federally funded highway project called the Northeast Bypass. The five mile project started as a concept 15 years ago and, because the environmental process now takes more time and costs more than the project itself, we have just completed the Record of Decision allowing us to take additional steps to work toward actual construction of the bypass. When it takes 15 years to get to the point you can think about starting construction you can see regulations are more of the problem than the solution.

Chairwoman Fischer and honored members of the senate committee, while we all want a clean and healthful environment I have more fear for our country's future from over regulation than from industry performance. Washington, DC has over regulated business to the point of grinding those business ventures to a halt, the

process has become the problem and, while spending millions of tax payer dollars on studies, we are not producing any measurable results.

I ask that any additional rules be well thought out and that we empower as many of those rules as possible to be handled at the local government level.

Chairwoman Fischer and honored members of the senate committee, thank you for allowing me to testify today. I would be happy to answer any questions.

John Ostlund

Yellowstone County Commissioner