

TESTIMONY OF
David White
Montrose County Commissioner
U.S. HOUSE OF REPRESENTATIVES
Small Business Committee Subcommittee on Agriculture, Energy and Trade
Monday, September 19, 2011
10:00 a.m.

***Hearing on “Are Excessive Energy Regulations and Policies Limiting Energy Independence,
Killing Jobs and Increasing prices for Consumers?”***

Chairman Tipton and Ranking Member Critz, thank you for the opportunity to appear before you today, and I sincerely appreciate you holding this hearing. I’m David White, Montrose County Commissioner. The recent downturn in our national economy has had upsetting consequences for the local economies and citizens of Montrose County and the rest of the 3rd Congressional District. We need more private sector employment, because as we all know county, city, state and federal governments are financially strapped. **(See industry base chart below.)** As a County Commissioner, I’ve had the opportunity to hear from my constituents, and I’ve seen many of these problems firsthand.

For instance, Energy Fuels Resources has proposed building the Piñon Ridge Uranium/Vanadium processing mill in Western Montrose County (my district.) The new mill would create jobs and provide economic prosperity to an area that has been hit hard for years even before the recent economic downturn and is struggling for employment. Energy Fuels has demonstrated it can build and operate the mill in a manner that’s protective of both human health and the environment. The Colorado Department of Public Health and Environment (CDPHE) conducted a comprehensive review considering short and long term impacts of the proposed mill, including radiological and non-radiological impacts to water, air, and wildlife, as well as economic, social and transportation related impacts. CDPHE approved the radioactive materials license in January of 2011. Despite these findings and permits the EPA reopened a comment period on this proposal at the behest of an organization based outside of Montrose County. This has held up the mill and caused unnecessary delays.

This is unfortunate because Energy Fuels Resources has indicated the mill would directly employ close to 90 people at annual salaries between \$40,000 and \$75,000. The Company also estimates that 250-300 additional jobs would be created in the trucking and mining industries, and that some miners will make as much as \$90,000/year. These are very welcome numbers as the last available statistics indicate that the average wage for the Montrose County labor force is \$32,734 **(See industry base chart below.)** With the expected creation of 800 plus related jobs in Western Colorado, recent analysis predicts, “The annual total economic impact from new mining, trucking, milling, and related jobs activity is expected to be in excess of \$100,000,000.” **(2011 MEDC Annual Meeting report)**

Additionally, local school districts, fire districts, police stations, and a host of other community services within Montrose County will see great benefit from the tax revenue associated with the mill. It must be noted that with federal lands encompass over 50% of the 3rd Congressional district and 69% of Montrose County. The removal of these lands from the local tax base poses

huge problems for infrastructure funding, including education. As a result, the county is very dependent on successful businesses for this funding.

I would like to reemphasize that the decision by the Colorado Department of Public Health and Environment confirms the findings of Montrose County regarding the Piñon Ridge mill, and reinforces the safeguards mandated by current regulations. The regulations governing nuclear power generation and its associated industries, including mining and milling, have been put into place by the Department of Energy and the Nuclear Regulatory Commission. The point I'm trying to make with this is that even when businesses are successfully able to comply with mandated regulations, additional interference from federal agencies creates unnecessary delays in the process and hampers desperately needed job creation.

This leads into my next topic, which is solar energy. On September 8, 2011, Shayle Kahn, Managing Director of the solar program at GTM Research testified before the House Natural Resources Committee that regulatory hurdles are the primary hurdles for clean energy and solar industries. In his response Mr. Kahn remarked that the process to obtain approval to site solar projects on public lands used to take two to three years. While they have cut that down to around 18 months, it is still a long bureaucratic process. Not insignificantly, the solar industry is one of the few industries in which the United States actually runs a trade surplus. Mr. Kahn noted in his testimony that, "In *U.S. Solar Energy Trade Assessment 2011*, we found that the U.S. was a net exporter of solar products by \$1.9 billion in 2010. Even more notably, the U.S. ran a trade surplus with China by at least \$247 million."

Locally, BrightLeaf Technologies is a Montrose County company than opened its doors in 2008. They have focused on developing cost-effective, small-scale solar electrical generation using concentrated photovoltaic, or CPV cells that have three times the efficiency of the chips found in solar flat panel systems. A recent report states, "Taken as a package, BrightLeaf believes it has developed the most efficient solar generating system in the world, and has done so with a simple design that reduces components and materials as compared to any other approach. So, it believes it will be the lowest cost and highest performance system available." (**2011 MEDC Annual Meeting report**) This report goes on to state, "The company currently employs 25 people with 20-25 more to be added by late spring when volume production commences. BrightLeaf anticipates employing 400-500 staff in Montrose by 2015." I also want to note that in the President's recent address, we heard him advocate for home-grown American manufacturing. BrightLeaf has informed me that nearly 100% of its components are produced in the U.S.

The people of Montrose County and the Montrose Economic Development Corporation are truly excited about the possibilities of BrightLeaf Technologies. Ironically however, at this time BrightLeaf has a large contract with Energy Fuels to provide solar energy generation for the Piñon Ridge mill that is being delayed by the regulatory red tape bogging down the mill. Clean solar energy will provide a critical portion of the electric power needed for the mill's processing operations. The EPA's reopening of the comment period on the Piñon Ridge Mill and delaying *that* project has thus put a significant barrier on BrightLeaf's ability to grow and is endangering its projected job creation. Between the Piñon Ridge Mill and BrightLeaf Technologies, the EPA has negatively impacted the potential creation of over 1,300 high paying jobs in a county with a workforce of just over 15,000 people.

Switching gears, I wanted to finish by touching on how current federal regulations and policies can make it extremely difficult to maintain the health of our National Forests and BLM lands. For instance, Colorado has an epidemic of insects attacking various species of trees, which has led to millions of acres of forest with high percentages of dead timber. The Intermountain Resources sawmill is the largest mill in Colorado and has been the primary processor for beetle-kill trees. In May of last year the sawmill was placed into a court ordered receivership and although the mill is operating, it remains perilously close to a permanent shut down. Federal policies, regulations and government intervention in this market have prevented the harvesting of dead and old growth timber and significantly contributed to the sawmill's inability to obtain a consistent and reliable supply of timber.

The permanent closure of this mill would have devastating consequences for Montrose, the Western Slope, and Colorado. Among the statistics listed, the company reported that it produced around 120 direct jobs for Montrose and had a \$5 million average annual company payroll. "Another \$10 -12 million was paid annually to independent contractors which supported another 150- 250 jobs throughout Colorado, but primarily on the Western Slope. The local bills for fuel and electricity averaged \$1.4 million and supply purchases surpassed \$1 million annually." **(2011 MEDC Annual Meeting report)**

With so much at stake Pat Donovan of Cordes & Company, the court appointed receiver for Intermountain Resources, LLC, determined the best possible outcome for the mill was to reopen the doors and sell the mill as an operating business. "In June he re-hired 100 workers and restarted mill operations in efforts to attract possible buyers." **(2011 MEDC Annual Meeting report)**

Pat indicated the federal government has expressed an interest in keeping the mill open and expressed the importance of the mill to the rural economy of Montrose and the Western Slope of Colorado. Last October, Harris Sherman, Under Secretary of Natural Resources and Environment at the U.S. Department of Agriculture, came to Montrose to visit the mill, meet with local officials and pledge support for keeping the mill open and preserving the jobs it represents. Unfortunately, because of arcane and rigid government policies and regulations imposed on the Forest Service, the agency has been unable to provide any meaningful support to keep the mill up and running and preserve those jobs. Bureaucracy, red tape and the hurdles imposed by these policies and regulations have been the most significant impediments to meeting the objectives of retaining the mill and the jobs it provides. Of the 4 million plus acres of bark beetle killed trees, only a fraction of those acres have been made available for logging. Rather than aggressively removing the dead timber, reducing the fuel load in the forest and mitigating fire danger, the contracting policies of the federal government have failed to treat any appreciable volume of timber. This fact defies common sense as we face a huge potential forest fire hazard, yet the sawmill can't get timber.

Just over a year ago, Colorado experienced the most costly property damage from a forest fire in the state's history when an area just west of Boulder was devastated by the Four Mile Canyon fire. This fire destroyed 169 homes and caused over \$217 million of property damage on just over 6,100 acres. (<http://www.bizjournals.com/denver/stories/2010/09/20/daily10.html>)

These figures don't include the cost of fighting the fire which was in excess of \$10 million or the costs of restoration which have yet to be fully expended. With over 4 million acres of dead trees from the bark beetle epidemic, just imagine the damage that could be caused and the costs incurred if a forest fire were to strike in a more densely developed resort area of the mountains.

Besides the need to aggressively log forests affected by the mountain pine beetle to avoid the larger costs of fighting wildfires, the viability of logging dead timber and treating beetle-kill forests is diminished each day that there is a delay in harvesting the dead wood. The longer the dead timber remains in the forest, the lower its viability for the production of lumber or other wood products. If the dead timber is not removed from the forest and utilized for productive purposes, it will soon become an even greater liability.

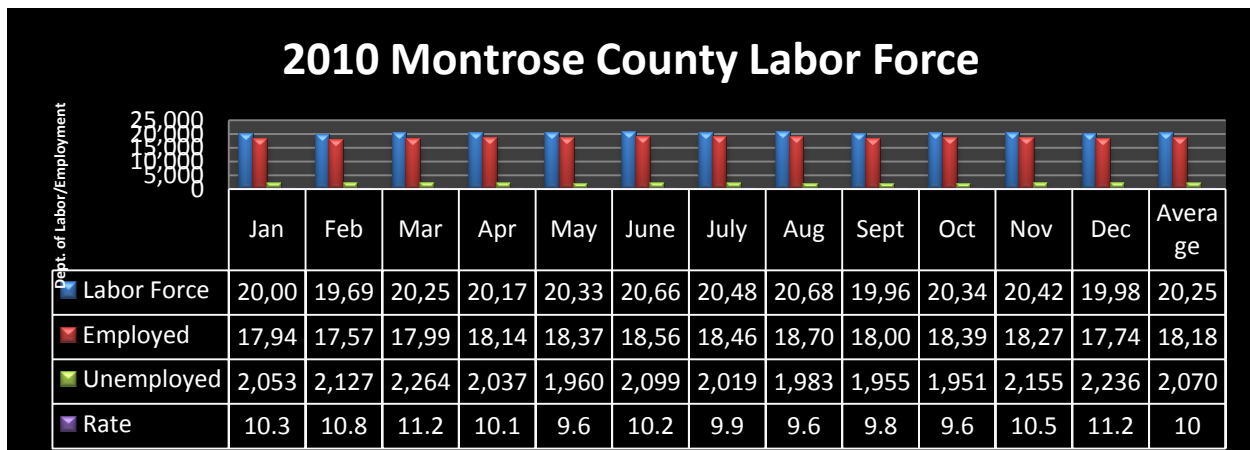
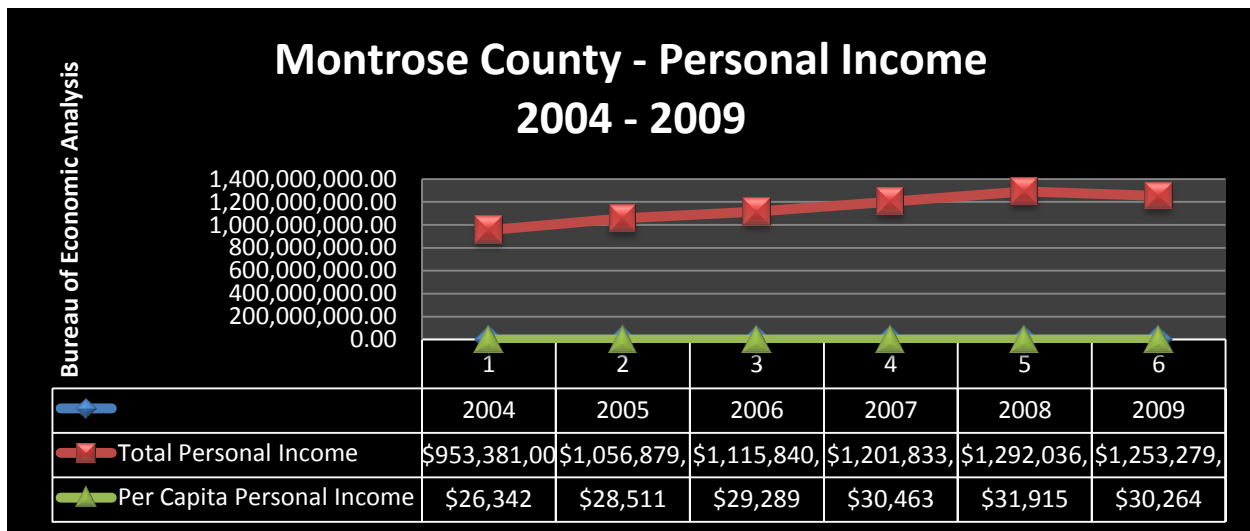
The Forest Service has made efforts to mitigate the damage caused by the bark beetle epidemic. It has achieved a small amount of remediation with funding obtained under the American Recovery and Reinvestment Act. Like many projects funded under the "Stimulus Program," the stewardship program created to utilize the \$40 million appropriated to Colorado for bark beetle remediation missed the mark and actually ended up hurting the sawmill in several instances. As the sawmill was technically considered a big business, it wasn't awarded any of this funding. The stewardship contracts were awarded to the bidder offering the Forest Service the lowest price to remove the dead timber. In exchange for removing the timber, the contractor was paid an agreed upon price and given the timber to sell in the open market. Some of this timber was purchased by Colorado pellet mills that had obtained funding for timber purchases under a federal biomass grant program. Thus, the federal government ended up paying twice for the same timber – once when it paid the stewardship contractor and a second time when it funded the pellet mills' purchase of the logs. Additionally, as a result of the federal subsidies on the timber under the stewardship contracts, the stewardship contractors have been able to ship the timber by railroad to other states for processing. Lacking federal subsidies, the contractors wouldn't have been able to do this and compete with the Montrose mill.

Prior to going into receivership in May 2010, the Montrose mill had been shut down and the majority of its workers had been laid off. As one of the tools to reopen the mill, keep it running and restore jobs, the receiver began purchasing timber from the stewardship contractors in June 2010. Throughout the summer of 2010, the relationship worked to the benefit of both the Montrose mill and the stewardship contractor. The mill was able to obtain a supply of logs so that it could stay in operation and the stewardship contractor had an outlet for the timber being cut on USFS lands. However, as the summer logging season turned to fall and the price of diesel fuel began to spike, the stewardship contractors began to look for other markets for their timber. To the detriment of the Montrose mill, the federal subsidy available to the stewardship contractors made other options to dispose of the timber more attractive to the stewardship contractors.

Finally, if the Montrose mill is forced to shut down due to the lack of a consistent, reliable supply of affordably priced timber, in addition to the loss of jobs and economic benefit the mill provides to the Western Slope of Colorado, the US Forest Service will lose one of its most important assets in its battle against the bark beetle and preserving forest health. The next closest mill to Montrose with the capacity to process any significant amounts of beetle kill

timber is located more than 770 miles from Montrose. The cost of transporting logs to that mill renders it unfeasible for aiding in the bark beetle fight. Neither the state of Colorado nor the US Forest Service can afford to see its last remaining large sawmill disappear.

Again, Mr. Chairman, I would like to thank you for the opportunity to address this Committee and provide some local examples of the economic damage created by burdensome federal regulations. If you, Congressman Critz, or anyone else from the committee has any further questions that aren't addressed today, please don't hesitate to contact me. I hope my testimony proves helpful, and I believe I have made a compelling case that excessive government regulations and poorly planned policies are preventing our nation from reaching vitally important energy independence, killing existing jobs and hampering new job creation, and increasing product and service prices for consumers during a time when average Americans can least afford it.



Industry Base—2008 (most recent figures available)

Industry Sector	# of Jobs	# of Establishments	Total Wages YTD	Average Annual Wage
Government	3,206	63	\$120,020,846	\$39,663
Retail Trade	2,324	188	\$59,904,290	\$25,776
Healthcare and Social Assistance	1,591	133	\$48,851,286	\$30,705
Construction	1,426	300	\$54,424,722	\$38,166
Manufacturing	1,325	71	\$39,416,768	\$29,749
Accommodations and Food Services	1,192	89	\$17,072,209	\$14,322
Professional and Technical Services	537	143	\$22,075,497	\$41,109
Transportation and Warehouse	523	63	\$14,685,806	\$28,080
Wholesale Trade	510	81	\$20,782,579	\$40,750
Administration and Waste Services	498	59	\$11,980,432	\$24,057
Other Services	410	91	\$12,665,032	\$30,890
Finance and Insurance	402	71	\$17,190,227	\$42,762
Real Estate, Rental, and Lease	326	71	\$11,191,440	\$34,330
Agriculture, Forestry, and Fishing	229	36	\$5,783,981	\$25,258
Utilities	217	8	\$13,267,195	\$61,139
Information	206	21	\$6,598,749	\$32,033
Mining	179	14	\$12,453,739	\$69,574
Arts, Entertainment and Recreation	178	18	\$3,706,027	\$20,820
Educational Services	32	4	\$460,951	\$14,405
Management of Companies	25	9	\$3,583,151	\$143,326
# of Jobs	15,156			
# of Establishments		1,462		
Total Wages			\$496,114,928	
Average Wage--2008				\$32,734

<http://www.montroseedc.org/index.aspx?nid=83>