

EMPOWER NORTH DAKOTA COMMISSION ACTIVITIES AND ISSUES
MARCH 4, 2014, 9:30 A.M.
ENERGY DEVELOPMENT AND TRANSMISSION COMMITTEE
ROUGH RIDER ROOM, STATE CAPITOL
SENATOR RICH WARDNER, CHAIRMAN

ALAN ANDERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good morning, Mr. Chairman and members of the committee, my name is Al Anderson, Commissioner of the North Dakota Department of Commerce. I am here today to provide you with an update on the activities of the EmPower North Dakota Commission, as well as a few other energy-related issues.

EmPower North Dakota

The EmPower North Dakota Commission has been reviewing the Strengths, Weaknesses, Opportunities and Threats (SWOT) of each of the energy industries. I expect that recommendations will once again be provided within four key areas of Infrastructure; Workforce; Research & Development; and Regulation.

The Commission recognizes the importance of addressing the issue of flaring and has received an update from the Petroleum Council's Flaring Task Force similar to what was provided to this committee. The Commission is supportive of the direction that the Task Force is heading and I anticipate the Commission will endorse many of their recommendations. The Commission will also consider endorsing recommendations by others such as the Right-of-Way Task Force and those involved in discussions on pipeline and railroad safety.

A qualified workforce remains a key issue to continued industry success. The good news is that North Dakota has been able to attract workers and families to the state such that North Dakota is the fastest growing state, growing at nearly three times the national average in 2013. We will be launching an effort to accelerate workforce attraction and recruitment later this month. It should also be mentioned that housing and child care shortages continue to be barriers to workers relocating to and working in the state.

As you are aware, the legislature has provided significant resources to address infrastructure needs, especially in western North Dakota. In meetings with local officials, they have expressed concerns that there is still more that needs to be done. One additional step that has been taken is the State Water Commission has expanded assistance for water supply projects and has awarded \$32 million for projects in Dickinson, Watford City, and Williston. The Industrial Commission is also looking into a loan program in which the Bank of North Dakota could provide financing to support rapidly growing communities.

The Commission is taking a look at the tax incentives for the wind industry. While most tax incentives are ongoing, the incentives in place for the wind industry have expiration dates. This includes the wind turbine electric generational property tax exemption and the wind energy credit which both expire on December 31, 2014 and the wind powered electrical generating facility sales tax exemption expires on June 30, 2017. It appears like the federal production tax

credit has a profound impact on whether or not wind projects are built. However, state level incentives help determine where a project is ultimately constructed.

Value-Added Energy Study

The Department of Commerce has contracted with IHS Chemical to conduct studies on value-added opportunities relating to ethanol and natural gas liquids (NGLs). IHS Chemical provided an update to the EmPower ND Commission on February 13, 2014, and the final report will be provided in May 2014. This final report will be provided to this committee as well.

In addition to the potential targets, we anticipate recommendations concerning incentives that could assist the state in attracting that type of investment into the state.

Renewable Energy Program

Last session, the legislature provided an ongoing funding source for the Renewable Energy Program in the amount of \$3 million. Examples of recently approved awards include:

- Commercial Application of Soybean Stalk as a New Alternative Fiber in Particle Boards (\$198,300)
- Biocomposite Development for Industrial and Consumer Products (\$150,000)
- Renewable Energy Commodity Trading Education Program (\$500,000)

Energy Conservation Grant Program

Last session, the legislature provided \$1.2 million for a grant program to assist political subdivisions with energy conservation projects. The awards are \$10,000 - \$100,000 and require a 50% cash match. The projects must demonstrate a 10 year payback. We have obligated \$266,699 to date with five awards. These include:

- \$100,000 to the City of Jamestown
- \$30,836 to Fessenden-Bowdon Public Schools
- \$23,248 to Napoleon Park Board
- \$12,910 to Traill County
- \$99,705 to Center-Stanton School District

Mr. Chairman and members of the Energy Development and Transmission Committee, thank you for allowing me the time to visit with you today. That concludes my testimony and I am happy to entertain any questions.