

Testimony of the North Dakota Public Service Commission
Presented Before the Interim Information Technology Committee

Rep. Robin Weisz, Chairman

Sept. 25, 2014

Good morning Chairman Weisz and members of the Interim Information Technology committee. For the record, my name is Darrell Nitschke, Executive Secretary for the Public Service Commission.

First I would like to express the regrets of all three Public Service Commissioners who would like to be present this morning; however, they are unable to attend. This testimony is being presented on their behalf.

The business process for the PSC, like the Water Commission and the Department of Mineral Resources, is science and engineering based. While components of our IT requirements support basic data management and office automation, the core focus of the IT infrastructure developed is in direct support of the scientific and engineering applications that drive our business process.

The Public Service Commission presently houses and maintains its own servers to support various energy related regulatory functions. The Commission would like to provide some background as to why they feel this is the best solution for our stakeholders.

- In-house management of hardware and software allows the PSC to keep in step and closely integrated with our business partners.
- Ummel Group in the study results on page 24 concluded "ITD controls all of the networks for the State to the point where devices are connected to the network. In general, since all of the agencies involved use ITD's network security, consolidation would not change the cybersecurity profile of any of the agencies." No PSC server is exposed to the internet – all public information is disseminated through the PSC website already provided and managed by ITD.
- What is the effect of regulatory lag and lost opportunity costs inherent in placing a third party between the commission and its IT infrastructure. Will regulatory lag or lost opportunities be extremely detrimental to the long term viability of key industries in North Dakota?
- Managing the state's coal regulatory and reclamation program requires the PSC to be in sync with the federal Office of Surface Mining. Our business applications and server infrastructure are closely related and in some cases directly integrated with the Office of Surface Mining (OSM) and industry. Transferring this function to a unified state IT department that is unfamiliar with these scientific functions, the federal requirements, or the needs of industry would jeopardize the efficiency, seamlessness and cost effectiveness of the state's current coal regulatory process.
- The PSC's IT evolution has allowed and encouraged specialized end-user development in conjunction with these companies to maximize performance and minimize total costs. An example of this is the electronic mine permitting system, the first in the nation for a large surface mine, that was developed about ten

years ago through negotiation and cooperation between the mines, the PSC and the Office of Surface Mining

- OSM in their 2014 evaluation report noted: "The Reclamation Division has developed a Geographic Information System (GIS) to track mining and reclamation activities." OSM continued by saying that development of this program is an ongoing and dynamic project. OSM further stated, "The Reclamation Division uses new technology to become more efficient and make information more readily available to the public."
- Flexibility is also needed to allow the Commission to implement technological advances to minimize cost and maximize effectiveness, in step with private enterprise. The interaction with business partners effectively leverages an optimum mix of state and federal software, while maintaining strict compatibility with industry and other regulatory jurisdictions. This process provides benefits and efficiencies far above and beyond simply the federal dollars that help support our agency. This process allows us to provide the highest quality service to the state at the lowest possible cost.
- OSM in its April 19, 2013, letter stated: "Since 1989, the PSC has been at the forefront in taking advantage of the IT equipment and software that is available from OSM for exclusive use in the state mining programs that we oversee pursuant to the federal Surface Mining Control and Reclamation Act of 1977. North Dakota was the first western state with large surface mines to develop an electronic permitting system that allows mining companies to file an entire mining permit application on a CD and/or DVD. Likewise, the PSC has been a leader in the development of GIS applications that are used to track mining and reclamation activities. To use the OSM provided software for these and other purposes, the states need to load it on their IT servers and the software is subject to certain licensing agreements when used. The PSC has signed a Memorandum of Agreement with OSM committing their pledge to abide by all software licensing agreements and to ensure proper access to our servers that supply these licenses. We have found that there are usually fewer issues in loading the software and dealing with related programs when the state agency has local control of its IT servers compared to a state that operates under a centralized server system.

We believe the PSC's ability to implement new technology over the years has helped with its efficient administration of successful coal regulatory and AML programs."

The coal industry is currently facing regulatory uncertainty from many different angles. Changing of a core regulatory process which has been at the forefront of innovation will introduce even more uncertainty into a key North Dakota industry whose viability is already in danger.

Should the North Dakota regulatory program encounter problems the result may be the federal government regulating the coal industry, not North Dakota.



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United States Department of the Interior

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April 19, 2013

Brian P. Kalk, Chairman
Public Service Commission
600 E. Boulevard, Dept. 408
Bismarck, ND 58505-0480

Dear Mr. Kalk,

In follow-up to your inquiry about IT innovations, the Office of Surface Mining's (OSM) Western Regional Coordinating Center has worked very closely with the Public Service Commission's Reclamation Division over the past 15-20 years on technical innovations associated with North Dakota's coal regulatory program. This includes the PSC's development of an electronic permitting system for large area surface mines and the development of a Geographic Information System (GIS) to track mining and reclamation activities, as well as the use of other scientific and technical software that aids in the technical analysis of mining plans and data provided by the mining companies. Through OSM's Technical Innovation and Professional Services (TIPS) program, we have provided IT equipment and software to the PSC and other states for use in their mining programs. In most recent years the TIPS program has been primarily providing the states with new and updated technical and scientific software applications.

Since 1989, the PSC has been at the forefront in taking advantage of the IT equipment and software that is available from OSM for exclusive use in the state mining programs that we oversee pursuant to the federal Surface Mining Control and Reclamation Act of 1977. North Dakota was the first western state with large surface mines to develop an electronic permitting system that allows mining companies to file an entire mining permit application on a CD and/or DVD. Likewise, the PSC has been a leader in the development of GIS applications that are used to track mining and reclamation activities. To use the OSM provided software for these and other purposes, the states need to load it on their IT servers and the software is subject to certain licensing agreements when used. The PSC has signed a Memorandum of Agreement with OSM committing their pledge to abide by all software licensing agreements and to ensure proper access to our servers that supply these licenses. We have found that there are usually fewer issues in loading the software and dealing with related programs when the state agency has local control of its IT servers compared to a state that operates under a centralized server system.

We believe the PSC's ability to implement new technology over the years has helped with its efficient administration of successful coal regulatory and AML programs.

Sincerely,

Brian D. Klein
Western Regional Director,
Office of Surface Mining Reclamation and Enforcement