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Testimony on the Electrical Generating Facilities Sales Tax Exemption
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Presented before the Interim Political Subdivision Taxation Committee

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Good afternoon, my name is Jason Bohrer, President of the Lignite Energy Council.

Thank you for this opportunity to submit comments regarding the sales tax exemption for electrical generating facilities. The North Dakota Century Code[1] currently provides an exemption for sales tax on new power plant construction, as well as environmental upgrades greater than 25 million dollars or 100,000 dollars per megawatt of nameplate capacity (whichever is less) for reducing emissions or increasing efficiency.

Over the last decade, utilities in North Dakota have invested billions in their coal-fired facilities to improve efficiency, reduce emissions and comply with federal air regulations. In addition to improvements at existing facilities, North Dakota is also home to one of the nation's newest coal-fired plants – Great River Energy's Spiritwood Station – that benefited from this sales tax exemption.

Ultimately, sales tax on equipment, tangible personal property, and other materiel that go into new plant construction or the hundreds of millions spent on environmental upgrades represents a minor percentage of the overall project costs. In response to the question of how this incentive impacts the financial viability, business decision, or otherwise will make or break a project, the answer is "it depends." Given the low generation costs of our lignite plants and significant remaining useful life, there are far more factors than sales tax that go into the decision of whether to spend 400 million dollars on a scrubber for an existing plant. However, any tax incentive obviously improves the overall financing of a significant capital investment. So without a doubt, this sales tax exemption on the billions invested in lignite-fired electrical generating facilities has saved millions of dollars for North Dakota's ratepayers.

In addition to the direct benefit to ratepayers, the state and region benefit from the improvements this exemption has incentivized by North Dakota being one of only a few states that meet all federal ambient air quality standards. As the industry complies with traditional criteria

[1] N.D.C.C. 57-39.2-04.2.

pollutants, and turns towards its next great challenge – the reduction of carbon dioxide emissions, this sales tax exemption remains an important tool to help utilities continue investment in low-cost power.

In short, production of low-cost electricity is becoming increasingly complex with increasing federal regulation on traditional baseload sources, and the integration of intermittent resources. Now is not the time to be eliminating any incentives that could drive investment decisions and power production out-of-state, or disadvantage the lignite industry, its 16,000 high-paying jobs, and the $100 million in tax revenues it provides to the state each year.

Thank you again for this opportunity to provide comment, and I would be happy to answer any questions the committee might have.