Minnkota Power
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Chairman Dockter and members of the Political Subdivision Taxation Committee,

Thank you for the opportunity to comment on this committee's study of North Dakota's sales and use tax exemption for purchases of production equipment, building materials, and other tangible personal property used to add environmental upgrades or to construct or expand certain electrical generating facilities. This exemption is an important policy to retain in the state's tax code.

Minnkota is a regional generation and transmission (G&T) cooperative serving 11 member-owner distribution cooperatives. Our service area of 34,500 square miles is located in eastern North Dakota and northwestern Minnesota, with our core business in generating and delivering electricity to wholesale customers, primarily the member-owned distribution cooperatives. Corporate headquarters are located in Grand Forks, N.D. Though Minnkota has a significant renewable energy portfolio of wind and hydro (30% and 9% of capacity, respectively), the primary source of generation is the Milton R. Young Station, which consists of two lignite coal-based generators located 35 miles northwest of Bismarck.

Minnkota's principal use of N.D.C.C. § 57-39.2-04.2 was a five-year, $425 million emissions control upgrade completed at the Milton R. Young Station during the period of 2006 to 2011. Technology was installed to lower sulfur dioxide (SO_2) and nitrogen oxides (NO_x) emissions levels. Both generating units at the Minnkota Power Cooperative-operated plant are now equipped with scrubbers designed to remove 95 percent of SO_2 emissions and a multi-phase process – Over-Fire Air with Selective Non-Catalytic Reduction – to reduce 60 percent of NO_x emissions. The upgrade also included a complete overhaul of the plant's electrical support

systems and related infrastructure. The estimated savings to Minnkota on this project was approximately $10 million. As a relatively small G&T, with only 134,000 members to recover costs, the savings to our membership was substantial and meaningful.

The legal, regulatory and legislative climate in which we operate continues to become increasingly expensive and complex. There is little doubt Minnkota and others will continue to face increased requirements for additional environmental controls. While this exemption in the code is not the panacea for all of the challenges we face as an industry, it is an instrument to encourage and support investment and infrastructure. At a time of unprecedented pressure to utilities and the lignite industry, we respectfully urge the State of North Dakota to continue to support the role of the tax code in aligning incentives for one of the state's most critical sectors. Thank you again for the opportunity to provide comment on this issue, please don't hesitate to contact me with any questions you may have.

Sincerely,

Stacey Dahl

Stacey Dahl
Manager of External Affairs