

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

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ROLL NUMBER

DESCRIPTION

1493

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Salvatore Rickford
Operator's Signature

10/16/03
Date

2003 HOUSE AGRICULTURE

HB 1493

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Salvatore Riccardi
Operator's Signature

10/16/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1493

House Agriculture Committee

Conference Committee

Hearing Date 2--06--03

Tape Number	Side A	Side B	Meter #
ONE	A		08 TO 53.9
ONE		B	00 TO 14.4
Committee Clerk Signature <i>Edward D. Clayton</i>			

Minutes:

CHAIRMAN NICHOLAS: Committee Members. We will open the hearing on HB 1493.

REPRESENTATIVE NELSON: I am offering an amendment for this bill. What the amendment does. First of all one of the problems that we have heard about those stations that offer only one grade of gasoline. This would be a burden to them. With that I have exempted all one pump stations from any requirement to offer ethanol blend. Further an ethanol blend would have to be offered in one of the grades of gasoline. It should help the dealer net work and it should help the public who would at that time have to opportunity if they choose to buy an ethanol product they would have the opportunity to at every pump in North Dakota. I don't even think it is a mandate anymore. It is just an opportunity for people to purchase an ethanol blend. That is a good first step to increase the use of ethanol. The education process has come forward. If ethanol is offered, I think people will buy it.

CHAIRMAN NICHOLAS: Representative Kelsch.

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House Agriculture Committee
Bill/Resolution Number HB 1493
Hearing Date 2--06--03

REPRESENTATIVE KELSCH: Rep. Nelson. This is still a mandate.

REPRESENTATIVE NELSON: We could argue to the end of time what a mandate is.

Service Stations are currently mandated to have octane blends of 87 a minimum in ND.

I would choose to say that every station would offer an ethanol blend. No one is mandated to buy it. Just give the opportunity.

REP. MUELLER : What are other states doing.

REPRESENTATIVE NELSON: Minnesota is using or required to sell ethanol. With Exception of marine all blends have ethanol. This product is going to help this country. We have to many imports. All states have plants coming on line.

REPRESENTATIVE GULLICKSON: I support the bill. I am an advocate for this state and nation wide. It is central to our economy. Ethanol is central to that. We can place a priority on what we raise. Iowa is required has required amounts in there gas. Iowa has 11 ethanol plants. Minnesota has 14 plants. South Dakota has 8 plants and 3 additional coming on line. We can do some thing at the policy level to move this ahead.

REPRESENTATIVE KELSCH: Does South Dakota have a mandate.?

REPRESENTATIVE GULLICKSON: I don't believe they have a mandate. They have an incentive. It is a buy down on taxes. Has increased he use of ethanol in that state.

CHAIRMAN NICHOLAS: Commissioner Johnson.

COMMISSIONER JOHNSON: I am Roger Johnson, I am Agriculture Commissioner of North Dakota. I am here today in support of HB 1493 which relates to the sale of gasoline blended with ethanol. {{{{please read testimony.}}} I am fine with the amendments.

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Roberta Richardson
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10/16/03
Date

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House Agriculture Committee

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The last thing I would point out. This is an opportunity to promote new use for North Dakota products. This increases the piece of the pie. It is important for us to do it.

REP. BELTER : Your chart on net imports of oil. Do you have any statistics that if we were allowed to drill for oil in western ND and off shore and Alaska etc. Where we might be as to our imports.

COMMISSIONER JOHNSON: I don't know.

CHAIRMAN NICHOLAS: Next.

DOLUG GOEHRING. NDFB I am here representing the 26000 member families of North Dakota Farm Bureau. We support HB 1493 [][[PLEASE READ PRINTED TESTIMONY]]] WE recommend a DO PASS. Thank you.,

CHAIRMAN NICHOLAS: Excellent Testimony. Thank You. Next.

MARK SITZ; We support this Bill and amendments. Mark passed out article on ethanol. He read article about the truth about ethanol. Represents Farmers Union.

CHAIRMAN NICHOLAS: Any additional testimony.

DONALD UGLEM: I have trouble with mandates. I am here to represent myself.

I don't think this a mandate. If we go back in history, when we took led out of gas, what was that? It was a mandate. Was it a good thing? Lets not get hung up on our mandates.

We need self sufficiency. We are tied to the middle east right now. I believe we should have a stronger bill. Thank you.

CHAIRMAN NICHOLAS: Additional support.

TODD KRANDA: I am here in support of this bill. I am representing Alchem. Unlimited.

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House Agriculture Committee

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Alchem is the ethanol plant in the Grafton Area. We ask your support. We support the amendments.

CHAIRMAN NICHOLAS: Representative Belter.

REP. BELTER : The way this reads. This is for retail sales.

REP. MUELLER : Question of Kranda. You work with ethanol production. What will this bill do if it is adopted and passed in terms of increasing sale of ethanol at your plant and what affect it might have on your plant?

TODD KRANDA: I think the example of Minnesota is up to 90 percent and 60 percent in South Dakota. New plants coming on line will have a good affect.

CHAIRMAN NICHOLAS: We will accept opposition for this Bill.

DAVE MACIVER: I represent the Bismarck, Mandan Chamber of Commerce. Today I am here representing 22 other associations and businesses that have all signed this letter that I am going to pass out to you. We oppose mandates. We are not opposed to ethanol. What we are opposed to is mandates. In my mind and the people I represent this is a mandate. You are telling business what they must sell. That is a mandate. We talk about economic development in our state and the fact we want a business friendly environment yet we tell people that come here what they must sell. [[[please read letter as to Coalition Against Mandates]]]

CHAIRMAN NICHOLAS: Why do you think we are going to war in the middle east shortly? What do you think the primary reason is.

DAVE MACIVER: I do think we need to take Sadam out. Oil is an issue. It is not the only point.

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CHAIRMAN NICHOLAS: In North Dakota, Agriculture is the number one industry. You are going to be the new chairman of GNDA. You are going to be out there representing hopefully the number one industry in the state. What are you going to do as chairman of GNDA to help enhance agriculture in the state? If we can't increase the ethanol production, biodiesel production and those types of things. How do you plan on doing it without a mandate.

DAVE MACIVER: First of all Mr Chairman, I will represent GNDA and its members and we will do everything possible to work with the various partnerships. Agriculture. Etc.
As I said I have nothing against Agriculture. I think mandates are wrong.

CHAIRMAN NICHOLAS. I hope as the GNDA PRESIDENT you can do better.

Any other questions committee members.

RUSS HANSON; I am with the North Dakota Petroleum Marketers Association.

[[[[[please see testimony]]]] We stand here opposed to bill. We are all for ethanol.
Consumer choice is prevalent.

CHAIRMAN NICHOLAS: The corn growers are not here today. Can you tell me why you have put so much pressure on them that they are not here today. It is quite conspicuous here today. The group that will benefit most from this legislation. What are you going to do to move this agenda forward..

RUSS HANSON: We have talked to the corn growers a number of times as an association. We had the American Collation for Ethanol at our convention. And trade show to visit with the marketers to work with the ongoing education of a product. We feel we have talked to them. We have not put any pressure on them. My understanding in talking to them that they are focusing on getting a plant and going that route.

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Hearing Date 2--06--03

REPRESENTATIVE POLLERT: What is your position on the ethanol incentive bill.

RUSS HANSON: If you can find the financial resources to promote those plants. We are for it.

Ethanol is a good product. There are good advertising out there now promoting ethanol.

REPRESENTATIVE WRANGHAM: Do you feel retailers are justified in charging more for ethanol than other gasoline at the pumps?

RUSS HANSON: The price of the ethanol or mid grade is based on cost, price, taxes and marketing. Usually the higher octane has a little higher price.

CHAIRMAN NICHOLAS: I would like to touch on that. I have done some questions and it is my understanding that the retailers are making extra profit on ethanol and they are pocketing the profits.

MIKE RUDE: We oppose Bill because of mandate. I am co owner of to convient stores and a bulk operation in central ND. I want to make it very clear that I am not against the sale of ethanol at all gas outlets. I believe that mandates infringes on my right as a business owner to sell the products I choose. An ethanol mandate would also mean costly updates that many gas out lets in ND. In Garrison alone we would be looking nearly \$70,000.00 alone in order to handle the addition of another product at the pump. Our store is located on water. In the store in Garrison I would have to had tanks and pumps. I am for value added in North Dakota. We have few people looking for ethanol. Lets let consumers decide not government.

RON NESS: I am Executive Director of the North Dakota Petroleum Council. I appear before you today in opposition to this Bill. This is a national situation. We have over thirty two blends of gasoline. I participated in the interim agriculture hearings on this issue and virtually set side by side with the corn growers through the interim on this issue. The corn

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growers at the last interim meeting said we don't feel a mandate is necessary to grow our business. Please see map as to renewable fuels. My opposition and the opposition of Phillips petroleum industry strictly comes from a supply and distribution standpoint. The issues that we have talked about which mostly I agree with. Ethanol is a good product. We have stood side by side farm bureau and the national corn growers association to promote this. There needs to be a National solution to our issues, fuel supply issues are EPA has set down requirements over the 15 or 20 years that have taken a system of two types of gasoline that were designed for the United States and now we have over 32 types of gasoline. The corn growers at the last interim meeting said we don't feel a mandate is necessary to grow our business.

We feel that the national renewable fuel standard is going to quadruple the use of renewable fuel in the next five to ten years. Look at map and see what has happened across the nation with renewable fuel and our position lets build up ethanol plants because the surge for ethanol in this country is growing. When we do it on a state by state basis what we do is penalize the infrastructure system and the distribution system of products. Again we need to do this on a national scale. We need to all work together. I don't believe we need Iraq oil. The demand for ethanol is increasing. Lets supply the nation. If the renewable fuel standard goes through the entire mid west would consume about three billion gallons of ethanol. There is a letter that I am passing ut from Sen. Conrad.

REP. MUELLER : As I am listening to your testimony you make a very good case for ethanol I guess I would reference with the National Energy policies that I think we are going to see and that we have been hearing about. Why would we not wan to get ahead now. Rather come in later. RON NESS: We are a net importer in North Dakota. We don't have the population

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Richard
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10/16/03
Date

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House Agriculture Committee

Bill/Resolution Number HB 1493

Hearing Date 2--06--03

demand like Minnesota. Minneapolis. North Dakotas demand for fuel is not growing. There is not a mandate in South Dakota or Iowa. There consumption is very high. They promote there product. If consumers want it we will supply it.

REPRESENTATIVE BELTER: Canada, the problem we have as to importing Canadian Fuel. Don't they use a lot of ethanol.

RON NESS: You can use ethanol in a number of way. Most blended locations require that the products be blended so you get a good mixture. The recipe of ethanol has to be a sub octane ethanol then blended. I don't know what the refineries in Billings do. Maybe they would make that for North Dakota.

REPRESENTATIVE BOEHNINGH: Refineries are gearing up for spring season fall season etc. Would not ethanol pup relief on those refineries?

RON NESS: Yes, on a national scale. EPA has put down a summer fuel and a winter fuel. If you mandate you have to furnish.

REPRESENTAIVE KELSCH: What did SD do to promote ethanol.

RON NESS: A \$,02 incentive. They promote. 72% of people choose not to buy ethanol. Consumers have that choice.

REPRESENTATIVE KELSCH: I don't appreciate mandates. What I hear within this is that there is a big problem with ethanol and it's self promotion. I for one don't buy ethanol. We need education. And promotion. I think if the consumer had the choice they would buy it..

RON NESS: If you mandate ethanol in ND it is about 30 million gallons a year. 30 million gallons is not going to build us a lot of plants. Five billions gallons a year allows us to supply the nation.

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House Agriculture Committee

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CHAIRMAN NICHOLAS: Ethanol got so much bad publicity, no matter what you did you could not dispel the problem.

RON DAY: I represent the Tesero Refinery at Mandan. We don't support Mandate a mandate for ethanol, however we do support the use of ethanol. We have no problem with supplying ethanol to our customers. We blend it we will supply it. In ND in we paid three hundred million to get into the game and be a part of ND. Over the last year we have spent approximately another seven million with local businesses. We ask for a free opportunity to market our products in ND. Please see Regulatory Avalanche information that I passed out to you. As you can see we have a diesel regulation coming down. Tesero right now is projecting seventy million dollar expenditure over the next five years to meet those federal mandates. We throw on another mandate to remove approximately 10% of our gasoline products. We don't automatically blend ethanol products. In January we lost two million dollars. Our business is not looking real good in ND. You take away ten percent of our products our corporation will look long and hard whether they want to spend seventy million dollars. I represent 270 workers. Each one of those employees has a choice as to whether they stay with Tesero in ND. They chose ND. The longevity of this refinery. We want a level playing field.

REPRESENTATIVE WRANGHAM. Is it justified for Tesero to charge \$.02 cents more for a gallon of ethanol. Is that justified.

RON DAY: Those extra blends do take extra handling. Transportation. I don't know the economics of that handling. We don't do it at refinery.

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House Agriculture Committee
Bill/Resolution Number HB 1493
Hearing Date 2--06--03

MARK DOUGHERTY With the Associated General Contractors of ND. North Dakota High ways gets a lot of it's money from the Federal Government.. Right now the Federal Government is providing a five point two percent discount in there excise tax for ethanol. That means the Federal High Way Fund has less money when more ethanol is used to fund transportation.
Etc. The Federal Government is looking at the mandate in Minnesota and looking at possibly cutting Federal Funds for there high way program because of there mandates. There is less money going to Washington because of gas taxes. I wanted you to be aware there could be a down side to this.

CHAIRMAN NICHOLAS: We will close on HB 1493.

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La Costa Rickford
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10/16/03
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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1493

House Agriculture Committee

Conference Committee

Hearing Date February 13, 2003

Tape Number	Side A	Side B	Meter #
2		X	0
Committee Clerk Signature <i>[Signature]</i>			

Minutes:

COMMITTEE ACTION

REP. NELSON Presented amendments #30721.0101 to the bill, prepared by the legislative council.

REP. KELSCH Made a motion to adopt the amendments as presented.

REP. POLLERT Second the motion. MOTION CARRIED BY VOICE VOTE.

REP. KELSCH Made a motion for a **DO NOT PASS**

REP. KREIDT Second the motion. MOTION CARRIED.

7 YES 5 NO 1 ABSENT

REP. KELSCH Was given the floor assignment.

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[Signature]
Operator's Signature

10/16/03
Date

FISCAL NOTE
 Requested by Legislative Council
 02/18/2003

Amenendment to: HB 1493

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

Engrossed HB 1493 requires establishments with more than one gas pump must offer a blend of ethanol and gasoline effective in 2004. The tax rate does not change so there is no direct fiscal impact.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	02/19/2003

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Kalosta Richard
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10/16/03
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FISCAL NOTE
 Requested by Legislative Council
 01/21/2003

Bill/Resolution No.: HB 1493

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

HB 1493 requires the blending of ethanol with gasoline effective in 2005. The tax rate does not change so there is no direct fiscal impact.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	02/05/2003

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Kathryn L. Strombeck
 Operator's Signature

10/16/03
 Date

30721.0101
Title.

Prepared by the Legislative Council staff for
Representative Nelson
February 5, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1493

Page 1, line 7, replace "All gasoline having" with "Any establishment that has more than one pump at which fuel for use in motor vehicles is offered for sale at retail must offer for sale from at least one pump gasoline that has"

Page 1, line 8, replace "offered for sale at retail in this state must be" with "which is"

Page 1, line 10, replace "2005" with "2004"

Renumber accordingly

Page No. 1

30721.0101

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Yolanda Richardson
Operator's Signature

10/16/03
Date

HB 1493
2-13-03

Date:
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House AGRICULTURE COMMITTEE

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO NOT PASS

Motion Made By KELSCH Seconded By KREIDT

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN NICHOLAS		✓			
VICE CHAIRMAN POLLERT	✓				
REPRESENTATIVE BELTER	✓				
REPRESENTATIVE BOEHNING	✓				
REPRESENTATIVE KELSCH	✓				
REPRESENTATIVE KINGSBURY	✓				
REPRESENTATIVE KREIDT	✓				
REPRESENTATIVE UGLEM		✓			
REPRESENTATIVE WRANGHAM	✓				
REPRESENTATIVE BOE		✓			
REPRESENTATIVE FROELICH		✓			
REPRESENTATIVE MUELLER					
REPRESENTATIVE ONSTAD		✓			

Total (Yes) 7 No 5

Absent 1

Floor Assignment KELSCH

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Jolanta Rickford 10/16/03
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)
February 14, 2003 2:43 p.m.

Module No: HR-29-2823
Carrier: S. Kelsh
Insert LC: 30721.0101 Title: .0200

REPORT OF STANDING COMMITTEE
HB 1493: Agriculture Committee (Rep. Nicholas, Chairman) recommends AMENDMENTS
AS FOLLOWS and when so amended, recommends **DO NOT PASS** (7 YEAS,
5 NAYS, 1 ABSENT AND NOT VOTING). HB 1493 was placed on the Sixth order on
the calendar.

Page 1, line 7, replace "All gasoline having" with "Any establishment that has more than one
pump at which fuel for use in motor vehicles is offered for sale at retail must offer for
sale from at least one pump gasoline that has"

Page 1, line 8, replace "offered for sale at retail in this state must be" with "which is"

Page 1, line 10, replace "2005" with "2004"

Renumber accordingly

(2) DESK, (3) COMM

Page No. 1

HR-29-2823

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10/16/03
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2003 TESTIMONY

HB 1493

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Julietta Richardson
Operator's Signature

10/16/03
Date

July 25, 2002

The Honorable Kent Conrad
United States Senate
530 Hart Senate Office Building
Washington, DC 20510

Dear Senator Conrad:

As Senate and House conferees begin work on the national energy policy legislation, we urge you to support the fuels provisions contained in the Senate-passed bill.

Enactment of the fuels provisions will conclude a long and difficult debate about U.S. fuels policy. The American Petroleum Institute, National Corn Growers Association, Renewable Fuels Association, American Farm Bureau Federation, Northeast state air quality officials, American Lung Association and others have worked together for months in a constructive effort to resolve a series of issues of much importance to the U.S. motoring public and to meeting the nation's energy, economic and environmental needs.

The Senate fuels provisions are a vital component of the national energy policy provided for by this legislation. They go a long way toward implementing the recommendations of the U.S. Environmental Protection Agency's Blue Ribbon Panel on Oxygenates in Gasoline to phase down MTBE and remove the federal RFG oxygen requirement. Key fuels provisions would:

- Establish a National Renewable Fuels Standard (RFS) providing that a portion of the U.S. motor vehicle fuel supply will be provided by renewable, domestic fuels growing to 5 billion gallons by 2012;
- Provide for a national credit banking and trading program to ensure that renewable fuels are produced and used cost-effectively in areas of the country where it makes the most sense;
- Eliminate the federal reformulated gasoline oxygen requirement;
- Provide a four-year phase down of MTBE; and
- Protect the air quality gains resulting from the federal reformulated gasoline program.

We have talked long enough about U.S. fuels problems. Now is the time to approve a realistic, national solution to meet the needs of the motoring public. We urge you and your fellow conferees to approve the Senate fuels provisions.

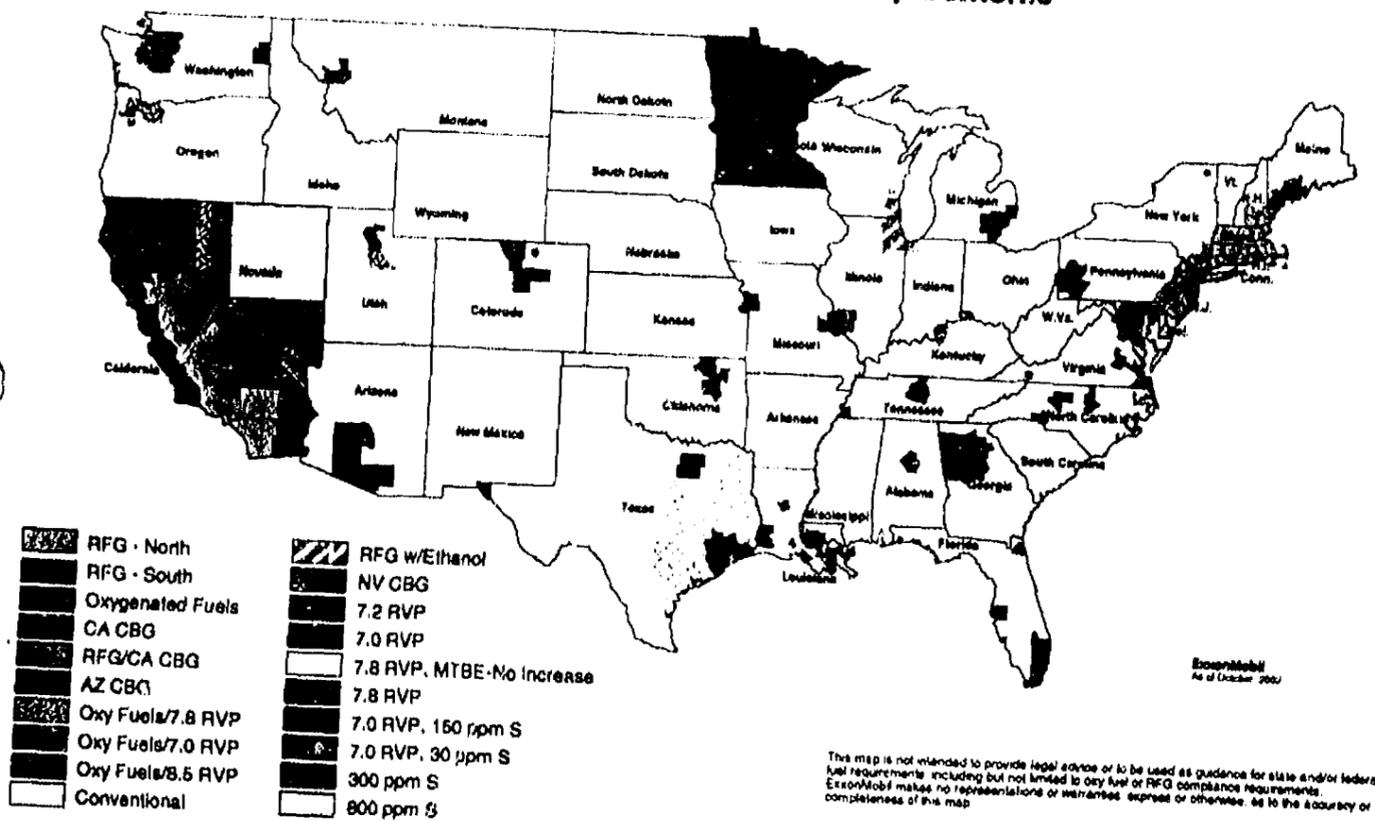
Sincerely,

Eric Aasmundstad
ND Farm Bureau

Ron Ness
ND Petroleum Council

mr

U.S. Gasoline Requirements



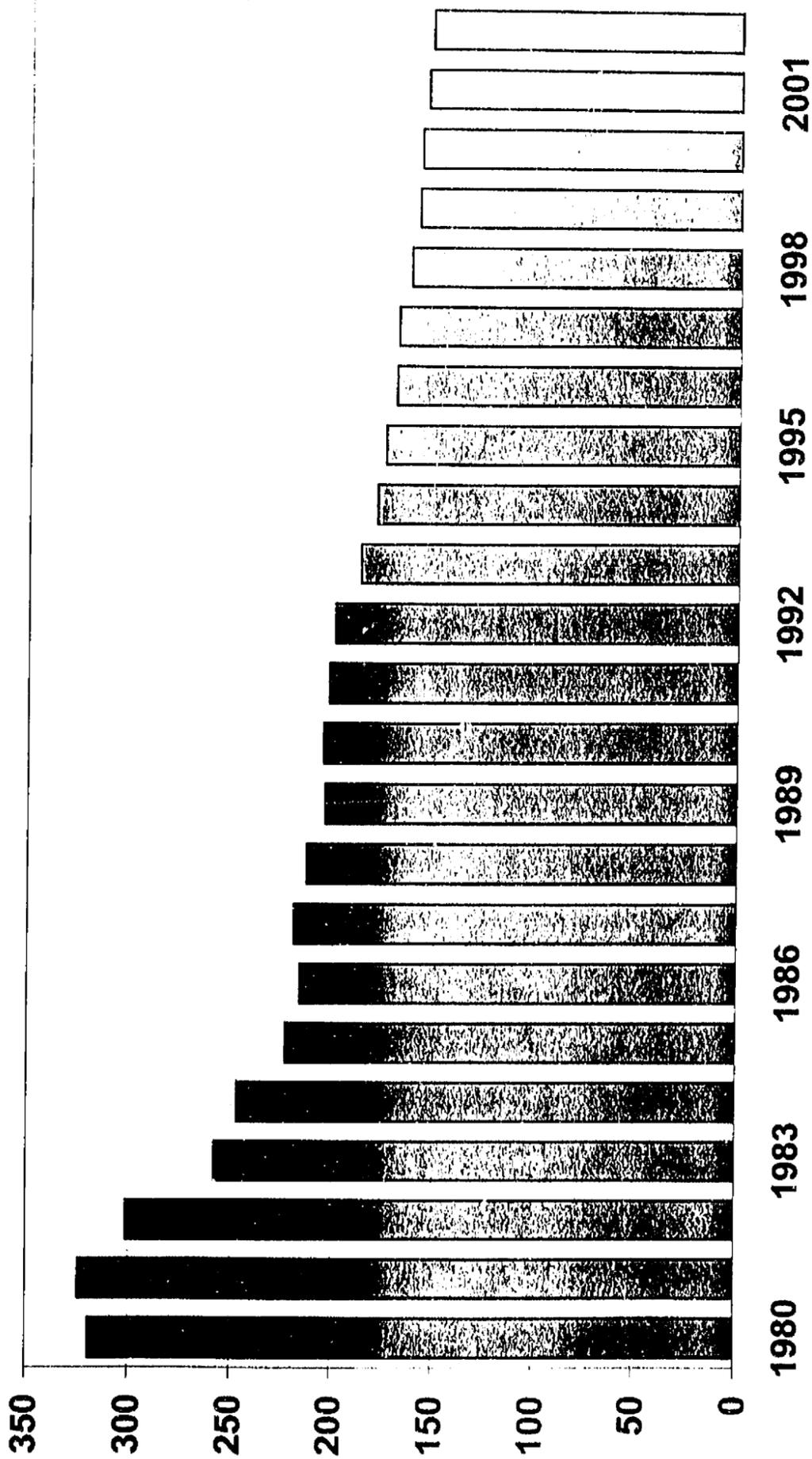
This map is not intended to provide legal advice or to be used as guidance for state and/or federal fuel requirements including but not limited to oxy fuel or RFG compliance requirements. ExxonMobil makes no representations or warranties, express or otherwise, as to the accuracy or completeness of this map.

K.W. Gardner
2003

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Richard Costa Operator's Signature 10/16/03 Date

U.S. Petroleum Refineries: 1980 - 2002
 source: Energy Information Administration



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Tal Costa Richardson
 Operator's Signature

10/16/03
 Date

Roger Johnson
Agriculture Commissioner
www.agdepartment.com



Phone (701) 328-2231
Toll Free (800) 242-7535
Fax (701) 328-4567

600 E Boulevard Ave., Dept. 602
Bismarck, ND 58505-0020

**Testimony of Roger Johnson
Agriculture Commissioner
House Bill 1493
House Agriculture Committee
Peace Garden Room
February 6, 2003**

Chairman Nicholas and members of the House Agriculture Committee, I am Agriculture

Commissioner Roger Johnson. I am here today in support of HB 1493, which relates to the sale of gasoline blended with ethanol.

HB 1493 would require all gasoline having an octane rating of eighty-seven and offered for sale at retail in this state to be blended with ethanol at the rate of ten percent.

Ethanol is a Growing Industry

North Dakota's two existing ethanol plants have a combined annual production capacity of approximately 34 million gallons per year and plans are in the works to construct a third plant in east-central North Dakota. Other groups are also considering plans for ethanol plants in central, northwestern, and southwestern North Dakota. (A news article is attached regarding a potential plant in southwestern ND.)

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Yolanda Rickford
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10/16/03
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The North Dakota Corn Growers Association estimates that 26% of the fuel sold in North Dakota is an ethanol blend – that compares with 65% in South Dakota and more than 90% in Minnesota. South Dakota provides an at-the-pump 2¢ tax incentive, which can sometimes make ethanol-blended gasoline as much as 6¢ cheaper per gallon than regular unleaded gasoline.

Ethanol is a Huge Success in Minnesota

These statistics beg the question – why is ethanol consumption at 90% in Minnesota? In 1980, Minnesota passed legislation that defined “agricultural alcohol” and created a 4¢ per gallon tax credit on blended gasoline as an incentive for retailers to blend ethanol in gasoline. Five years later, after creating a significant ethanol market, the tax credit was reduced to 2¢ per gallon. A 20¢ per gallon ethanol production payment was created in 1986 to provide incentives for constructing new ethanol plants in the state.

Minnesota also took steps during this time to provide public education across the state and to promote the growth of the ethanol industry. The 1990 Federal Clean Air Act Amendments provided the next impetus for additional legislation relating to ethanol. The Twin Cities Area was found to be out of compliance with EPA carbon monoxide standards and as a result was required to begin using oxy-fuel beginning in the winter of 1992.

In 1991, the Minnesota State Legislature passed legislation requiring a year-round 2.7% minimum oxygen content for gasoline sold in the Twin Cities by 1995, with the entire state meeting the requirement by 1997.

Today, ethanol replaces almost 10% (240,000,000 gallons) of the gasoline sold in Minnesota. Further, two new ethanol plants came on line in 1995 and since that time ten additional facilities have either been built or expanded. Twelve of the fourteen existing ethanol plants are designed in a cooperative fashion and are owned by over 8,000 farmers.

North Dakota Can and Should Do More to Promote Ethanol

Minnesota's ethanol success story should serve as a lesson to us in North Dakota. The 58th legislative assembly is also considering legislation that would provide incentives for the production of ethanol. While some may be inclined to support production incentives over an ethanol requirement in gasoline, I would argue that we can and should do both.

Elected officials on both sides of the aisle continually pledge their support for and speak to the benefits of value-added agriculture. I believe that it is time to put action behind the words. If we are truly looking to add value to agricultural products in this state and to encourage new markets and new products, we in government have to be willing to play an appropriate role to foster that process. I believe that increased production and use of ethanol in North Dakota and throughout the United States will provide additional value-added opportunities for our farmers and increase

local demand for corn. We need to provide incentives to produce and incentives to consume ethanol.

According to an "Ethanol and the Local Community Study" conducted by AUS Consultants/SJH & Company, "...a 40 MGY ethanol plant will generate...additional revenue for local grain farmers by increasing demand, which in the case of corn, in most circumstances results in an increase to the average local basis of an estimated 5 to 10 cents per bushel."

And according to the Minnesota Department of Agriculture, processing corn products instead of exporting raw corn doubles the value of each bushel. In addition, ethanol plants not only produce fuel ethanol, they also produce a large quantity of co-products which can benefit other sectors of our economy. Livestock can be fed the high-protein feed that is a major co-product in ethanol production. Other co-products include: carbon dioxide, starch, sweeteners and industrial ethanol.

Ethanol Can Help Decrease Dependence on Foreign Oil

I also believe that we must do more as a state and as a country to decrease our dependence on foreign oil today. The United States currently imports 57% of our oil supply versus approximately 45% during the energy crisis of the 1970's (Source: Energy Information Administration/Annual Energy Review). The following table shows the leading exporters of oil to the United States:

Country	Net Imports (Thousand Barrels per Day)
Canada	1,828
Saudi Arabia	1,662
Venezuela	1,553
Mexico	1,440
Nigeria	885
Iraq	795

Source: Energy Information Administration/Petroleum Supply Annual 2001, Volume 1, Table 21

The stability of these imports seems questionable, especially during this time of crisis in the Middle East and with Venezuela on the verge of a civil war.

We can and must do more to promote the production and usage of renewable fuels such as ethanol and biodiesel. The US marketplace is too often overlooked by agriculture as we focus on acquiring new international markets. Biodiesel and ethanol are great examples of new demand as opposed to displaced demand often resulting from new international markets. Both are important, but new demand results in a bigger pie, not just a bigger piece of the old pie.

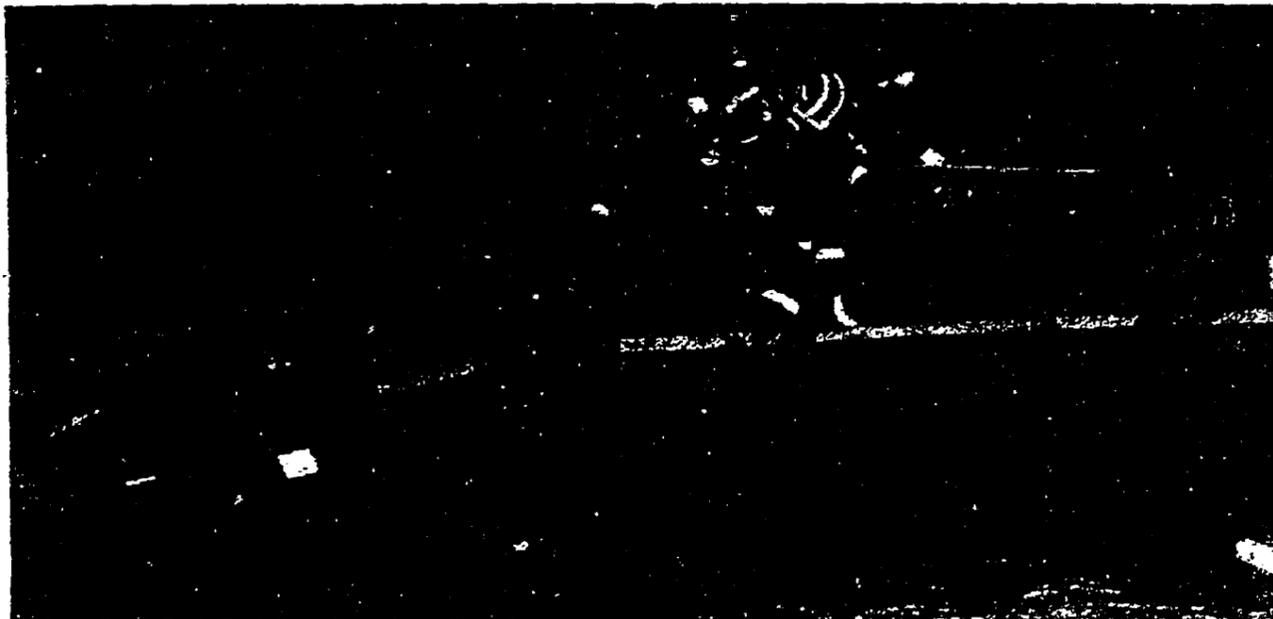
Conclusion

Ethanol is a renewable, domestic source of fuel and we should be producing and using more of it to lessen our dependence on foreign oil and at the same time create a value-added opportunity for our farmers and an environmentally-friendly choice to consumers at the fuel pump. Chairman Urlacher and committee members, I urge a do pass on HB 1493. I would be happy to answer any questions you may have.

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Jo Costa Richardson
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10/16/03
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Divers pulled a snowmobile out of the Red River south of Fargo on Wednesday night after it was found by divers. The driver fell through thin ice under a bridge. Divers continued their search Thursday for Tyler Eicholtz, who fell into the icy Red River on the snowmobile. Cass County authorities said the teenager and two other snowmobilers on the river Wednesday night, traveling from the Minnesota side back into North Dakota.

Eicholtz called off for Fargo teen

Divers drilled holes in the ice and lowered cameras into the river to find out who fell through the snowmobile. Tyler Eicholtz, 17, was suspended from school because he was riding a snowmobile on the river near Moorhead, Minn., on Wednesday night, and had turned near a bridge south of Fargo when Eicholtz' snowmobile went through the ice, authorities said. His two friends saw a 10-foot-by-5-foot hole, Clay County, Minn., Sheriff Bill P. Quist said. They ran to a nearby house and called for help.

Eicholtz was a Fargo North High School senior. Principal Andy Dahlen said Thursday was a tough day for students at the school, and counselors and pastors were there to help them. "We held a senior class meeting and had students in our gymnasium, and we reported the information that we had," Dahlen said. "There's always the attempt to at least console one another and to begin that grieving process." Eicholtz was an "upbeat"

teenager who was rushing by the bridge beams. Workers at the Wild Rice Bar and Grill, a hangout among snowmobilers less than two miles from the site, said late Wednesday they had not seen a sledder all night. "On the Red, there aren't a whole lot of places (for snowmobilers) to cross, so most people cross near bridges," said Kody Moore, a bartender and snowmobiler himself. The funneling of water beneath bridges can melt the ice, he

Group pledges money for ethanol study

RICHARDTON (AP) — The Stark Development Corp. has pledged \$5,000 toward a feasibility study for a proposed ethanol plant here.

Jody Hoff, a supporter of the project, said officials are looking to raise the rest of the money needed for the \$30,000 study.

The proposed \$54 million plant in southwestern North Dakota would produce 40 million gallons of ethanol per year, Hoff said.

"It will take about 15 million bushels of corn per year to fuel the plant," he said.

North Dakota has two ethanol plants, in Grafton and Walhalla in the northeastern part of the state. Together, they produce more than 30 million gallons of the fuel additive annually.

Fargo-based Dakota Renewable Fuels LLC is considering whether to build a third plant, near Valley City or Wahpeton in southeastern North Dakota, that would produce 30 million gallons of ethanol per year.

Vocational education addition aired

MINOT (AP) — A \$12 million vocational education addition to the high school here would serve other high schools, colleges and businesses, officials say.

"This is a dream," said Minot State University President Erik Shaar, who discussed plans for the addition Wednesday with Williston State College President Joe McCann, Minot Superintendent Richard Larson and School Board members.

Students and teachers who now attend classes in an aging building in downtown Minot also are eager for an addition. Welding teacher Blanny Nygaard estimated that his welding students lose an hour of class time each week driving between the campus and downtown.

Larson said funding for the project could come from private donations, school district funding, or state and federal funding. He said Rep. Mike Timm, R-Minot, plans to introduce a bill in the state Legislature seeking \$4 million in state funding for the technical center.

Tourism expert offers ideas

GRAND FORKS (AP) — North Dakota has no Disneyland, but it has snowy owls that people would like to see, a Texas tourism expert says.

Ted Lee Eubanks spoke Wednesday at what was billed as the state's first Nature Tourism Conference.

"It's pretty simple: I cannot buy a snowy owl, but I can't buy your history or your culture," Eubanks said. "Identify the resources that imprint us, and market those resources."

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Date: 10/16/03

The truth about ethanol

These facts debunk the five most popular myths about this renewable fuel

There are two major reasons why ethanol plays a vital role in America's future.

First is the issue of national security. When energy prices soared in the 1970s, most people recognized the country's unhealthy dependence on imported petroleum. Nothing has changed regarding those security issues. In 1995, the United States exceeded the level of imported petroleum it reached in the 1970s.

Pollution. Second is the issue of pollution, which affects public health. Engine emissions contain a host of pollutants that adversely affect the air we breathe and contribute to increasing levels of carbon dioxide in the atmosphere.

Despite the fact that ethanol use is beneficial on both counts, it has faced fierce battles at every turn from special interest groups who would benefit from its demise. Their arguments seem compelling on the surface, but many are based on myths and misconceptions.

Myth #1: Ethanol doesn't really benefit the environment.

Research at the U.S. government's National Renewable Energy Laboratory (NREL) in Golden, Colo., reveals that about one-third of the country's carbon dioxide emissions result directly from producing and consuming transportation fuels.

Combustion is more complete in fuels blended with ethanol, which contain higher amounts of oxygen than non-blended fuels. That reduces the amount of carbon monoxide that is formed and the reduction is significant.

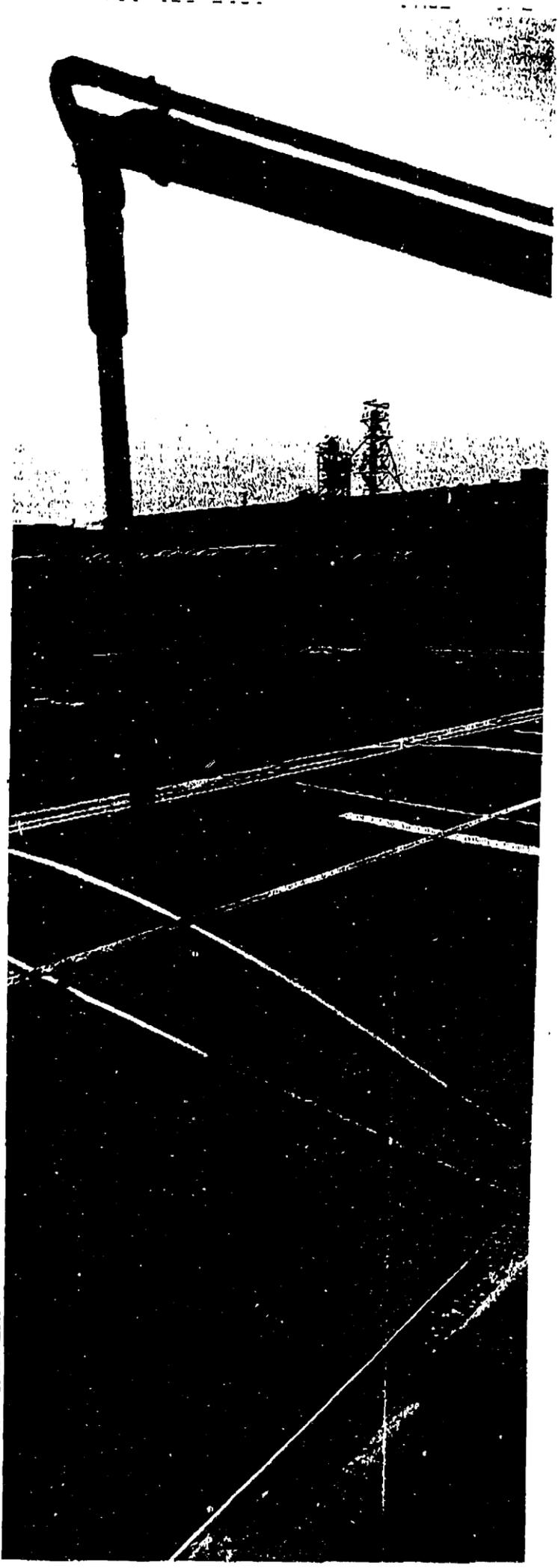
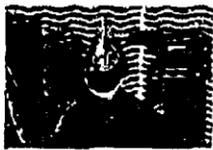
Tests at the National Center for Vehicle Emissions Control and Safety at Colorado State University document a 25% to 30% reduction in carbon monoxide emissions when automobiles use a 10% ethanol blend. The EPA backs this up. When oxygenated fuel programs debuted in 1992, 21 new program areas—nationwide—experienced a 95% reduction in carbon monoxide violations.

Ethanol production and use also reduces total carbon dioxide emissions. A paper presented to the President's Committee of Advisors on Science and Technology in 1997 estimated that if 4 billion gallons of ethanol were consumed annually, about 26 million tons of carbon dioxide emissions would be eliminated.

Myth #2: Ethanol does not perform well in conventional vehicles.

Ethanol blends have been approved for use by every automobile manufacturer that does business in the United States. Period.

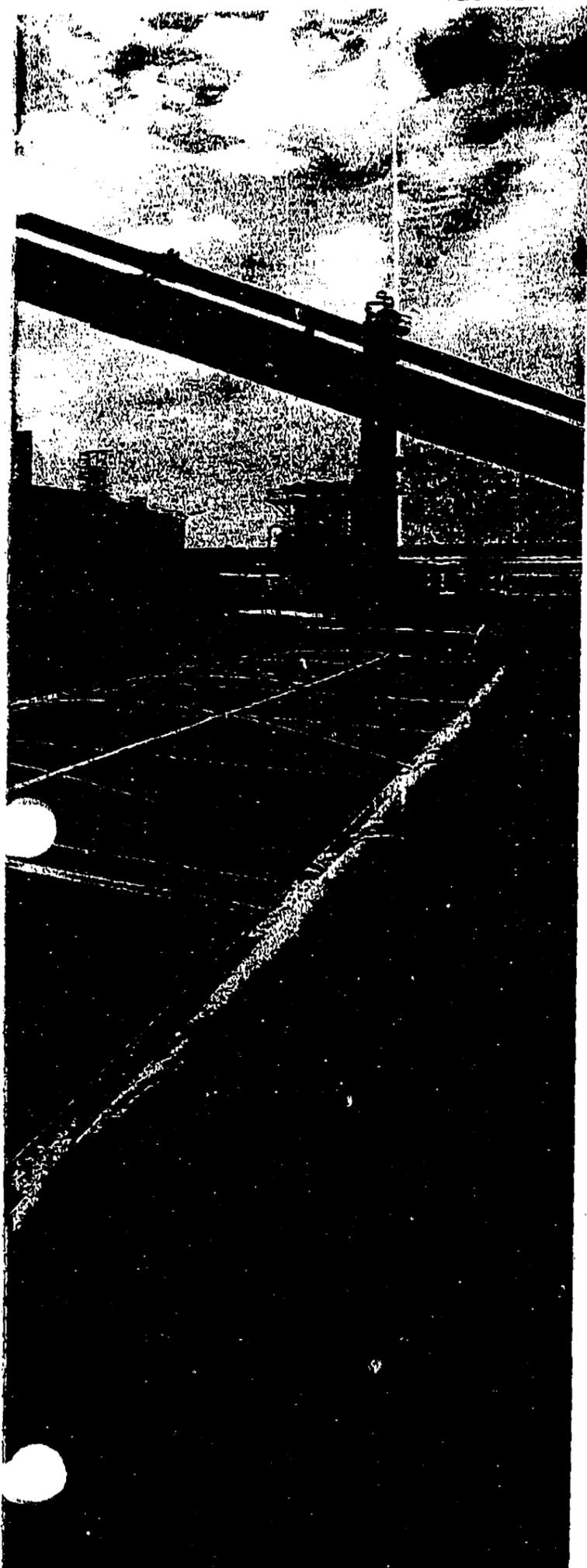
Ethanol even enhances performance—a 10% blend of ethanol raises the octane number by 2.5 points.



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Tests at the National Center for Vehicle Emissions Control and Safety at Colorado State University document a 25% to 30% reduction in carbon monoxide emissions when autos use a 10% ethanol blend.

Years ago, when ethanol was first introduced, fuel-line freeze-up was a problem because water had built up in underground storage tanks and water "attaches" itself to ethanol. However, the gasoline industry eliminated water from those tanks long ago.

While it is true that ethanol contains less energy per unit volume than unblended gasoline (minimally reducing miles per gallon), modern engines are designed to take advantage of the high-octane benefits of ethanol blends.

Myth #3: The ethanol industry has been subsidized long enough.

At the federal level, tax incentives reduce the cost of ethanol blends by about 50 cents per gallon—an amount that Congress decided would stay in place until 2007.

What is often overlooked, according to the USDA's Economic Research Service (ERS), is that ethanol production facilities account for over 40,000 jobs and contribute more than \$1 billion in household income. The ERS also reports that if ethanol production reached 5 billion gallons annually, farm income would jump \$1 billion and over 100,000 jobs would be created, primarily in rural areas where they are most needed.

Finally, for the top 10 corn-growing states, the USDA estimates a nearly \$475 million increase in tax receipts from ethanol production.

Sorghum and food-processing wastes are gaining favor as ethanol feedstocks in addition to corn.

Myth #4: Ethanol is made only from food crops like corn.

The amount of corn used each year to produce ethanol represents only 5% to 7% of average annual production. After corn is used to produce ethanol, the by-products of the process are used as a major source of animal feed.

As the ethanol industry grows, so will the use of waste products and alternative crops. Already, crops like sorghum and food-processing waste are gaining favor. And new research from NREL is proving that biomass products like pulwood, rice straw, switchgrass, and corn stover will be used as ethanol feedstocks.

Myth #5: The ethanol fuel cycle yields a negative energy balance.

No matter whether ethanol is produced from corn or other feedstocks, ethanol generates more energy than is consumed during production.

An exhaustive economic analysis conducted by the Argonne National Laboratory concluded that ethanol made from corn outperformed gasoline by using less energy and producing fewer greenhouse gases. When other biomass feedstocks are considered, the energy savings are even greater.

Biomass. According to a fuel-cycle evaluation conducted by the Department of Energy, the fuel cycle of ethanol produced from biomass feedstocks generates 6.8 Btu for every Btu of fossil energy consumed.
/Dale McDonald

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Administration:
1101 1st Ave N
P.O. Box 2064
Fargo, ND 58107
701-298-2200 • 1-800-367-9668
Fax: 701-298-2210

State Headquarters:
4023 State St
P.O. Box 2793
Bismarck, ND 58502
701-224-0330 • 1-800-932-8869
Fax: 701-224-9485

North Dakota Farm Bureau

www.ndfb.org

NORTH DAKOTA FARM BUREAU
TESTIMONY ON
HB 1493

Good morning Chairman Nicholas and members of the House Agriculture Committee. My name is Doug Goehring. I am here representing the 26,000 member families of North Dakota Farm Bureau. We support HB 1493.

Previously, we testified in opposition to SB 2027 which is a similar bill being debated in the Senate. After considerable discussion we believe a requirement to incorporate ethanol into the gasoline will be a positive move for the state of North Dakota. Additionally, HB 1493 provides an effective date of 2005 which offers adequate time to prepare and implement such a program.

There are many benefits to be derived from requiring ethanol usage. First and foremost is the positive impact this will have on agriculture, the number one industry in North Dakota. Corn producers can see an expanding and stable market for their commodity. Second, inexpensive byproducts can be utilized by the livestock industry minimizing large fluctuations in the cost of feed. These feedstuffs will be in quantities sufficient to entice growth and expansion in livestock industry.

One future. One voice.

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Douglas Goehring
Operator's Signature

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The economic impact to communities that are home to an ethanol plant or to the livestock enterprises will certainly be positive. Creation of quality jobs in construction and operation of these facilities will be a boon to the towns and counties in which they are built. The state will benefit from this economic development as well.

The concern over our growing dependence on foreign oil is another reason to support this bill. Our responsibilities as citizens in our communities, state and nation, with the need to be more self-sufficient and becoming energy independent is a goal we speak about, but fear implementing. Foreign oil supplies, especially from the Mideast, are more precarious with threats of war looming. It is imperative that we develop our resources here in the United States and expand our renewable resources to be more energy self-sufficient in the future, the very near future!

Mandates may not be pleasant but are often necessary to improve quality of life, provide economic stability or make us more responsible. We require vaccinations, limit the speed we travel on our roads, insist on licensing motor vehicles and require permits for building new homes. Warranties require that products be used in a specified manner in order for the warranty to be valid. The point is, mandates can be useful tools to provide a desired outcome.

For the good of society, we can be responsible in addressing our energy supplies. Ethanol is an octane enhancing, environmentally friendly, renewable fuel. The growing concern over air quality and meeting Clean Air Act requirements compels us to broaden our use of oxygenated fuels. Ethanol is a perfect fit.

For these reasons we support HB 1493. We hope you concur and give the bill a "DO PASS" recommendation.

Thank you for your kind attention. I would be happy to respond to any questions.

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NORTH DAKOTA PETROLEUM MARKETERS ASSOCIATION

1025 N. 3rd St. • P.O. Box 1956 • Bismarck, ND 58502
Telephone 701-223-3370 • WATS 1-800-472-0512 • FAX 701-223-5004

REPRESENTING:
Bulk Oil Jobbers
Convenience Stores
Service Stations
Truck Stops

Testimony HB 1493

February 6, 2003 – House Agriculture Committee

Mr. Chairman & members of the House Agriculture committee, my name is Russ Hanson of the ND Petroleum Marketers Association (NDPMA). NDPMA is an association of service stations, convenience stores, truck stops, and bulk oil jobbers. We appreciate the opportunity to offer our comments in opposition to HB 1493.

HB 1493, if enacted, would require retail petroleum dealers to offer ethanol-blended fuel at 87-octane level. NDPMA is not against ethanol. The association is opposed to government regulation mandating the offering of a certain product. Consumer demand will create self-sustaining markets and the retailers will comply with the wishes of the customer. When the customers request a product and it makes economic sense – the retailer is more than happy to provide it.

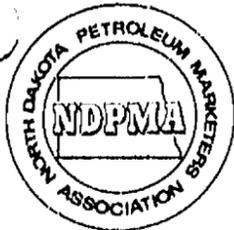
The issue of ethanol availability has been raised a number of times. NDPMA surveyed all 880 retail gasoline locations.

367 retail locations (43% of the total) responded to the survey. A majority - 231 (or 63%) of the respondents offer ethanol blended gasoline while 136 (37%) do not offer ethanol blends. These results indicate that the product is readily available to the consumer buying public.

67 (18%) of the 367 respondents offer one grade of gasoline. 130 (35%) of the respondents offer two grades while the remaining respondents offer three or four grades.

All statistics aside, the policy decision remains whether the government should dictate what product must be offered for sale. NDPMA would request the Legislature continue to allow the market forces determine this. Each business's individual situation is unique. The reasons for offering (or not offering) a product depend upon the respective consumer preference.

Thank you for the opportunity to present this testimony. I would attempt to address any questions.



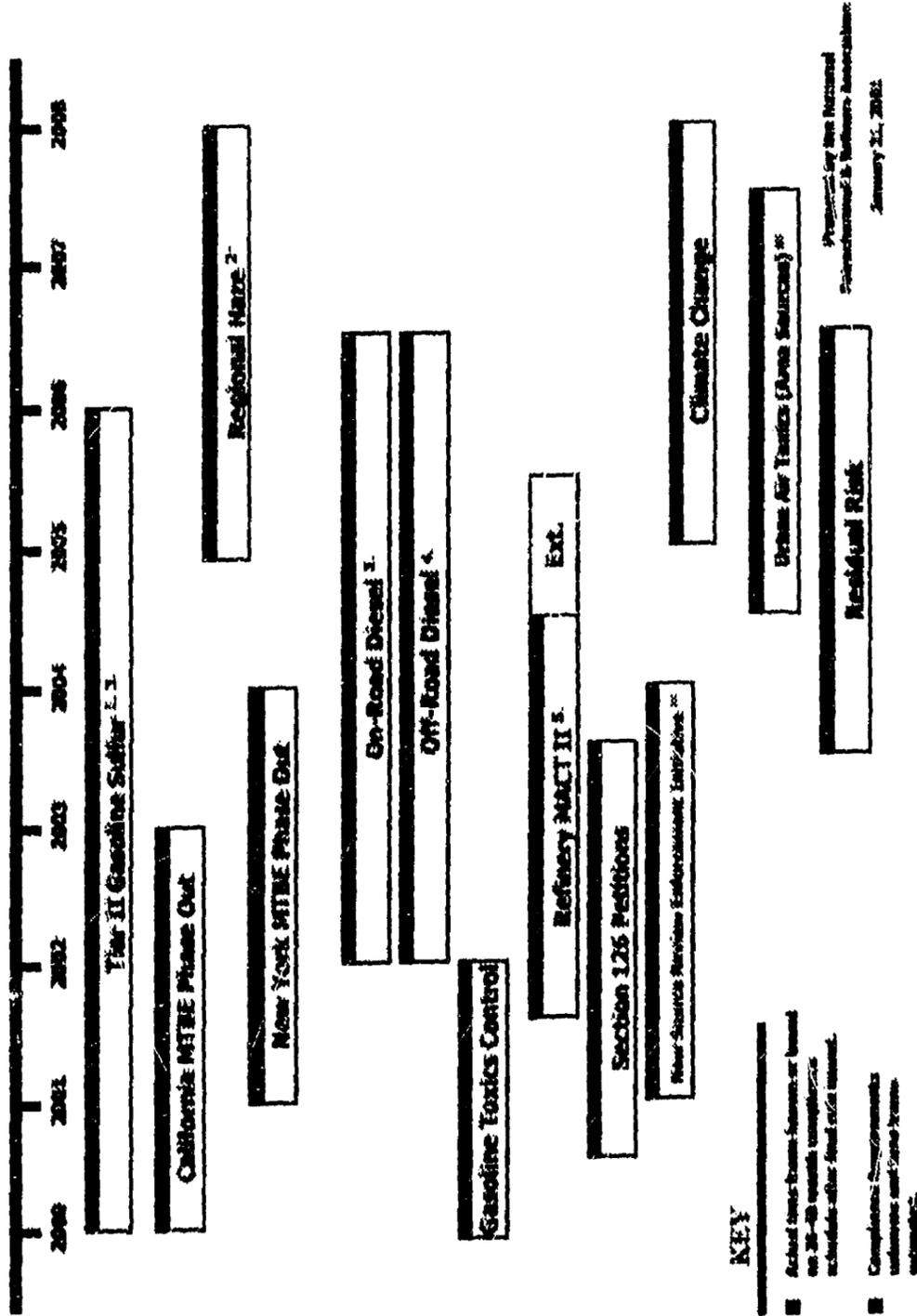
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Russ Hanson
Operator's Signature

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Regulatory Avalanche

Cumulative Regulatory Impacts on Refineries, 2000 - 2008



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Colista Rickford
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Coalition Against Mandates

The organizations listed below oppose government mandates. The free enterprise system should depend upon consumer choice and competition to determine the products offered in the marketplace.

Government mandating the offering of a certain product or service is not necessary as consumer demand will create self-sustaining markets.

We want to make it eminently clear that we are not against agriculture. We fully realize the importance of agriculture's vital role in the North Dakota economy.

However, we oppose bad economic policy. Mandates restrict competition, infringe on free-enterprise, and can result in supply/distribution problems in the economy. What economic development message is being sent if government tells business which products must be sold and to consumers which products must be purchased?

Once government mandates one product, what product or service would be next? Would the government next decide what type of tractors farmers must own? Would there be a government mandate indicating what type of meat a grocery store must sell?

Associated General Contractors	Bismarck/Mandan Development Association
Bismarck/Mandan Chamber of Commerce	Burlington Northern Santa Fe Railway Company
Caterpillar	Devils Lake Chamber of Commerce
E.W. Wylie Corporation	Greater North Dakota Association
Lewis Truck Lines	Midwest Motor Express
North Dakota Grocers Association	North Dakota Motor Carriers Association
North Dakota Retail Association	North Dakota Petroleum Council
Ottertail Power Corporation	National Federation of Independent Business
PACE Local 7-10	North Dakota Petroleum Marketers Association
Qwest Corporation	Tesoro Petroleum
Utility Shareholders of North Dakota	Xcel Energy

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Operator