

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1308

**2005 HOUSE TRANSPORTATION**

**HB 1308**

## 2005 HOUSE STANDING COMMITTEE MINUTES

### BILL NO. HB 1308

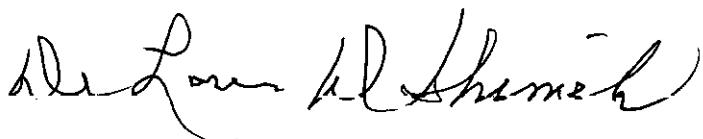
**House Transportation Committee**

Conference Committee

Hearing Date January 28, 2005

Tape Number	Side A	Side B	Meter #
1	X		31.7-53.2
2	X		0-3-50.2

Committee Clerk Signature



Minutes:

**Chairman Weisz** opened the hearing on HB 1308 A Bill for an Act to establish a renewable energy commission and trust fund; to create and enact three new sections to chapter 54-44.4 and three new sections to chapter 54-44.5 of the North Dakota Century Code, relating to state purchasing of energy and establishment of the renewable energy and conservation office within the division of community services; to provide an appropriation; to provide a continuing appropriation; and to provide an effective date.

**Rep. Nelson:** We think it is important this session to move the renewable energy bill. We need to do this with the energy situation we are in. I will go through the bill quickly and there are entities here that can and will explain the various sections.

**Rep. Thorpe(40.3)** I understand you have done allot of research and allot of thought to this bill. Will this help us as a state, get on the fast track?**Rep. Nelson:** This bill is a group effort. Yes it does help us get going on renewable energy. We are really behind on wind energy. We are

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House Transportation Committee

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certainly willing to look at all the sections as far as combining and eliminating to put things together to get this bill passed.

**Rep. Gulleson:** I don't think there is anything we can do that would advance the states economy as much as this renewable fuel bill. (See handout from Minnesota and surrounding states) When over this handout.

**Rep. S. Kelsch:**(49.6) We have an abundance of resources from traditional to renewable. It is a wise idea to support as many viable baskets as we can do help our renewable energy. It is time to give these industries a boost they need so we are not left behind in this growth industry. I ask for your favorable consideration on this bill.

**Roger Johnson, Agricultural Commissioner:** ( see handout) We are way behind in respect to our neighbors in renewable energy. I think you can see in these graphs. North Dakota has the highest potential to do wind energy.

#### Tape 2 Side A

Value added agriculture has been discussed allot lately. Renewal energy is a big part of value added agriculture, but they also include coal products. done (7.9)

**Chairman Weisz** Anyone else here in support of HB 1308?

**Jocie Iszler:** ND Corn and Renewable Energy Partnership: (see the attached testimony) We support this bill.

**Rep. Thorpe** (15.4) Looking on the back of your sheet here showing the renewable energy membership list. Knew we had allot of different partnership. What do you see this particular bill doing regarding development?

**Jocie Iszler:** Points toward incentives for investments. Having grants and venture capital available and having federal matching funds because the federal government, especially in the area of hydrogen research is putting allot of money into research in the department of energy and USDA. Members don't have the money available. Once the technology takes off we have to be ready.

**Rep. Thorpe**(17.6) Where is the funding coming from? The 12 million goes toward studies and how to do things? When you have that then what? When it is time to break ground and start the plants, where would you go?

**Jocie Iszler:** (19.2) The department of commerce, division of community services would administer the program. They would be the agency to which the group or organization would go to for matching funds.

**Rep. Weiler** How many public funds are involved in the Red Trail?

**Jocie Iszler:** I am not sure.

**Rep. Weiler:** Has there been an attempt to raise the money privately?

**Jocie Iszler:** I think they have gotten both private and public funds. I am not sure.

**Jay Haley:**(21.8) ( See Attached Testimony) **NDREP** In Favor of this bill.

**Ed Goerger:** (See attached testimony) I am here in support of HB 1308. If it is 20 below, you would have to treat it like any other diesel fuel.

**Woody Barth:** (28.2) ND Farmers Union. (See attached testimony) In support of HB 1308.

**Harlan Fuglesten:** ND Assoc. of REC's ( See attached testimony)

**John Mittleider:ND Farm Bureau:** Concerned about the mandates in the bill. We would rather see incentive instead of mandates.

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House Transportation Committee

Bill Number HB 1308

Hearing Date January 28, 2005

**Chairman Weisz** Any further support of HB 1308? Any opposition to HB 1308?

**Mark Dougherty:**(36.3) AGC of ND Do not like the mandate section of the bill specific to the construction contracts in Section 4. Concerned about costs to get this into areas where it is not readily available.

**Ron Ness:** NDPC .See attached handout. Does not like the mandates in the bill.Once government mandates one type of service what is to prevent them from doing it with another product. Growth of renewal resources if good. Why can't we get them funded and plants built. There is a significant number of funds available and policies that have been created that should help the renewable energy resources. I think allot has been done and there obviously needs to be more done, but mandating fuel into the market is not a good idea.

**Rep. Delmore** If you don't like mandates, what can you support in this bill?

**Ron Ness:** I don't think there is anything in this bill that will solve the issues for the industry. Let's not try to force products into the public. I cannot support this bill.

**Brian Bjella:** (44.4) Lignite Energy Council. Has coal and power companies in the state of ND. We are taking no position on this bill other than section 4 with the mandate provisions. Does not like mandates. Please remove the mandates.

**Kathy Aas:** Excel Energy (See attached testimony) Supports energy, but does not like the mandates.

**John Olson-** Ottertail Power Company: Does not like the mandates in Section 4.

**Rep. Thorpe**(47.9) I understand that you don't like the mandates. States like Minnesota have accomplished allot regarding renewable energy.

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House Transportation Committee  
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**John Olson** I do not think false competition does not produce good economic policy. Especially on the mandate approach by the state. I don't know what they have done in Minnesota and other states. I do know we have great potential in ND.

**Chairman Weisz** Any further testimony on HB 1308.

Closed hearing (50.2)

## 2005 HOUSE STANDING COMMITTEE MINUTES

### BILL NO. HB 1308

#### House Transportation Committee

Conference Committee

Hearing Date February 3, 2005

Tape Number	Side A	Side B	Meter #
1	X		19-29.0

Committee Clerk Signature



Minutes:

**Chairman Weisz**(19.0)Reopened hearing on HB 1308. There are going to be some amendment offered. I believe what is going to be offered as amendments. The commission will probably disappear and APUC will be in charge of the renewable energy trust fund that is listed in section 3. In section 4 where you have the three sections of mandates; those will turn into goals or objectives to be achieved. The states would encourage all contractors and state vehicles to use the renewable fuels. Section 5; the renewal energy policy would stay in there, but the renewal energy conservation office created and duties would be deleted. Section 7 under approp. would show a 2 million transfer under the current ethanol fund in DOT to this fund and then there would be a million dollars of general fund that could be matched on a two for one basis by the industry. It is a matching fund thing. It would be used as investment money for plants.

**Rep. Hawken** What does DOT think of that.

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House Transportation Committee

Bill Number HB 1308

Hearing Date February 3, 2005

**Chairman Weisz** They don't care, but they would like to see the funds stay in their fund. It will be allot different.

**Rep. Dosch (24.5)** Has the ethanol industry weighed in on this?

**Chairman Weisz** Some of the parties that are benefiting now would also benefit from the new funds. We have been subsidizing the industry for a long time and we are subsidizing 20 year old plants and now it is time for them to get off their duff; here the money now build the plant.

**Rep. Dosch** What is the intend of the money?

**Chairman Weisz** I believe the intent would be to build a plant. Not the marketing or other stuff. They want us to no longer be subsidizing these plants.

Hearing closed 29.0

## 2005 HOUSE STANDING COMMITTEE MINUTES

### BILL NO. HB 1308

**House Transportation Committee**

**Conference Committee**

Hearing Date February 4, 2005

Tape Number	Side A	Side B	Meter #
2	X		37.5-52.5
3	X		0-14.7

Committee Clerk Signature

Minutes:

**Chairman Weisz** Reopened the hearing on HB1308.

**Rep. John Nelson:** (37.6) Explained the proposed amendment. Effort to try to fit this proposal into the budget at this time. This incentive would cause this state to move forward and hopefully have a bodiless or ethanol plant under construction or finished.

**Rep. Hawken**(49.4)When you are talking about these reporting things, what are you talking about. Are we talking about a letter that says this is what we did or are we talking about major time consuming detail reporting?

**Rep. Nelson:** There are measurement standards for electric generation. There is credits that are better tracked and will be tracked. If the utility is supplying a load with a dedication portion with wind energy, they are able to monitor that load and where it is going. Not that complicated reporting. State already has a mandate at their pumps for the ethanol so we are really just adding

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bodiless. From the general contractors standpoint I am sure they monitor fuel now through receipts.

**Rep. Price**(52.3) Page 2 in the existing section 3 you still have the funds appropriated to the renewal energy commission. I am assuming that is just missed.

**Tape 3, Side A 0-**

**Rep. Nelson:** You may be right about that so this wouldn't go into APUC general fund. They would have to designate this fund toward renewal projects.

**Rep. Price** Decided need to change that line.

**Rep. Dosch**(.9) Can you tell me the 2 million dollars you were talking about in there here that is currently being set aside. How is that money being appropriated now? Is that on an annual or biannual basis?

**Rep. Nelson:** It is a diesel fuel refund account. It is a five cent refund on agricultural diesel fuel purchases. That is also the funding source for the counter cynical payment for ethanol plants. Currently, I believe that account has 3.2 million dollars in it. This would deplete a portion of that.

**Chairman Weisz**(2.5) To be clear on the section on appropriations. Any money coming from outside sources is going to go into the general fund. Total of 1.5 million dollars now. It would be half that the state would match. The total amount of money that this fund could accumulate is \$4,250,000. On page 2, line 21 we want to make this correction, should cross over be Renewal Energy Commission and add in Agricultural Products Utilization.

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House Transportation Committee

Bill Number HB 1308

Hearing Date February 4, 2005

**Rep. Dosch:**(4.7)The Agricultural Utilization Committee will have the power to determine how this money is going to be spent. We are talking millions of dollars. What happens if there are two competing projects out there? What is the make up of the committee?

**Rep. Nelson:**(5.1) Seven or nine members; the Commissioner of Agriculture and his designee, Two from Commerce Department; and the rest are Governor appointees.

**Chairman Weisz** APUC currently this is what they are going now for projects. You have to submit a proposal that goes before the committee; they have to meet the criteria for the project, how much they will give you etc. It is a central reviewing committee so that is why they put it in there.

**Rep. Nelson:**(6.6) APUC has a director as well that is employed for the commission and the funding source for APUC is from agricultural gas tax refunds. That source has been dropping so there is room in their portfolio to handle this. It is a reasonable fit.

**Rep. Thorpe** Is there some plans on the drawing board now?

**Rep. Nelson:** There are no specific projects? There is a wind project that was announced in my district this week? (lots of different projects going on ).

Rep. Meyer made a motion the amendment pass; Rep. Thorpe seconded it.

Carried with a voice vote. None in opposition.

**Rep. Ruby** I think the amendments made it better, but I still do have a problem with section 4 where it says shall attempt to. I think it is a strong direction telling them what they need to do and I just don't transmission problems and the costs I do have problems with that. The amendment helped it, but I will oppose the bill.

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House Transportation Committee

Bill Number HB 1308

Hearing Date February 4, 2005

**Rep. Hawken** The President of the US was here yesterday and talked about some of the various things that are in this bill. I agree I am not big on mandates, but we don't have allot of voluntary action going very far. I think it gives the direction without a mandate.

**Rep. Ruby** I think we have moved and have new incentives and maybe it is time to further other projects that we have priorities for.

**Rep. Bernstein(11.4)** As the bill was before with \$12 million dollars in appropriations on this I was having allot of heartburn over that, but the amendments do make it better. We are an agricultural state and being we are going to put this in with APUC that is probably where it should have been to begin with. I am in support of the direction we are going.

**Motion Made By Rep. Delmorer Seconded By Rep. Owens**

**DO Pass As Amended 11 Yes 2 No 2 Absent Carrier: Rep. Vigesaa**

## FISCAL NOTE

Requested by Legislative Council

02/09/2005

### REVISION

Amendment to: HB 1308

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.

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
Expenditures			\$1,686,360		\$2,000,000	
<b>Appropriations</b>			\$1,500,000		\$2,000,000	

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 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.

The Agricultural Products Utilization commission shall:

- 1) Administer and use the renewable energy trust fund to carry out the renewable energy Policy of this state.
- 2) Provide feasibility studies, applied research and demonstrations, venture capital investments, grants and matching grants, and low-interest loans and loan buydowns to foster the development of renewable energy, including wind, biofuels, biomass, solar, hydroelectric, geothermal, and hydrogen, that is produced from the foregoing renewable energy sources.

To effectively administer the proposals contained within the bill, it is estimated that the Dept. of Commerce will need one additional FTE.

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.

None

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.

Section 1: Estimated costs associated with additional APUC Duties:

- Dept. of Commerce position: (salary @ \$35,000/year, fringe at 30 percent(\$15,000), travel @ \$30,000, office rent @ \$5,680, office supplies & computer @ \$3,500, additional costs @ \$4,000) = \$186,360.

Section 3:

The purchase requirements contained within this bill are now optional. Nonetheless, the potential fiscal impact of such purchases have been included for informational purposes.

-Electricity purchase from wind energy

Cost associated with this purchase requirement could range from \$0 to approximately \$457,000.

North Dakota facilities use approximately 228,476,000 kWh of electricity per year... 10 percent of that would be 22,847,600 kWh. The average cost of electricity for state facilities is \$.044/kWh. If the state could negotiate a premium of \$.02/kWh for wind energy, the additional cost for a 10 percent wind energy purchase would be \$456,952. However, the electricity from the wind energy developments in the Edgeley-Kulm area is purchased by Basin Electric Power Cooperative and by Otter Tail Power Co., which is integrated into their systems' mix. Otter Tail Power Co. currently has a wind energy component of their generation mix of two percent. So only the amount exceeding that two percent would require a premium payment. According to an official of Otter Tail Power Company, a realistic premium range for state facilities would be \$.018 to \$.026 per kWh, or, in this case, \$411,257 to \$594,038. Basin Electric Power Cooperative estimates a much lower premium of \$.01/kWh, or a cost to the state of \$229,950/year. Another option for the state might be to essentially finance its own wind generation. A ten percent purchase of wind energy by the state would require the equivalent output of six 1.3 MW turbines at a 35 percent capacity factor, or one 7.5 MW turbine at the same capacity factor. In very simple terms, assuming generation of 22,995,000 kWh/yr at the current average rate of \$.044/kWh, the turbines would produce \$1,011,780 in revenue per year, and the initial \$7.5 million capital investment would be paid back in 9 years, based on a cost of money of 4.53 percent.

- Use of E10 (10 percent ethanol blended fuel) and B5 (5 percent biodiesel blend) in State Vehicles

In 2004 the ND Department of Transportation Fleet Services reported gasoline usage of 1,912,458 gallons and 1,282,431 gallons of diesel fuel usage. All of the state's gasoline pumps contain E10 fuel, so the state is currently in compliance with the ethanol requirement of this legislation. At this time, five of the twelve district diesel tanks use a 20 percent biodiesel mix in the summer months (they do not use biodiesel fuel in the winter months because of gelling issues). The Transportation Department is considering expansion of its B20 usage to the other districts. Realistically, a five percent biodiesel blend would result in the use of 65,122 gallons of pure biodiesel, which the state is mathematically approaching based on the use of B20 at 5 of the 12 diesel pumps for six months of the year. According to an official of the ND Soybean Council, recent federal legislation allows biodiesel blenders a federal credit to offset the incremental cost of biodiesel fuel, which is estimated at \$.01 to \$.015 per gallon for every one percent of pure biodiesel added to regular diesel fuel. Although the ramifications of this legislation are yet to be determined, a Soybean Council official suggested that there should be no fiscal impact to the state from the B5 requirement.

- Use of E10 and B5 in state contracts exceeding \$100,000

It is be very difficult to estimate a fiscal impact of this requirement. Would there be a cost for monitoring and enforcing this contract stipulation? The actual incremental fuel costs should not be significant. For large construction and road contracts, the main usage would be the B5 biodiesel blend, which has already been determined to have minimal or no incremental costs. At local gasoline retail stations, E10 blends sell for a slightly higher cost than regular unleaded gas.

**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.*

Section 5 of the bill appropriates \$1.5 million in General Funds for the Agricultural Products Utilization Commission for matching grants to carry out renewable energy projects.

In addition, section 6 appropriates \$2 million of special funds from the ethanol production incentive fund for renewable energy project grants.

This appropriation sections of this bill only apply to the 2005-2007 biennium and do not extend into the future biennium.

Name:

Paul T. Govig

Agency:

Dept. of Commerce

**Phone Number:** 328-4499

**Date Prepared:** 02/09/2005

**FISCAL NOTE**  
Requested by Legislative Council  
02/07/2005

Amendment to: HB 1308

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	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$1,634,180		\$2,000,000	
<b>Appropriations</b>			\$1,500,000		\$2,000,000	

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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To effectively administer the proposals contained within the bill, it is estimated that the Dept. of Commerce will need one additional FTE.

**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.

None

- 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.

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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.

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This appropriation sections of this bill only apply to the 2005-2007 biennium and do not extend into the future biennium.

Name: Paul T. Govig  
Phone Number: 328-4499

Agency: Dept. of Commerce  
Date Prepared: 02/09/2005

## FISCAL NOTE

Requested by Legislative Council  
01/12/2005

Bill/Resolution No.: HB 1308

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
Expenditures			\$12,000,000		\$12,000,000	
<b>Appropriations</b>			\$12,000,000		\$12,000,000	
1B. County, city, and school district fiscal effect: <i>Identify the fiscal effect on the appropriate political subdivision.</i>						
	2003-2005 Biennium	2005-2007 Biennium	2007-2009 Biennium			
	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.*

There are several fiscal impacts associated with HB 1308. First, there is the establishment of a renewable energy commission with nine members who will attend quarterly meetings to review project applications. The commission members will receive \$100/day for meetings along with travel expenses. The legislation also allows for administrative expenses for the commission and authorizes one additional staff person in the Dept. of Commerce to staff the commission. There is a suggested \$12 million general fund appropriation for the renewable energy commission and the renewable energy trust fund, which the commission will oversee. It is assumed that commission and Dept. of Commerce administrative funding, along with project funding, will be included in the \$12 million appropriation. The legislation establishes a continuing appropriation for the renewable energy trust fund.

Second, in Section 4 of the proposed legislation, there are three renewable energy purchase requirements: 10 percent of the state's electricity use be obtained from wind energy generation; the use of a 10 percent ethanol blend or five percent biodiesel blend in state vehicles; and the required use of ethanol-blended fuel or biodiesel fuel in construction projects greater than \$100,000 in which motor fuels are used. Each of these three requirements are evaluated herein for their 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.*

None

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.*

Section 1,2,& 5: Renewable Energy Trust Fund – Renewable Energy Commission – Dept. of Commerce Administration

- Meeting costs: (8 meetings per biennium, 2-day meetings, one night lodging) = \$22,960

- Additional commission administrative costs: (source – APUC) = \$30,000
- Dept. of Commerce position: (salary @ \$35,000/year, fringe at 30 percent, travel @ \$30,000, office rent @ \$5,680, office supplies & computer @ \$3,500, additional costs @ \$4,000) = \$134,180

Total = \$187,140 administrative costs (1.6 percent of \$12,000,000); \$11,812,860 project costs

#### Section 4: Electricity purchase from wind energy

- North Dakota facilities use approximately 228,476,000 kWh of electricity per year... 10 percent of that would be 22,847,600 kWh. The average cost of electricity for state facilities is \$.044/kWh. If the state could negotiate a premium of \$.02/kWh for wind energy, the additional cost for a 10 percent wind energy purchase would be \$456,952. However, the electricity from the wind energy developments in the Edgeley-Kulm area is purchased by Basin Electric Power Cooperative and by Otter Tail Power Co., which is integrated into their systems' mix. Otter Tail Power Co. currently has a wind energy component of their generation mix of two percent. So only the amount exceeding that two percent would require a premium payment. According to an official of Otter Tail Power Company, a realistic premium range for state facilities would be \$.018 to \$.026 per kWh, or, in this case, \$411,257 to \$594,038. Basin Electric Power Cooperative estimates a much lower premium of \$.01/kWh, or a cost to the state of \$229,950/year. Another option for the state might be to essentially finance its own wind generation. A ten percent purchase of wind energy by the state would require the equivalent output of six 1.3 MW turbines at a 35 percent capacity factor, or one 7.5 MW turbine at the same capacity factor. In very simple terms, assuming generation of 22,995,000 kWh/yr at the current average rate of \$.044/kWh, the turbines would produce \$1,011,780 in revenue per year, and the initial \$7.5 million capital investment would be paid back in 9 years, based on a cost of money of 4.53 percent.

- Use of E10 (10 percent ethanol blended fuel) and B5 (5 percent biodiesel blend) in State Vehicles

In 2004, the ND Department of Transportation Fleet Services reported gasoline usage of 1,912,458 gallons and 1,282,431 gallons of diesel fuel usage. All of the state's gasoline pumps contain E10 fuel, so the state is currently in compliance with the ethanol requirement of this legislation. At this time, five of the twelve district diesel tanks use a 20 percent biodiesel mix in the summer months (they do not use biodiesel fuel in the winter months because of gelling issues). The Transportation Department is considering expansion of its B20 usage to the other districts. Realistically, a five percent biodiesel blend would result in the use of 65,122 gallons of pure biodiesel, which the state is mathematically approaching based on the use of B20 at 5 of the 12 diesel pumps for six months of the year. According to an official of the ND Soybean Council, recent federal legislation allows biodiesel blenders a federal credit to offset the incremental cost of biodiesel fuel, which is estimated at \$.01 to \$.015 per gallon for every one percent of pure biodiesel added to regular diesel fuel. Although the ramifications of this legislation are yet to be determined, a Soybean Council official suggested that there should be no fiscal impact to the state from the B5 requirement.

- Use of E10 and B5 in state contracts exceeding \$100,000

It would be very difficult to estimate a fiscal impact of this requirement. Would there be a cost for monitoring and enforcing this contract stipulation? The actual incremental fuel costs should not be significant. For large construction and road contracts, the main usage would be the B5 biodiesel blend, which has already been determined to have minimal or no incremental costs. At local gasoline retail stations, E10 blends sell for a slightly higher cost than regular unleaded gas.

**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.*

Section 7 of the bill appropriates \$12 million for the renewable energy commission and renewable energy trust fund. This fiscal note also assumes the provisions of this bill extending into future bienniums resulting in an additional appropriation in the 2007-2009 biennium.

Name:

Kim Christianson

Agency:

ND Dept. of Commerce

**Phone Number:** 328-4137

**Date Prepared:** 01/19/2005

Date: 2-4-05  
Roll Call Vote #:

**2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB1308**

House Transportation Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

*No Pass Amend*

Motion Made By

*Meyer*

Seconded By

*Schmidt*

Representatives	Yes	No	Representatives	Yes	No
Rep. Weisz - Chairman			Rep. Delmore		
Rep. Hawken - Vice Chair.			Rep. Meyer		
Rep. Bernstein			Rep. Schmidt		
Rep. Dosch			Rep. Thorpe		
Rep. Iverson					
Rep. Kelsch					
Rep. Owens					
Rep. Price					
Rep. Ruby					
Rep. Vigesaa					
Rep. Weiler					

Total (Yes) No

Absent

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

*Voice Passed*

Date: 2-4-05  
Roll Call Vote #: 2

**2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1308**

House Transportation Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken *Do Pass As Amend*

Motion Made By *Rep. Delmore* Seconded By *Rep. Owens*

Representatives	Yes	No	Representatives	Yes	No
Rep. Weisz - Chairman	✓		Rep. Delmore	✓	
Rep. Hawken - Vice Chair.	✓		Rep. Meyer	✓	
Rep. Bernstein	✓		Rep. Schmidt	✓	
Rep. Dosch	✓		Rep. Thorpe	✓	
Rep. Iverson	abst				
Rep. Kelsch	abst				
Rep. Owens	✓				
Rep. Price	✓				
Rep. Ruby	✓	✓			
Rep. Vigesaa	✓				
Rep. Weiler		✓			

Total (Yes) 11 No 2

Absent 2

Floor Assignment *Rep. Vigesaa*

If the vote is on an amendment, briefly indicate intent:

*Referred to Approp.*

**REPORT OF STANDING COMMITTEE**

**HB 1308: Transportation Committee (Rep. Welsz, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (11 YEAS, 2 NAYS, 2 ABSENT AND NOT VOTING). HB 1308 was placed on the Sixth order on the calendar.**

Page 1, line 1, remove "establish a renewable energy commission and trust fund; to"

Page 1, line 2, after "enact" insert "a new section to chapter 4-14.1," and after "54-44.4" insert a comma

Page 1, line 3, after "to" insert "duties of the agricultural products utilization commission," and after "energy" insert a comma

Page 1, remove lines 7 through 24

Page 2, replace lines 1 through 11 with:

**"SECTION 1. A new section to chapter 4-14.1 of the North Dakota Century Code is created and enacted as follows:**

**Agricultural products utilization commission - Duties.** The agricultural products utilization commission shall:"

Page 2, line 21, replace the second "renewable energy" with "agricultural products utilization"

Page 2, line 27, after "shall" insert "attempt to"

Page 2, line 31, replace "requirement" with "goal"

Page 3, line 3, after the period insert "The office of management and budget and any state agency or institution purchasing electricity shall report to the agricultural products utilization commission the efforts of the office of management and budget or the state agency to comply with this section."

Page 3, line 6, after "shall" insert "attempt to"

Page 3, line 8, replace "must" with "should, but are not required to,"

Page 3, line 9, replace "must" with "should, but are not required to,"

Page 3, line 10, after the period insert "The office of management and budget and any state agency or institution purchasing motor vehicles and diesel-powered or gasoline-powered equipment shall report to the agricultural products utilization commission the efforts of the office of management and budget or the state agency to comply with this section."

Page 3, line 13, replace "must" with "should, but are not required to,"

Page 3, line 15, replace "must" with "should, but are not required to,"

Page 3, line 16, replace "must" with "should, but are not required to,"

Page 3, line 17, after the period insert "A state agency or institution issuing a request for proposal for construction contracts or projects under this section shall report to the agricultural products utilization commission the efforts of that agency or institution to comply with this section."

Page 3, line 30, remove "The office consists of a director and any other professional, technical, and clerical"

Page 3, remove line 31

Page 4, after line 7, insert:

**"SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$1,500,000, or so much of the sum as may be necessary, to the agricultural products utilization commission, to be matched in a two-to-one ratio by grants, gifts, and other funds received by the commission with each two dollars of general fund moneys being matched by one dollar of gifts, grants, or other funds, for the purpose of carrying out renewable energy projects, for the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 4, line 9, replace "general" with "ethanol production incentive" and replace "\$12,000,000" with "\$2,000,000"

Page 4, line 13, replace "4" with "3"

Renumber accordingly

**2005 HOUSE APPROPRIATIONS**

**HB 1398**

*Cont Performance  
1308*

## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date February 14, 2005

Tape Number  
1

Side A  
X

B Side  
X

Meter #  
5040-End  
1-2209

Committee Clerk Signature

Minutes: Chair Carlson opened general discussion on HB1308, relating to duties of the agricultural products utilization commission, state purchasing of energy, and establishment of the renewable energy and conservation office within the division of community services.

**Rep. Jon Nelson:** Review of HB 1308. (SEE HB 1308)

**Rep. Glassheim:** That 3.2 million, is that sitting there?

**Rep. Nelson:** Yes it is. It is currently in the Governor's budget, and I should also make you aware that there is a Senate bill that would dedicate 1.8 million dollars from the Ethanol Incentive Fund to the subsidy of the two existing plans in North Dakota. My indication is if that bill comes across in that form, I'm after that same amount of money basically.

**Chair Carlson:** Wasn't there about 600 and 300,000 allocated to the one in Wallhalla and the one in Grafton?

**Rep. Nelson:** There is a bill in the senate that dedicates 1.8 million out of this fund for that.

**Rep. Monson:** So there's 3 ½ million dollars all together?

**Rep. Nelson:** If maximized that would be the out lie that the State of North Dakota would be committed to. 2 million of it would come out of the Ethanol Incentive Fund, 1 ½ million dollars of general funds.

**Chair Carlson:** Is that money sitting in that fund? Is the 2 million sitting there already, or is that an appropriation? Is there already money in that Ethanol Incentive Fund?

**Rep. Nelson:** Yes, there is.

**Rep. Glassheim:** How does that fund build up? Is anything coming into it?

**Rep. Nelson:** That fund is based on a Agricultural Refund on sales of diesel fuel. I believe it's a 5 cent refund that agriculture producers apply for. 40% of that refund goes into the Ethanol Incentive Fund.

**Rep. Skarphol:** In section 5 where you talk about the general fund appropriation requiring a 2 to 1 match, I'm assuming the money in section 6 cannot be used to make that match. Is that a correct assumption?

**Rep. Nelson:** The intent of their bill is to only use the million and a half for the match money. The 2 million dollar appropriation is set aside for the operation.

**Rep. Skarphol:** Can a dollar of general fund money be spent without the match? Does it require a match before it can be expended?

**Rep. Nelson:** The general fund appropriation would require a match.

**Chair Carlson:** So the money would just sit there, and if a match wasn't made available, it wouldn't be used?

**Rep. Nelson:** That is correct. That is the intent of the law, that the local buy in would have to take place to access that million and a half.

**Rep. Skarphol:** If a local buy in was to put up 500,000 can they get 500,000? What is the match here?

**Rep. Nelson:** 2 to 1, you'd get a million.

**Rep. Skarphol:** So they could get a million out of that million and a half. It doesn't require that the whole million and a half be matched before it can be expended. It only requires that you have a match dollar for whatever your effort is.

**Rep. Nelson:** That's exactly the way we envision this thing working. If a match comes forward, all dollars would be matched 2 for 1 up to a million and a half dollars.

**Chair Carlson:** Now a project like this big plant out at Redtrail, could they get a match out of this?

**Rep. Nelson:** I believe their latest offering expires on March 31. Assuming that they offered again, the way this would work is that APUC would administer this fund if Redtrail would come to the fund. If we had the adequate funding, let's say they're 2 million dollars short and they came to APUC with a proposal as an equity partner or revolving loan situation, yes they could finish that project.

**Chair Carlson:** Is that one of the options when you look at this, is that one of the purposes it's set up for?

**Rep. Nelson:** Exactly, that is one of the components that I feel would work best. Obviously, APUC may have different philosophies on how they spend the money, but the intention is to assist a project to get off the ground.

**Rep. Monson:** Is this only for new projects?

**Rep. Nelson:** It really isn't limited to new projects. If there is a project that's worthy of consideration, currently any project can come before APUC and the board would rank the projects on a priority list.

**Chair Carlson:** Is that a change in direction for that 2 million dollars, compared to the Governor's budget?

**Rep. Nelson:** Yes, it is.

**Chair Carlson:** What was his intent for the 2 million?

**Rep. Nelson:** His intent is to use that for the countercyclical payments that new plants can get, if the conditions of corn prices being high, ethanol prices being low, then there is a payment. Again, that countercyclical policy has never been used, because a new plan has to be constructed.

**Chair Carlson:** Is there any money left for them this year, or is it all gone with this bill?

**Rep. Nelson:** In the Senate bill, it has passed through committee that would access that 1.8 million of the 3.2 million and discount four direct subsidy to Wallalla and Grafton.

**Rep. Skarphol:** Could you explain to me the logic behind using the Ag Products Utilization, rather than the Commerce Department?

**Rep. Nelson:** There was, in the original bill, a commission set up that had advocates of the renewable interest involved, and the Commerce Department was a part of that. The practical

aspect was we didn't think we could get a bill passed that would create a new commission, so APUC is existing.

**Rep. Skarphol:** Would you have any difficulty with us changing it to the Commerce Department, and let the Commissioner decide which one of his entities he thought would be the most appropriate to administer it?

**Rep. Nelson:** That's not a deal breaker with me.

**Chair Carlson:** I noticed that in the bill you changed the language and took most of the mandates out.

**Rep. Nelson:** All of the mandates are out.

**Rep. Monson:** I don't see why we need to have an FTE and all that office, because if your taking it out of APUC that means that is less money that they administer someplace else.

**Chair Carlson:** It says their estimated associated costs with additional APUC duties, so they're telling us it's going to cost them 186,000 dollars to run what's in your bill.

**Rep. Nelson:** I guess the sponsors of the bill want as much money to hit the ground towards plants as possible, without unnecessary administration.

**Chair Carlson:** If you were taking this bill back to the full appropriations committee, and you told them you need a million and a half that's in the Governor's budget, how would you sell it?

**Rep. Nelson:** What I would say is that we are in a position in this state to be leaders in some areas of development of renewable energy. We are in a catch up mode in others, but the fact of the matter is the renewable energy industry, we are positioned very well in ND to enter into and be a revenue generator for the state. I don't look at moving into renewable fuels if we develop biodiesel plants, ethanol plants, we are at the cutting edge when it comes to hydrogen fuel cell

development in this state. A 150 megawatt wind farm was just announced last week, in my district coming to the state. We've passed some legislation that enables trading of credits. We're moving forward, but now we need industry to come into the state and build. This will help to do that, and that's the biggest generator. If we can put footprints down on one or two plants in this biennium, it will generate tax revenue for the state, and help to develop an industry that will last long into the future.

**Rep. Monson:** I'm wondering if this Transmission Authority, would they qualify for this stuff if they want to do some studies or siting stuff. Would they come in and possibly qualify for that?

**Rep. Nelson:** I suppose that would be a stretch, in my opinion, because that is not just renewable transmission that we're talking about with the transmission authority, that would be a part of it. I suppose if there were enough dollars available, I could envision them coming before this committee. Certainly in this biennium I would hope that would not be the case, I would hope that the APUC board would look at a renewable industry. I would much rather see them put money down on a project to get it off the ground, than spread it to thin.

**Chair Carlson:** We're going to take this out of here without a recommendation. We'll explain what we know, and the whole committee can take it.

Take to full committee, and supply recommendation.

Closed General Discussion Hearing.

## 2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1308  
Ag Products Utilization Commission (APUC)

House Appropriations Full Committee

Conference Committee

Hearing Date February 15, 2005

Tape Number	Side A	Side B	Meter #
1	X		#19.7 - #end
1		X	#0 - #14.0

Committee Clerk Signature



Minutes:

**Rep. Ken Svedjan, Chairman** opened the discussion on HB1308.

**Rep Weisz** introduced the bill by saying that this was setting a policy for renewable energy and a mechanism for funding it. This bill also sets goals for the state for utilization and procurement of these new sources. Originally there was a \$12 million appropriation for a commission that would look at renewable energy projects and to help fund them to get them off the ground. The Transportation committee amended two sections of appropriations out of this bill. We took \$2 million out of the Ethanol Production fund to use for projects and then there is an appropriation for up to \$1.5 million to be matched 2 for 1 by the industry. The maximum on this fund would then be \$4.25 million.

**Rep. Ken Svedjan, Chairman** commented that there was agonizing over how to address this issue. Time is short, but there proves to be opportunity to fund this so the \$1.5 million wouldn't come from the general fund.

**Rep Weisz** answered that we knew this was a struggle taking this money out of the general fund.

**Rep. Ken Svedjan, Chairman** commented that the 2 for 1 match is very good and the vehicle of the bill is very good and this is a high priority to develop renewable energy. My recommendation is that we do this in such a way that we can keep this bill alive to allow for additional time to explore what alternate sources of revenue might be. (meter Tape #1, side A, #25.0)

**Rep Weisz** responds by saying that this is an important piece of legislation in regards to establishing a policy for renewable energy. The potential is great and the concerns are real, but if there was ever a time to wean the current class off a subsidy, it would be now. Record low oil prices and record low corn prices allow for ideal conditions. The issue is getting the initial investment, getting the plants built and getting them off the ground and on their own.

**Rep. Jeff Delzer** asked if plants could still receive the \$3 million for up to 10 years that we appropriated for them in the last assembly.

**Rep Weisz** answered yes this has not gone away. At some point, this needs to go away so they can be on their own.

**Rep. Jeff Delzer** commented that this went away for existing plants and that this is only good for newly constructed plants. There is a bill in the Senate that changes this and this is a fight we will probably have every year, this is what we did last year. Rep Delzer then asked if the process would be on a first come first served basis, and if the standing committee looked into having any repayment so there would be something for the next plant and we wouldn't have to come back to the general funds again later.

**Rep Weisz** answered that APUC is in charge of the criteria for the distribution of this funding.

The money isn't matched by a project. The intent was that those who stand to benefit from this have to help support it through the 2 for 1 match. There is no relationship between who gets a project and who puts the money in through a match.

**Rep. Jeff Delzer** asked about any payback process. (meter Tape #1, side A, #29.9)

**Rep Weisz** answered that initially this was discussed when we were discussing \$12 million funding but now that it is down to this small amount of money you cannot give anyone enough money on a loan basis to make a difference. So we decided that if we wanted to have an effect we would have to give money on a grant basis.

**Rep. Jeff Delzer** commented that \$1 million is a lot of money to agencies like Human Services.

**Rep. Al Carlson** commented that there were a lot of changes to this bill but it does establish a renewable energy and conservation office within the division of community services and asked if we are turning this money over to this commission who then gets to use it at their own discretion

**Rep Weisz** answered that this was not the intent of the bill. Money goes to APUC who then decides who qualifies. We eliminated the advisory commission that was originally in the bill that would have had responsibility for allocating the funds.

**Rep. Larry Bellew** asked who is APUC

**Rep Weisz** answered that APUC stood for the Ag Products Utilization Commission. 5 members are appointed by the Governor, a statutory position for the Ag Commissioner, a representative from the farming community appointed by the Ag Commissioner, the UBNF director, and a representative from NDSU make up the committee.

**Rep. Francis J. Wald** asked about page 2, section 3, of the engrossed bill where OMB is directed to buy electricity where 10% must be green. (meter Tape #1, side A, #34.2)

**Rep Weisz** answered that the original language mandated this 10% but now the language is to attempt to reach this.

**Rep. Francis J. Wald** asked how OMB would attempt to do this

**Rep Weisz** answered that we're trading renewable energy credits all the time in the electric industry and there are bills in the legislature that will help to bring North Dakota up to speed on all of that. The industry knows how much green energy is available and it shouldn't really be an issue.

**Rep. Al Carlson** commented that Rep Nelson was here speaking about the ethanol production incentive fund, and the figures given to me were that there will be \$3.227 million in there this biennium and \$1.8 is already committed and if you do that you have a balance of \$1.4 million.

Rep Carlson then asked if multiple people have access to this fund

**Rep Weisz** answered yes there are other people that have access to this money which means we will be taking some money away from what we have been doing in the past.

**Rep. Al Carlson** asked if the \$2 million would be in the fund when this bill needed it or would it be spent in this biennium

**Rep Weisz** answered that the understanding was that the \$3.227 was not allocated yet and if this bill goes through then they would not have as much to allocate. (meter Tape #1, side A, #37.3)

**Ms Sandy Paulson** from OMB clarified that this fund would have \$1.4 million left after paying current obligations at the end of 2005-2007 biennium and an estimated \$3 million should come in from motor registrations in the next biennium.

**Rep. Bob Skarphol** asked if all of the \$1.4 million and the \$3 million coming in next biennium is for new initiatives

**Ms Sandy Paulson** answered yes, based upon the new rate schedule and fee schedule. This is based on legislation that was passed in the last biennium

**Rep. Jeff Delzer** asked about the costs or appropriations for the new office mentioned in section 4 of the bill.

**Rep Weisz** answered that the Department of Commence would need to develop without any additional costs.

**Rep. Chet Pollert** asked if this would be a \$2 million request every biennium for these projects.

**Rep Weisz** answered yes

**Rep. Chet Pollert** commented that the intent of the ethanol incentive bill in the last session was to have a revenue source for these ethanol plants that are coming in for a 10 year period. So we want to take away that continuing revenue source for them.

**Rep Weisz** answered yes and no. If we don't have any new plants then the money doesn't do any good. It doesn't take all the money. It takes 2/3 of it but there is enough money to get the plants established. And the way we are looking at it, once you get the plant up and running under today's economic conditions for ethanol, they will be successful. If they are not, they never will be. Conditions are right, right now.

**Rep. Mike Timm, Vice Chairman** asked if the bill could be operated on less than the \$3.1 million requested

**Rep Weisz** answered that all of the money could be taken out and you would still be setting the policy but the money brings the plan together and gives it an effect that makes a difference

Page 6  
House Appropriations Committee  
Bill/Resolution Number HB1308  
Hearing Date February 15, 2005

**Rep. Bob Skarphol** commented that the mechanism here doesn't seem workable. Perhaps we should put the pressure on the Department of Commerce to make this a legitimate attempt at this.

**Rep Weisz** disagreed and said that APUC is a good tool to use because it has a lot of experience in Agricultural business start ups and they could see what might work.

**Rep. Jeff Delzer** moved to amend this bill by removing the office in 16-30 and on page 4 remove lines 1-7 and replace that with an appropriation of \$2 million out of the ethanol incentive fund with the 2 for 1 match.

**Rep. Bob Skarphol** seconded.

**Rep. Ken Svedjan, Chairman** clarified that this would amend everything on page 3 from line 16 to the end of the page. And then amend the appropriation to \$2 million but to carry with that the 2 for 1 match.

**Rep. Jeff Delzer** clarifies that this also remove lines 1-7 on page 4 and replace both appropriation sections with one section of \$2 million out of the ethanol incentive fund with the 2 for 1 match language.

**Rep. Ken Svedjan, Chairman** commented that he supported this motion because it allows the bill to proceed so we can look at alternative sources and it still carries the 2 for 1 match.

**Rep. Jeff Delzer** commented that this was the reason he offered the amendment because it allows for time to work this out. As the bill stands before the amendment, there is no way I could support it.

**Rep. Ole Aarsvold** commented that capitalization is a sure recipe to failure. We should hold to the bill as offered and hope for other sources of funding become available. (meter Tape #1, side A, #49.5)

**Rep. Ken Svedjan, Chairman** commented that “trust me” doesn’t always work in politics but in an attempt to be genuine with the committee, the hope is to identify an alternative source of revenue to bring this up to what was proposed.

**Rep. Bob Skarphol** commented that he has a problem with the money going to APUC. It should go to the Department of Commerce because there are more resources there to come up with a good plan to do this.

**Rep. Pam Gulleston** commented that a new Commission was thought of, but APUC had a similar make up and already has a history of allocating grants into the ag sector and it understands how to set criteria for grants and loans in the ag sector. This has evolved and they are always discussing the best way to address these issues of granting and loaning funds. The fact that they have a history and represent the Ag sector well and the Commerce department without establishing a whole new commission.

**Rep. Ken Svedjan, Chairman** clarified the motion to amend by saying that what is removed is lines 16-30 on page 3, lines 1-7 on page 4, and develop a new appropriations section that will take \$2 million from the ethanol incentive fund keeping the 2 for 1 match.

**Rep. Jeff Delzer** explains that on lines 6 on page 3 section 4 references 3 new sections and that will have to go to 1.

**Ms Stephanie Johnson** asked for clarification of who would receive the \$2 million

**Rep. Ken Svedjan, Chairman** answered APUC

**Rep. Eliot Glassheim** commented that this was taking out the office which has no cost attached to it and puts it in the Department of Commerce which has tons of resources and knowledge for renewable energy and then asked why we would do this if the interest is in saving money but still

prioritizing renewable energy. It doesn't make sense that North Dakota is falling behind on this since we are a high ag state and a high wind state. Rep Glassheim continued by saying that he would oppose this amendment because it was a small amount of money and taking out the office which has nothing to do with money but instead has to do with making someone accountable for the process.

**Rep. Ole Aarsvold** commented that the sponsor of the bill has asked to speak

**Rep Nelson** asked if the money is to go to the APUC and not the trust fund.

**Rep. Ken Svedjan, Chairman** asked if this was the intent of the amendment

**Rep. Jeff Delzer** answered yes and commented that the money could go to the trust fund as long as it was APUC who administered the trust fund.

**Rep Nelson** commented that it would be preferable if it was clarified that the funds would go to the trust fund and that APUC would administer the fund

**Rep. Jeff Delzer** commented that the reasoning for removing the office from the bill is that you never know what the cost will be in creating a new office and if they are already doing this in the Office of Commerce then they don't need a new office called this.

**Rep. Keith Kempenich** commented these renewable energy projects breed on the successes of other states. Most of the time the investors that invest in one will invest in another because success breeds success.

**Rep. Pam Gulleson** commented that there is an Energy office in the Department of Commerce now. This bill is an attempt to expand the mission of this office to include renewable energy and to provide leadership. Perhaps we need to change the language in lines 19-25 to rename the energy office to include renewable energy and use this language to expand their role to make sure

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House Appropriations Committee  
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that this office promotes and administers this program. So they would have oversight in section 3 to move all these things ahead. The office should be renamed and expand its mission.

**Rep. Jeff Delzer** commented that if the office is already there and doing these things then there is no need to change the language and put this in code.

**Rep. Ken Svedjan, Chairman** called for a voice vote on the motion to amend HB1308.

Motion carried.

**Rep. Pam Gulleson** moved to further amend HB1035 with the language in lines 22-25 on page 3 to read "the energy office is also responsible for" and then go down and include those lines.

**Rep. Ralph Metcalf** seconded

**Rep. Bob Skarphol** commented that this should be the responsibility of the Department of Commerce. They should be the ones to decide how this should be set up

**Rep. Pam Gulleson** commented that the expanded mission of this office should be in code and asked legislative council to write up an amendment that clearly states in lines 23-25 that the job description of this office would include being responsible for promoting and administering the programs of renewable energy, and to find out the actual name of this office.

**Rep. Ken Svedjan, Chairman** clarified that the motion would add the language in lines 22-25 on page 3 and then discern what the proper name of this office is in the Department of Commerce and reference that name in this amendment then called for a voice vote on the motion to further amend HB1308. Motion carried. (meter Tape #1, side B, #6.9)

**Rep. Jeff Delzer** commented that somewhere in the front of the bill we should add language that states that all this work would be done under the Department of Commerce

**Rep. Bob Skarphol** agreed and said that since there are so many people involved in this process there is no place to go to for accountability. Rep Skarphol moved to further amend HB1308 to add language stating that the Department of Commerce would have the responsibility for accountability.

**Rep. David Monson** seconded.

**Rep. Francis J. Wald** suggested that page 1 line 4 where it says “within the division of community services” could be struck and replaced with “within the Department of Commerce” (meter Tape #1, side B, #9.8)

**Rep. Ken Svedjan, Chairman** asked if legislative council had a suggestion on how this could be done.

**Ms Stephanie Johnson** from legislative council answered no and offered to contact someone from the Department of Commerce.

**Rep. Eliot Glassheim** commented that these changes to this bill should not be made here without someone from the Department of Commerce here to help explain and defend it. All of these changes should be done in hearing in the Senate.

**Rep. Bob Skarphol** withdrew his motion to further amend HB1308

**Ms Sandy Paulson** from OMB commented that the office within the Department of Commerce was named on the web site as the Energy Efficiency and Renewable Energy Program.” This may not be in code.

**Rep. Tom Brusegaard** moved a Do Pass As Amended motion for HB1308.

**Rep. David Monson** seconded.

Page 11  
House Appropriations Committee  
Bill/Resolution Number HB1308  
Hearing Date February 15, 2005

**Rep. Ken Svedjan, Chairman** called for a roll call vote on the Do Pass As Amended motion for HB1308. Motion carried with a vote of 19 yeas, 3 neas, and 1 absence. Rep Brusegaard will carry the bill to the house floor.

**Rep. Ken Svedjan, Chairman** closed the discussion on HB1308.

Date: **February 15, 2005**  
Roll Call Vote #: **1**

**2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB1308**

House Appropriations - Full Committee

Check here for Conference Committee

Legislative Council Amendment Number **50445..0302**

Action Taken **DO PASS AS AMENDED**

Motion Made By **Rep Brusegaard** Seconded By **Rep Monson**

<b>Representatives</b>	<b>Yes</b>	<b>No</b>	<b>Representatives</b>	<b>Yes</b>	<b>No</b>
Rep. Ken Svedjan, Chairman	X		Rep. Bob Skarphol		X
Rep. Mike Timm, Vice Chairman	X		Rep. David Monson	X	
Rep. Bob Martinson	X		Rep. Eliot Glassheim	X	
Rep. Tom Brusegaard	X		Rep. Jeff Delzer		X
Rep. Earl Rennerfeldt	X		Rep. Chet Pollert	X	
Rep. Francis J. Wald	X		Rep. Larry Bellew		X
Rep. Ole Aarsvold	X		Rep. Alon C. Wieland	X	
Rep. Pam Gulleson	X		Rep. James Kerzman	X	
Rep. Ron Carlisle	X		Rep. Ralph Metcalf	X	
Rep. Keith Kempenich	X				
Rep. Blair Thoreson	X				
Rep. Joe Kroeber	X				
Rep. Clark Williams	X				
Rep. Al Carlson	AB				

Total Yes **19** No **3**

Absent **1**

Floor Assignment **Rep Brusegaard**

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1308, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (19 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1308 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "three" with "two"

Page 1, line 4, replace "establishment" with "assignment", remove the first "the", and replace "and conservation office within" with "responsibilities to"

Page 3, line 6, replace "Three" with "Two"

Page 3, remove lines 16 through 18

Page 3, line 19, replace "**Duties of renewable energy and conservation office**" with "**Renewable energy responsibilities**" and remove "The renewable energy and"

Page 3, remove lines 20 and 21

Page 3, line 22, remove "energy improvement program under section 54-44.5-08." and replace "office also" with "division"

Page 3, remove lines 26 through 30

Page 4, remove lines 1 and 2

Page 4, line 5, after "fund" insert "to be matched by one dollar of grants, gifts, or other funds for each two dollars of renewable energy trust fund money,"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

This amendment removes the creation of the renewable energy and conservation office and places the renewable energy responsibilities with the Division of Community Services within the Department of Commerce, removes the general fund appropriation, and requires a 2-to-1 match for the ethanol production incentive fund money appropriated to the renewable energy trust fund.

**2005 TESTIMONY**

**HB 1308**

## **Dakota Resource Council**

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Testimony on House Bill 1308  
House Transportation Committee  
January 28, 2005

Chairman Weisz and members of the House Transportation Committee.

Dakota Resource Council submits this testimony in support of HB 1308, which will establish a renewable energy commission and trust fund and create and enact a state purchasing of energy and establishment of the renewable energy and conservation office within the division of community services.

No other economic development prospect has a greater potential for revitalizing North Dakota's economy than the enormous potential of renewable energy development in rural North Dakota. Currently there are groups in rural North Dakota, such as the wind energy LLC's, that are putting tremendous effort to bring local renewable energy development to their area of the state but with limited success. This has been a difficult task for these wind groups because they do not have the assistance of a unified effort and the help of a professional marketing effort.

The enormous strength of this fund will allow all sources of renewable energy to be a participant, have the opportunity to access it, and be a beneficiary. This fund gives rural North Dakota the ability to overcome the obstacles that local efforts now have in developing renewable energy in their areas.

There is great need for expediency as other states that are closer to the target export markets are aggressively developing and investing in their renewable energy resources and are working to position themselves to take advantage of their foresight and commitment.

North Dakota can not wait any longer to make a financial, resource, and political commitment in renewable energy and it's farms, ranchers, landowners, and rural communities. The surrounding states are not waiting for us but are moving forward.

Dakota Resource Council supports HB 1308 as means of bringing much needed economic development to rural North Dakota economies and to the state.

Respectfully submitted by the Dakota Resource Council

Testimony of Harlan Fuglesten,  
North Dakota Association of Rural Electric Cooperatives  
In Support of HB 1308  
Before the House Transportation Committee  
January 28, 2005

Mr. Chairman and members of the committee, my name is Harlan Fuglesten. I am appearing today in support of HB 1308 on behalf of the North Dakota Association of Rural Electric Cooperatives. Our Association's members include 17 distribution cooperatives serving about 250,000 of the state's citizens, plus five generation and transmission cooperatives that generate nearly 90 percent of the coal-based electric generation in the state and own or purchase the electricity output from most of the utility-sized wind turbines in North Dakota.

Our members' interest in renewable energy is twofold. First, as utility companies, our members are interested in renewables, such as wind power, as a source of electric generation. Second, as cooperatives with a strong rural base, we recognize that many of our member-owners produce the corn, soybeans, and other crops that are used to make ethanol and biodiesel. Every day we witness among our member-owners the strong interest in renewable energy and we believe its promotion and development will be good for our state and serve our national interests as well.

Our Association is an active, voting member of the Renewable Energy Partnership. In fact, the skeletal form of this legislation was first developed in the Partnership's Public Policy committee, which I chair. The bill basically started with section 5 of this bill establishing a state renewable energy policy, officially designating the energy office in the Department of Commerce as the renewable energy and conservation office for the state, and establishing its duties. Our committee initially discussed a modest budget for administration and some state funds to match federal grants.

Through a consensus process, the Partnership voted to expand the bill and seek a \$12 million appropriation, establish a commission, and show further state support by establishing minimum requirements for renewable energy use by the state and its contractors. For some people, these initiatives may seem too ambitious or too directive. My own personal conservative inclinations suggested scaling back the provisions of this bill. Compared to what many other states are doing, however, it may not be enough. As one example, in New Jersey, the state's Board of Public Utilities has approved spending \$745 million over the next four years for energy conservation and renewable energy programs. Closer to home, we know that Minnesota, South Dakota, and Iowa have been very active in promoting renewable energy.

North Dakota needs to do more to support renewable energy. We ask for your favorable consideration for HB 1308. Thank you.

**Xcel Energy Testimony**  
**HB 1308**  
**Transportation Committee**  
**January 28, 2005**

Good morning, Mr. Chairman, Members of the Committee. For the record, my name is Kathy Aas and I represent Xcel Energy.

Before I specifically comment on the issues laid forth in this bill, I'd like to share a few facts about our company related to renewable energy. You can also reference the small fact cards accompanying my testimony for further details.

At Xcel Energy, we strive to maintain the delicate balance between providing reliable energy to meet the growing needs of more than 3 million customers while reducing the environmental impact of generating that power. To achieve this balance requires a commitment to our customers and to the environment.

Renewable energy is a growing part of our generation portfolio. We are now the second largest retail provider of wind-generated electricity in the United States. Our goal is to triple our wind capacity by 2012, adding 1,700 more megawatts of wind, so you can see that our actions demonstrate our commitment to the environment.

Now, more specifically, regarding HB 1308, we have two points we would like to make: this bill carries a costly fiscal note and it spells out some specific mandates that concern us.

HB 1308 proposes to establish a renewable energy commission within the Division of Community Services. We believe that our North Dakota Public Service Commission has the role of shaping energy policy in the state – they are experts. Funding a new commission comes with a large price tag, \$12 million. With the progress

## **Xcel Energy testimony – page 2**

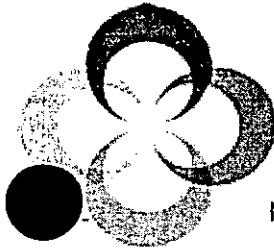
that the state's utilities have shown in developing wind projects as they are feasible, this seems to be an expenditure the state does not presently need to make.

Earlier this week we testified in support of HB 1314 because as a company, we are pleased to see the state take the important step of establishing a renewable credit tracking system, which will provide additional stimuli to the state's economy, further benefiting North Dakota and its citizens through our rich energy resources. We support the principles initiated by HB 1314 because a tracking system can help promote a state's renewable energy potential through an approach that is both efficient and private market-based.

However, instead of allowing the market to have an influence on further renewable energy development, HB 1308 sets forth some specific requirements that must be implemented in a very short window of time. Even without these mandates, our company has contracted with a wind developer for a project that would exceed the 10% requirement for state agencies and institutions as stated in Section 4. We believe that the federal renewable credits currently in place, plus possibly adding state incentives could have a much greater impact on stimulating wind production.

We have been actively involved in various renewable energy partnerships in this state and others and look forward to continue working with those experts to further develop sound renewable energy policies that will benefit our state's citizens both today and in the future.

In summary, while we at Xcel Energy intend to maintain our strong commitment to the environment, we believe there are other ways to accomplish the state's vision for renewable energy; therefore, we are opposed to this bill in it's current form.



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North Dakota Renewable Energy Partnership

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TESTIMONY  
To the  
**HOUSE TRANSPORTATION COMMITTEE**  
Of the  
**NORTH DAKOTA LEGISLATURE**

RE: HOUSE BILL 1308

By Jocie Iszler, Chair  
North Dakota Renewable Energy Partnership

January 28, 2005

Chairman Weisz and Members of the Committee:

It has been my privilege these past few months to serve as chair of the newly organized ND Renewable Energy Partnership. In less than a year this group organized bylaws, goals, a public policy committee and a broad based membership. This group is composed of a cross section of over 40 organizations representing both the public and private sector and has devoted enormous amounts of time and energy to promoting the development of renewable energy in ND. Attached is a list of our members. The membership ranges from private citizens to groups representing a large constituency such as the Xcel Energy, ND Association of Rural Electric Cooperatives, and the Farmer's Union. The membership represents a significant portion of agricultural groups. However, the benefits of developing North Dakota's renewable energy industry positively affect every North Dakota citizen's life. Increased use of renewable energy will result in cleaner air not just for corn and soybean farmers but for all citizens. It will be all citizens, not just farmers, who will benefit from the higher paying jobs and additional state tax revenue from renewable energy industries. It is North Dakota citizens across the state, not just farmers, who support reducing our dependence on foreign oil. The partnership's vision is to transform North Dakota into the preeminent energy state in the nation. As you have heard in other testimony during this hearing, North Dakota's potential in renewable energy is great. However, vision and passion can only do so much in developing that potential. A corresponding

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degree of commitment of resources is necessary to fully develop that potential. If there is one unifying theme among all of the sectors it is that we see our neighboring states, the rest of the nation the world racing ahead of us in renewable energy development. Public policy that drives decision making regarding the use of public resources is central to the development of a state's renewable energy industry. We believe it is time for North Dakota to have a public policy regarding renewable energy and make decisions regarding the use of public resources based on that public policy.

After much discussion and research, this organization, with the help of legislators, developed HB 1308 which does the following:

- ❖ Establishes a public policy for the state urging the stimulation and development of renewable energy industries and the use of renewable energies
- ❖ Officially creates a "Renewable Energy and Conservation Office" in statute, establishes duties of the Renewable Energy and Conservation Office which includes promoting and administering programs to research, develop and market renewable energy from wind, solar, hydropower, geothermal, biomass, ethanol, biodiesel and other renewable sources
- ❖ Establishes a purchase requirement for the state whereby 10% of the total of all electricity purchased by state agencies and institutions be obtained from wind energy – preferably from ND
- ❖ Requires that all state owned vehicles powered by diesel or gasoline be required to use renewable fuels – 10% ethanol blend and 5% biodiesel blend.
- ❖ Requires that all state construction contracts at a level of \$100,000 or higher must include a renewable fuel use requirement as stated above.
- ❖ Establishes a Renewable Energy Development Fund to support renewable energy projects that foster the development of wind, biofuels, biomass, solar, hydroelectric, geothermal and hydrogen produced from a renewable energy source.

The purpose of the Renewable Energy Fund is to fund feasibility studies, applied research and demonstration projects, provide venture capital for investments in renewable energy, provide for grants and matching grants, and provide for low interest loans and loan buy downs. This Fund would administered by the Renewable Energy and Conservation Office with funding decisions made by a nine-person board consisting of 6 appointees of the Governor including one representative from each of the four sectors: Biomass, Biodiesel, Ethanol and Wind plus two at large representatives, the

Agriculture Commissioner and one appointed representative from that office, and a representative of the Department of Commerce.

The funding request for this fund is \$12 million from the General Fund. Jay Haley will address the rationale and uses for the \$12 million in his testimony. Before Jay speaks to that part of the bill and to the wind sector goals, I will cover the goals of the ethanol sector.

Compared to biodiesel and wind, ethanol is a relatively established industry. Unfortunately, in North Dakota, that also means that it is the farthest behind relative to other states. The goals of the ethanol sector focus on increasing the production and use of ethanol in ND.

- Increase production to from 35 up to 130 mgv North Dakota's corn crop has increased by 100% since 1997. However, the number of the ethanol plants remains the same and the production of those plants has increased by about 15% during the same period of time. South Dakota now has 33% of its corn crop going to ethanol production while North Dakota only uses 10% of its corn crop for ethanol production and continues to export 70% of its corn or about 85 million bushels per year. A bushel of corn converted to ethanol will triple in value to the state compared to if it is exported.
- Increase market share from 30% to 97% (or the equivalent volume) by 2007. The state currently produces 35 million gallons per year but only uses 11 million gallons per year. Only 28% of the ethanol produced in this state is sold within this state. If the plants in Dickinson and Valley City come on line and usage does not increase, this figure will be 8%. In comparison, 84% of the gasoline production at the Tesoro refinery could be sold in state. The state has two choices to increasing usage. The first is to commit sufficient public resources toward incentives. The other is to commit to public policy that sets a standard for its use.
- Increase availability of E85 along major corridors, including one station in all eight planning regions in ND There are approximately 10,000 flexible fuel vehicles registered in ND. If all of those vehicles used E85 this would result in the use of 15 million gallons of ethanol per year. Currently, only 110,000 gallons of E85 are sold in ND. This is equivalent to only about 80 flexible fuel vehicles filling on a regular basis. The potential for growth in this area is huge. The growth of E85 requires marketing and growth in infrastructure both of which require funds.
- Increase funding: research and pilot projects. The hydrogen economy presents new opportunities for ND to get in on the ground floor. Last February University of Minnesota

researchers presented the first reactor to generate hydrogen energy from ethanol using a process that resulted in a 33% more efficiency making it competitive with hydrogen from wind. The EERC at UND is also working on cutting edge technology transforming ethanol plants into ethanol and hydrogen plants. A group known as the Upper Midwest Hydrogen Initiative is laying the ground work for a network of hydrogen fueling stations running from Winnipeg to Sioux Falls, over to the Twin Cities, up to Duluth and down to Iowa. States that provide matching fund to get demonstration projects are the states where those future industries locate when the technology is developed.

- Educate re: production and use. This is a continual process. Part of the challenge is to wipe out old erroneous beliefs that took root in the 1970's and continue to be passed on. There is also the challenge of keeping up with a dynamic, rapidly expanding industry.
- Increase incentives for production and investment. It is not to late for ND to take advantage of the nation's rapidly expanding ethanol industry. Industry experts say the industry is far from mature and is better described as in its adolescence. Industry growth is related to production and investment incentives. North Dakota's production incentive is market based and counter-cyclical. The benefit of this is that public funds are paid to the ethanol plant only during times when low ethanol prices or high corn prices threaten the economic viability of the plant. The downside is that builders and investors looking to build and invest in a plant will look first at sites where the producer incentive is fixed. For example, this past year plants in Minnesota and South Dakota still received a producer incentive even though the high prices ethanol and low prices for corn produced record profits. A similar plant in North Dakota would have received a fraction of the payment. Minnesota's \$3 million/year producer payment served as the investment incentive for Minnesota producers. South Dakota's investment incentives came in the form of a smaller producer payment than in Minnesota but also included the Rural Electric Cooperatives allowing customers to use their credits toward investing in ethanol plants. North Dakota's investment incentives have limitations. The Bank of North Dakota provides attractive interest buy down loans for investment in value added agriculture but given the size of investments needed in today's market, the lifetime cap is too low. An addition, this program should be extended to all ND residents, not just producers. The Ag Investment Tax Credit program is limited to businesses that are 51% producer owned. The Seed Capital Investment program has a cap that limits the number of investors that can participate.

area that I have not mentioned is livestock. The ethanol industry is a benefit to the livestock industry because the co-products of production are high protein, high energy animal feeds such as dried distillers grains. As livestock producers experience the benefits of this feed, the market price for

this product has held strong. Dairy operations have sprung up adjacent to ethanol plants in South Dakota.

[REDACTED] te to close with economic impact figures. Studies indicate that Minnesota has realized a return of \$14.00 for every one dollar it invested in their ethanol program. One 40 million gallon plant will increase annual income to the local income by \$19 million per year and produce \$1.2 million in tax revenue. North Dakota has plenty of low cost corn. What we need now is policy and incentives that make it as attractive to invest in ethanol here as it is in other states.

## ***North Dakota Renewable Energy Partnership Membership List***

### **General Members (voting members)**

- Cass County Electric Cooperative
- Clean Water Fund/Clean Water Action
- Jamestown/Stutsman Development Corporation
- North Dakota Association of Rural Electric Cooperatives
- North Dakota Barley Council
- North Dakota Biodiesel Taskforce
- North Dakota Corn Growers Association
- North Dakota Corn Utilization Council
- North Dakota Department of Commerce
- North Dakota Department of Agriculture
- North Dakota Farmers Union
- North Dakota Natural Resources Trust
- North Dakota Soybean Growers Association
- North Dakota State University Ag & Biosystems Engineering
- National Ethanol Vehicle Coalition
- Northern Canola Growers Association
- Wind Energy Council
- Xcel Energy

### **Associate Members**

- Bank of North Dakota
- BBI International
- Biodiesel Magazine
- Doug Goehring
- Dunn County Jobs Development Authority
- Energy & Environmental Research Center
- Ethanol Producer Magazine
- Farm Credit Services of Grand Forks
- Farm Credit Services of Mandan
- Golden Growers Cooperative
- Great Plains Institute
- Great River Energy
- Griggs Steel Empowerment Zone
- Industrial Contract Services
- Joseph Richardson
- North Dakota Soybean Council
- Northern Great Plains Research Laboratory
- Pamela Gulleson
- Rolla Job Development Authority
- Rutland Oil Co.
- S & S Transportation, Inc.
- USDA-Rural Development
- Wind Development Group LLC

Help build the future of renewable energy in  
North Dakota and join today!

Contact us at:

**ND Renewable Energy Partnership**

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**North Dakota Renewable  
Energy Partnership**

*“...Our vision is to  
transform North  
Dakota into the  
preeminent  
renewable energy  
state  
in the nation...”*

## **The ND Renewable Energy Partnership**

is an alliance of organizations with an interest in renewable energy sectors for the purpose of advancing renewable energy in North Dakota. Below are the sector-developed goals of the Partnership:

### **Wind**

- Identify and/or develop additional funding mechanisms that provide matching dollars to conduct research and develop pilot projects for wind and other renewable energies.
- Develop a regional wholesale tradeable renewable certificate process that would enable the sale of renewable credits throughout the region by 2005.
- Sustain and expand the overall state wind monitoring sites.

### **Biomass**

- Increase the use of biomass in two state-owned heating facilities per year for the next five years.
- Increase the acreage of perennial "energy crops" in North Dakota to two million acres by 2010.
- Create and utilize educational programs for biomass for school systems and the general public.
- Identify and create funding sources to provide matching dollars for biomass projects.
- Develop pilot demonstration biomass projects.
- Reduce by 20% the amount of organic biomass going into landfills by 2006.
- Urge the federal government to increase emphasis on perennial biomass conversion to renewable energy.
- Support the evaluation of perennial biomass production at North Dakota Experiment Stations.

### **Ethanol**

- Increase the production of ethanol in North Dakota to 130 million gallons per year by 2007.
- Goal of increasing market share of gallons of ethanol-blend gasoline sold in the state from 30% to 97% by 2007.
- Make E-85 available at more stations along major transportation corridors throughout North Dakota, including a station in all eight planning regions in the state.
- Identify and/or develop additional funding mechanisms that provide matching dollars to conduct research and develop pilot projects for ethanol and other renewable energies.
- Educate consumers, investors, policy makers, retailers, communities and lenders on the benefits of ethanol production and consumption.
- Increase incentives for investment in and consumption of ethanol.

### **Biodiesel**

- Have biodiesel available at a 2% blend at all major and minor retail sites in North Dakota.
- Have biodiesel available in major pipelines and at terminals with a minimum of 2% biodiesel blended with petroleum diesel.
- Maintain a statewide promotional campaign that will educate the consumers on biodiesel stating what it is, its benefits to the consumer and why it is good for the environment and the economy.
- Tweak and adjust current legislation that allows tax benefits for the development of infrastructure for the distribution of biodiesel as well as adding benefits for the consumers.
- Legislation for a state production incentive program for those producing biodiesel in North Dakota.



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Testimony of  
Jay Haley  
Vice-Chairman

North Dakota Renewable Energy Partnership

HB 1308

House Transportation Committee  
Fort Totten Room  
January 28, 2005

Good morning Chairman Weisz and members of the House Transportation Committee. My name is Jay Haley and I am here today representing the North Dakota Renewable Energy Partnership (NDREP) to testify in support of HB 1308.

The NDREP is an alliance of organizations and individuals aimed at advancing renewable energy in North Dakota. The EP focuses on four renewable sectors: biodiesel, biomass, ethanol and wind. The organization has more than 40 general and associate member organizations, which together represent thousands of North Dakota citizens.

**Why should North Dakota invest now to jumpstart its renewable energy industry?**

- The demand for clean, renewable energy is steadily increasing each year.
- The cost of renewable energy continues to drop.
- The market for green credits continues to evolve and solidify.
- Reducing dependence on foreign oil is critical to our nation's security.
- Renewable energy projects provide economic development for our rural communities.
- Renewable energy projects create new cash crops and help for our farmers and ranchers to diversify.
- Renewable energy projects will create new export products for North Dakota.
- Transmission solutions will come.
- Our neighboring states have awakened to this opportunity and are actively in the process of capturing their market share.

There is a window of opportunity that will not remain open indefinitely.

## **ND is Lagging Behind**

Minnesota has thriving wind and ethanol industries with more than 560 MW of wind and 14 ethanol plants. Iowa has a thriving ethanol industry that continues to expand. Iowa has more than 470 MW of wind development today and will be adding over 300 MW this summer in what will be the single largest wind farm in the US. It's also highly likely that Montana will be adding at least 150 MW of wind in the very near future.

This is not about competition between states. It's about competition between rural communities for renewable energy projects. North Dakota's rural communities are severely handicapped when competing for projects with communities in the surrounding states where a combination of state incentives, standards, and funding sources are available to improve feasibility and foster growth of the renewable energy industries.

The time to act is now. If we adopt a wait-and-see attitude towards the development of our renewable energy industries, we run the risk of losing out to those around us that looked ahead and were ready to seize the opportunities as they arise.

The NDREP encourages the Committee to look favorably upon HB 1308 and any other legislation that promotes the growth of the renewable energy industry in North Dakota. I'd be happy to answer any questions.

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Vice-Chair  
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# North Dakota Farmers Union

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HB 1308

H-Transportation

Chairman Weisz and Members of the House Transportation Committee.

My name is Woody Barth; I am here representing over 35,000 members of North Dakota Farmers Union. I am here to testify in support of HB 1308.

Energy is vital to securing our nation's needs for food and fiber. This nation must establish a long-range national energy policy that emphasizes conservation and wise use of our energy resources. We must renew national efforts to reduce our reliance on imported energy and move toward greater energy self-sufficiency.

North Dakota Farmers Union supports a balanced, comprehensive energy policy which seeks energy independence for the United States, protects our nation's environment and recognizes the special needs of America's agricultural sector. In addition, a national energy policy must reverse the trend toward concentration of ownership and control of sources, production and distribution of energy.

In order to reduce our dependence on fossil fuels, development of renewable sources of energy must be a priority. This must include economic and technical assistance for family farmers wanting to transition into increased application of alternative forms of energy.

We are concerned over our dependence on nonrenewable and imported fuels that place our national security in jeopardy. Therefore, we encourage and support research and development of innovative and renewable energy sources such as solar, photovoltaic cells, fuel cells, micro turbines, geothermal, wind, hydrogen, methane, ethanol, biodiesel, solid waste fuels and other renewable, non-polluting energy sources.

We recognize North Dakota's vast wind resources and urge development of the state's enormous potential for electricity generation from wind. Number one in wind resources, North Dakota has the ability to supply 46% of the nation's electricity needs from our wind; therefore, wind energy holds new income potential for farmers and rural landowners.

We support the use of ethanol and support the use of at least a 10 percent ethanol blend in all gasoline sold in North Dakota, and encourage all government entities to use an ethanol blend in all government fleet vehicles.

We support the use of biodiesel and biodiesel-blended fuels in all possible applications. Farm incomes could be better and less variable if a portion of every farm's production was used for energy uses, and oilseed crops, crop residues, and even animal by-products could be used as feedstock for biodiesel fuels.

The use of crop residues, animal waste, and other products of recycling to produce methane from biomass holds much potential and research using switchgrass or other crop products should be encouraged.

North Dakota Farmers Union (NDFU) encourages and supports research and development of all innovative and renewable energy sources. In addition, our cooperatives can play a leading role in the distribution and marketing of these energy products.

NDFU supports legislation providing incentives, tax credits, and/or requirements to move North Dakota ahead in the use of renewable energy sources. We also recommend some state investment in these energy production systems in addition to just incentives for renewable energy.

We support the formation of a state energy office or an agency to coordinate all aspects of renewable energy. There should be a commitment of state funds for the development of this agency and an ongoing guarantee of long-term support for long-range projects. Some sort of system benefit fund or other revenue stream could be a valuable part of encouraging development of all sources of renewable energy.

NDFU further supports continuing dialog between the coal industry in North Dakota and the renewable energy sector. Wind energy interests will benefit with cooperation with coal-fired power plants in the building and maintenance of needed transmission facilities to distant markets. In addition, the ability of a coal-fired generating plant to "back-up" wind energy on windless days makes both forms of energy production more efficient. Coal may be a feasible energy source for powering additional ethanol plants in our state, as well as powering some of the basic processes of renewable energy with biomass.

North Dakota Farmers Union Urges a do pass on HB 1308.

Thank You, Chairman Weisz and members of the committee, I would answer any questions at this time.

Roger Johnson  
Agriculture Commissioner  
[www.agdepartment.com](http://www.agdepartment.com)

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Bismarck, ND 58505-0020

**Testimony of Roger Johnson  
Agriculture Commissioner  
HB 1308**

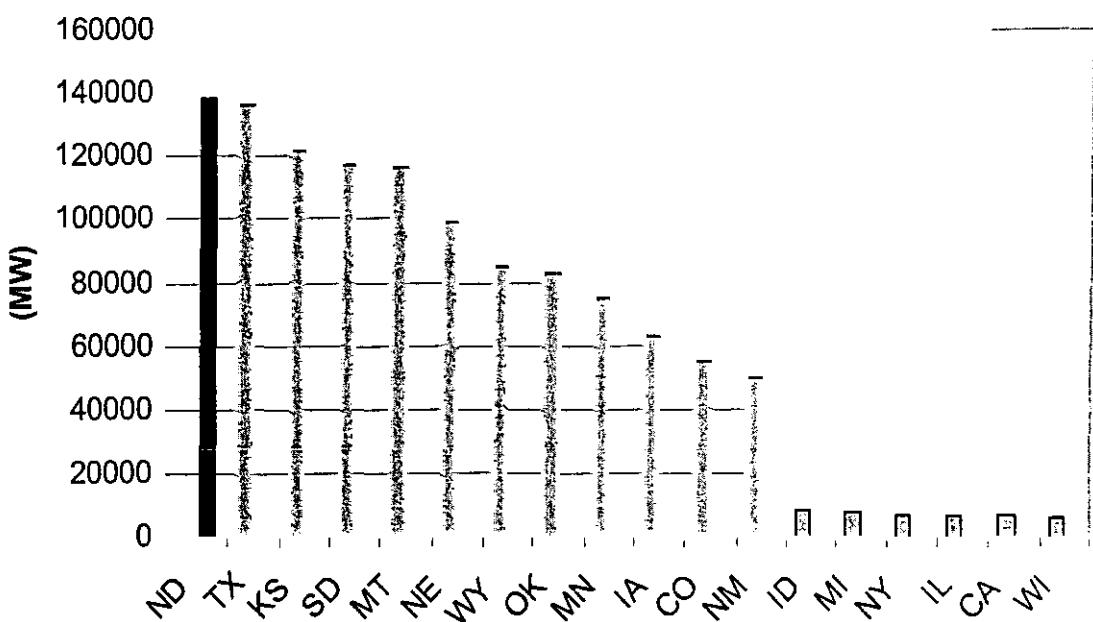
**House Transportation Committee  
Fort Totten Room  
January 28, 2005**

Chairman Weisz and members of the House Transportation Committee, I am Agriculture Commissioner Roger Johnson. I am here today in support of HB 1308, which contains a number of provisions that seek to advance the development of renewable energy in North Dakota.

**Renewable Energy: Great Potential for North Dakota**

North Dakota has been referred to as the Saudi Arabia of wind. According to a study by the Pacific Northwest Laboratory entitled *An Assessment of the Available Windy Land Area and Wind Energy Potential in the Contiguous United States*, North Dakota ranks first in the nation in wind energy potential (See Figure 1).

## North Dakota Ranks 1st in Wind Energy Potential



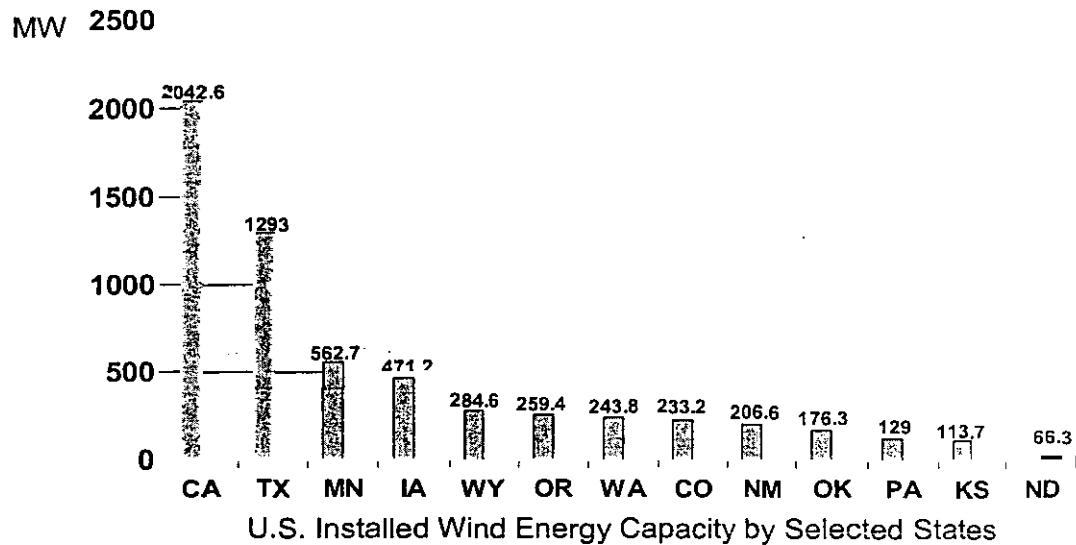
Source: Wind Energy Potential - An Assessment of the Available Windy Land Area and Wind Energy Potential in the Contiguous United States, Pacific Northwest Laboratory, 1991. ("Potential" is stated in terms of average Megawatts of Capacity (MWa), or megawatts of capacity at 100% capacity factor. 1 MWa is roughly equal to about 3 MW of nameplate wind turbine capacity.)

Figure 1

While we rank number one in potential, North Dakota still lags behind many states in the development of wind power. North Dakota has 66.3 MW of installed wind capacity, with plans for an additional 19.5 MW to come on line in 2005. Projects range from single turbine projects such as Oriska Hills near Valley City to the multi-turbine projects near Edgeley and Kulm.

North Dakota ranks thirteenth in the nation in installed wind capacity. California and Texas lead the nation in wind development with more than 2042.6 and 1293 MW installed respectively (See Figure 2 and Table 1).

## ND Ranks 13<sup>th</sup> in the U.S.



Source: American Wind Energy Association, 2005.

Figure 2

## US Installed Wind Energy Capacity

State	MW installed	State	MW installed
CA	2042.6	WI	53
TX	1293	IL	50.4
MN	562.7	NY	48.5
IA	471.2	SD	44.3
WY	284.6	NE	14
OR	259.4	HI	8.6
WA	243.8	VT	6
CO	223.2	OH	3.6
NM	206.6	TN	2
OK	176.3	AK	1.1
PA	129	MA	1
KS	113.7	ID,UT,AR,MT	.6
ND	66.3		
WV	66		

Source: American Wind Energy Association

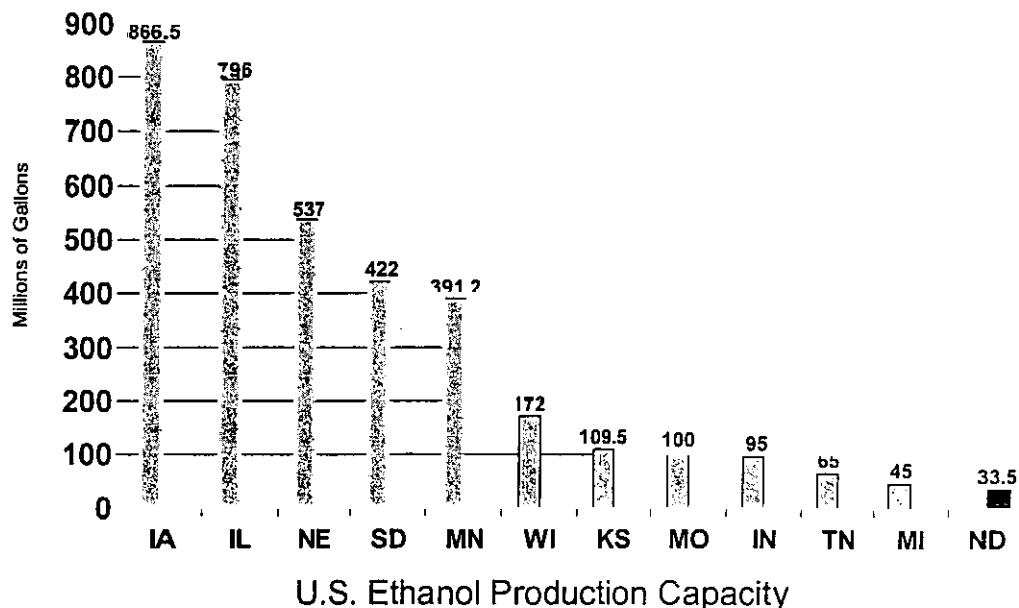
Table 1

As a leading producer of soybeans and corn, North Dakota also has great potential for the development of ethanol and biodiesel industries that would add further value to these commodities. The production of ethanol and biodiesel not only produces fuel but also co-products that can be used to feed our growing livestock industry.

North Dakota's two existing ethanol plants have a combined annual production capacity of approximately 34 million gallons per year. Alchem in Grafton came on line in 1985 and ADM in Walhalla came on line in 1987. Three other projects are in various stages of planning and development in the northwest, southwest and eastern parts of the state.

Again, North Dakota lags far behind in the development of this industry. We rank 12<sup>th</sup> in the nation in the production of ethanol (See Figure 3).

## ND Ranks 12<sup>th</sup> in the U.S.



Source: Renewable Fuels Association, February 2004.

Figure 3

We not only lag behind other states in production of ethanol, but also in consumption. The North Dakota Corn Growers Association estimates that nearly 30 percent of the fuel sold in North Dakota is an ethanol blend – that compares with 65 percent in South Dakota and more than 90 percent 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.

In 1991, the Minnesota State Legislature passed legislation requiring a year-round 2.7 percent 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 organized in a cooperative fashion and are owned by over 8,000 farmers.

The states that are leading the way in renewable energy development have strong public support and proactive public policies in place to grow the industries. These states understand the economic, environmental and sociological benefits of developing renewable energy. Those who build and invest in these projects are going to locate in states that embrace renewable energy and that actively promote the growth of the industries.

Biodiesel is another growing industry that holds promise for North Dakota – if we choose to seize the opportunity. North Dakota does not have a biodiesel production facility; however, the North Dakota Biodiesel Taskforce continues to work to develop a favorable plan for a biodiesel plant in the state.

Below is a listing of current and proposed biodiesel plants around the country. As you can see, states like Iowa and Minnesota are much farther ahead of us on the development curve.

<b>State</b>	<b>Operational Facility</b>	<b>Proposed Facility</b>
Texas	5	1
California	4	
Iowa	3	1

<b>State</b>	<b>Operational Facility</b>	<b>Proposed Facility</b>
Utah	2	2
Illinois	2	
Hawaii	2	
Nevada	2	2
Minnesota	1	2
Missouri	1	2
Georgia	1	2
Ohio	1	2
Florida	1	1
Colorado	1	1
North Carolina		2
Kentucky	1	
Virginia	1	
Mississippi	1	1
Wisconsin	1	1
South Dakota		1
Washington		1
Montana		1
New Mexico		2
Massachusetts		1
Delaware		1

Table 2

The biomass industry also has potential to grow in North Dakota, whether it be from perennial biomass production and the production of energy crops or by reducing the amount of organic biomass going to landfills and instead burning the material in another fashion.

## **Renewable Energy Holds True Economic Opportunity for North Dakota**

Farmers and ranchers certainly stand to benefit from the development of renewable energy.

According to the "Ethanol and the Local Community Study" conducted by AUS Consultants/SJH & Company (June 20, 2002), "...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.

Farmers and ranchers aren't the only ones to profit from the development; consumers and the state coffers will also reap economic dividends.

The Minnesota Department of Agriculture estimates that the total economic impact of the ethanol facilities operating in state to be in excess of \$580 million per year (Source: *Economic Impact of the Ethanol Industry in Minnesota* – May 2003). The Iowa Department of Natural Resources estimates that ethanol production generates more than \$1.7 billion in economic activity and adds

approximately \$730 million to the value of the state's corn crop each year. Ethanol demand boosts Iowa's state and local tax receipts by \$111 million (Source: [www.iowadnr.com](http://www.iowadnr.com) – 1/24/05).

### **North Dakota Can and Should Do More to Promote Renewable Energy**

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.

In 2003, the North Dakota Department of Agriculture organized the first-ever 2003 Renewable Energy Summit: *A Vision for the Future*. The focus of that conference was to bring together all of the interests in four major renewable energy sectors – biodiesel, biomass, ethanol and wind – to formulate a vision and a plan of action for the future.

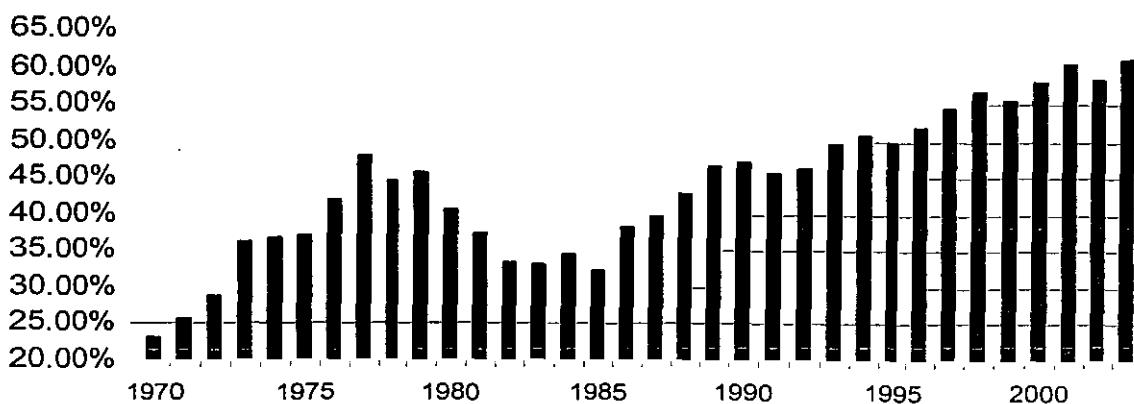
A recommendation from that summit was to create an ongoing coalition of renewable energy interests that could work to advance issues and initiatives that would foster the growth of the industry. That recommendation led to the creation of the North Dakota Renewable Energy Partnership (NDREP). The NDREP has 41 general and associate members, including the North Dakota Department of Agriculture.

The NDREP, along with my office, organized a second summit – the 2004 Renewable Energy Summit: *A Call to Action*, which was held on December 6-7, 2004. The summit participants were challenged to formulate state legislative ideas and initiatives – many of which are encompassed in HB 1308 and other pieces of renewable energy legislation before you this session. The NDREP has been working with legislators on both sides of the aisle to try and advance renewable energy legislation that will have a meaningful impact in North Dakota.

### **Renewable Fuels 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 61 percent of our oil supply versus 36 percent during the energy crisis that began in 1973 (Source: Energy Information Administration/Annual Energy Review 2003) (See Figure 4)

**Percentage of Imports - US Oil Supply (1970-2003)**

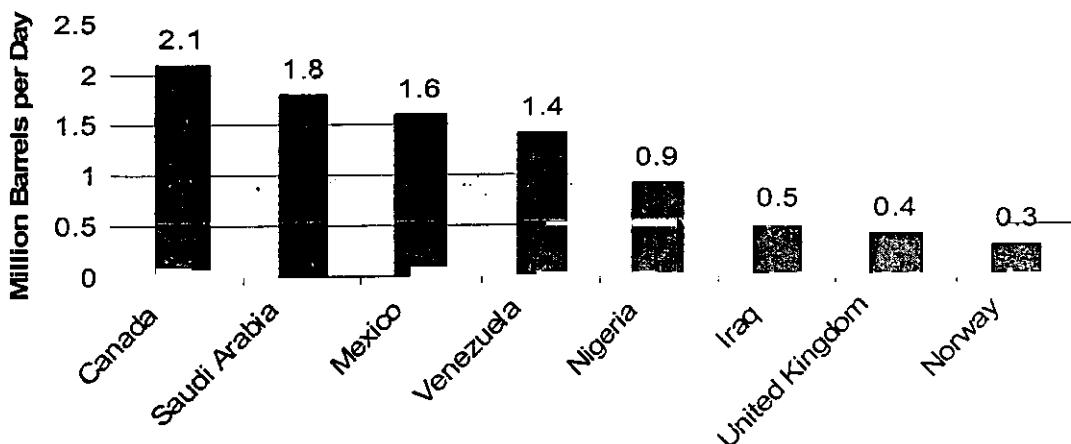


Source: Energy Information Administration/Annual Energy Review 2003

Figure 4

Canada, Saudi Arabia and Mexico are the leading exporters of oil to the United States (Figure 5).

**Petroleum Imports by Country: 2003**

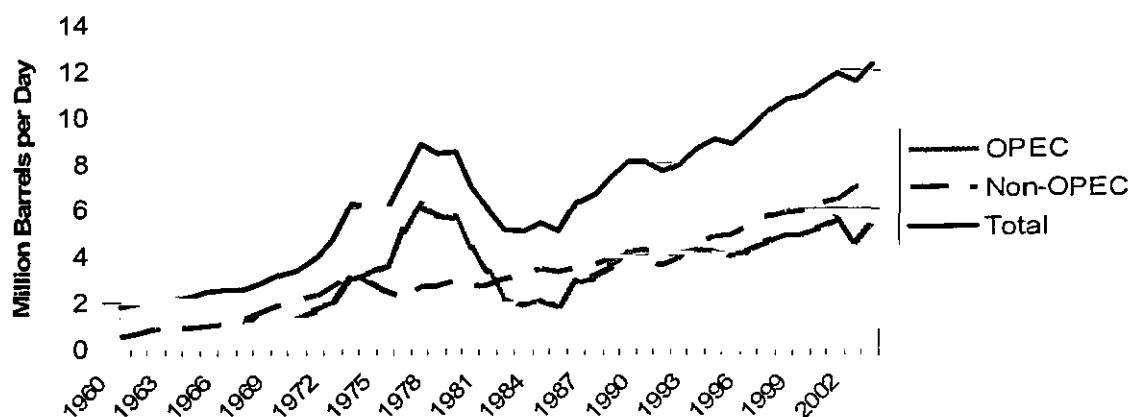


Source: Energy Information Administration/Annual Energy Review 2003

Figure 5

The stability of these imports seems questionable, especially during this time of crisis in the Middle East. Figure 6 demonstrates our enormous dependence on oil imports from OPEC countries.

### Petroleum Imports - Total, OPEC and Non-OPEC, 1960-2003.



Source: Energy Information Administration/Annual Energy Review 2003

Figure 6

The production and use of renewable fuels will contribute to the reduction of our dependency on sources of foreign oil. Ethanol production in the US today reduces the need to import 128,000 barrels per day of oil and gasoline additives. (Source: [www.mncom.org](http://www.mncom.org) – 1/25/05)

We can and must do more to promote the production and use 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 for agricultural commodities 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.

## **HB 1308: A Step in the Right Direction**

HB 1308 contains a number of provisions that will help advance renewable energy in North Dakota. The legislation establishes in code the Renewable Energy and Conservation Office, essentially renaming the state energy office, which is part of the Department of Commerce (Section 5). The legislation also proposes a renewable energy public policy for the state (Section 5) and sets forth directives for renewable energy use by state government (Section 4).

HB 1308 establishes a renewable energy commission whose purpose is to administer a renewable energy trust fund (Sections 1, 2, 3 & 7). Those monies will be used for feasibility studies, applied research and demonstrations, venture capital investments, grants and matching grants, and low-interest loans and loan buydowns to foster the development of renewable energy, including wind, biofuels, biomass, solar, hydroelectric, geothermal and hydrogen (that is produced from the foregoing renewable energy sources).

HB 1308 lays the foundation for renewable energy development in North Dakota, and I urge your support of the measure. I also urge you to support other legislation relating to renewable energy that is before you this session – in particular SB 2229. SB 2229 has similar provisions to HB 1308, but it includes additional measures such as tax incentives and credits and a standard for ethanol consumption.

## Conclusion

The opportunities are right in front of us. We're number one in wind energy potential in the nation, we produce an abundance of corn and soybeans for biofuels, we are growing our cattle industry to eat the co-products resulting from biofuel production and we have the potential to produce energy crops for biomass.

For years, we've produced the world's best commodities – only to see them shipped elsewhere and have others seize the profits from processing them. We can watch as others benefit from the significant economic development these industries bring. And we can watch as our young people leave to take the jobs created by these facilities in other states. Or, we can do something about it.

We can promote and develop these resources ourselves. We can enjoy all of the benefits of new economic development and new jobs. We can create entire new industries that will benefit not only North Dakota, but the entire nation.

Chairman Weisz and committee members, I urge a do pass on HB 1308. I would be happy to answer any questions you may have.

ED Gerler 1-28-05

January 27, 2005

Testimony before the House Transportation Committee  
Fort Totten Room  
Representative, Robin Weisz Chair

**House Bill 1308 – Relating to a Renewable Energy Commission and Trust Fund**

Chairman Weisz and members of the House Transportation Committee, my name is Ed Goerger and I am from Wyndmere, North Dakota. I am past president of the Soybean Growers Association and a present board member of that association. I am here to testify in support of House Bill 1308.

This bill is important to develop a process to support renewable energy. I will speak specifically about biodiesel. As you know biodiesel is a clean burning alternative fuel produced from domestic renewable resources. Soybeans are a principal commodity in the production of biodiesel. Biodiesel can be blended at any level with petroleum diesel to create a biodiesel blend. Biodiesel can be used as a pure fuel or blended with petroleum in any percentage. A blended twenty percent by volume biodiesel and eighty percent by volume petroleum diesel has demonstrated significant environmental benefits. Biodiesel is the only alternative fuel to fully complete the health effects testing requirements of the Clean Air Act. The use of biodiesel in a conventional diesel engine results in a substantial reduction of unburned hydrocarbons, carbon monoxide, and particulate matter compared to emissions from diesel fuel.

Biodiesel production and use would be a boom for agriculture producers and add value to soybeans produced in our state. Through this legislation the legislature will be making a direct and positive statement of the state's commitment to the development and expansion of renewable energy in North Dakota. Promoting renewable fuels is important for our state's economy and will lessen our dependence on foreign oil. Biodiesel reduces emissions that are harmful to human health and the environment, are non-toxic and biodegradable, and increased biodiesel production will create jobs.

We need to establish a commission that has the ability to evaluate projects and have the funds necessary to jump-start biodiesel production, and use in North Dakota. This legislation gives us that framework and ability.

The Soybean Growers Association asks for your support of House Bill 1308 with a do pass recommendation.



Growing the wind energy industry in the Upper Great Plains

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Testimony of  
Jay Haley  
Founding Chairman  
Wind Energy Council  
HB 1308  
House Transportation Committee  
Fort Totten Room  
January 28, 2005

Good morning Chairman Weisz and members of the House Transportation Committee. My name is Jay Haley and I am here today representing the Wind Energy Council to testify in support of HB 1308.

The Wind Energy Council's primary objective is to promote and foster the development and growth of a vibrant wind energy industry in the Upper Midwest. Members of the Wind Energy Council include wind farm developers, owners and operators, wind turbine manufacturers, wind turbine component manufacturers, and businesses providing goods or services to the wind industry.

**Why should North Dakota invest now to jumpstart its renewable energy industry?**

- The demand for clean, renewable energy is steadily increasing each year.
- The cost of renewable energy continues to drop.
- The market for green credits continues to evolve and solidify.
- Reducing dependence on foreign oil is critical to our nation's security.
- Renewable energy projects provide economic development for our rural communities.
- Renewable energy projects create new cash crops and help for our farmers and ranchers to diversify.
- Renewable energy projects will create new export products for North Dakota.
- Transmission solutions will come.
- Our neighboring states have awakened to this opportunity and are actively in the process of capturing their market share.
- There is a window of opportunity that will not remain open indefinitely.

### **ND is Lagging Behind**

Minnesota has thriving wind and ethanol industries with more than 560 MW of wind and 14 ethanol plants. Iowa has a thriving ethanol industry that continues to expand. Iowa has more than 470 MW of wind development today and will be adding over 300 MW this summer in what will be the single largest wind farm in the US. It's also highly likely that Montana will be adding at least 150 MW of wind in the very near future.

This is not about competition between states. It's about competition between rural communities for renewable energy projects. North Dakota's rural communities are severely handicapped when competing for projects with communities in the surrounding states where a combination of state incentives, standards, and funding sources are available to improve feasibility and foster growth of the renewable energy industries.

The time to act is now. If we adopt a wait-and-see attitude towards the development of our renewable energy industries, we run the risk of losing out to those around us that looked ahead and were ready to seize the opportunities as they arise.

The Wind Energy Council encourages the Committee to look favorably upon HB 1308 and other legislation that promotes the growth of the renewable energy industry in North Dakota. I'd be happy to answer any questions.

#### **Chair**

Mike Hohl  
Whohle Management Solutions  
[mike@whohle.com](mailto:mike@whohle.com)

#### **Secretary**

Steve Scott  
Energy Maintenance Systems  
[steve@enerqyms.com](mailto:steve@enerqyms.com)

#### **Treasurer**

Craig Hoiseth  
LM Glasfiber  
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HB1308  
1-28-05

## Renewable Energy in Minnesota

### Ethanol

- 13 plants – 300 mmgy production
- 3 plants under construction – 3 in planning stages
- Ranks 5th in the nation in ethanol production capacity

### Biodiesel

- 1 plant is operational (3 mmgy)
- 2 more facilities in the planning stages

### Biomass

- more than 15 biomass energy producing facilities

### Wind

- 562.7 MW installed (44 projects)
- 138.4 MW (8 projects) planned for installation
- Ranks 3rd in the nation in installed capacity

Resource	State Incentives
Biomass	<p>Production Incentive – Payment of 1.5 ¢/ kWh for 10 yrs for generation from an on-farm anaerobic manure digester system.</p> <p>Net metering – biomass energy systems less than 40 kW in size are eligible for net metering.</p>
Wind	<p>Property tax – All real and personal property of a wind energy system is exempt.</p> <p>Production Incentive – Payment of 1.5 ¢/kWh for 10 yrs for wind generation of 2 MW or less that begins generating electricity after 6/30/99 – 200 MW program cap.</p> <p>Net metering – wind energy systems less than 40 kW in size are eligible for net metering</p>
Ethanol	<p>Financial incentives – Agricultural Improvement Loan Program – provides loans to farmers for improvements or additions to permanent facilities, including energy conversion equipment with an output capacity of 1 MW or less</p> <p>Sales tax exemption – wind energy conversion systems used an electrical power source are exempt from MN sales tax. Materials used to manufacture, install, construct, repair or replace wind systems are also exempt.</p>
Biodiesel	<p>Production credit – payment of 20 ¢/gallon for ethanol produced in MN and produced at plants that begin production by 6/30/00; annual payments limited to \$3 million for any one producer and \$34 million total</p> <p>Standard – all gasoline sold in the state must contain 10% ethanol. (Governor is proposing to increase mandate to 20% by 2011.)</p>
Miscellaneous	<p>Standard – all diesel fuel sold in the state for use in internal combustion engines must contain 2 % biodiesel by volume of two of three conditions occur: the biodiesel is produced in-state, additional federal or state incentives are available, and/or it is after 6/30/05</p> <p>Tax deduction – clean fuel vehicle and fueling equipment</p>

## Renewable Energy in Iowa

### Ethanol

- 6 plants (866.5 mmgy capacity)
- 9 additional plants in various stages of planning and construction  
(7 are farmer-owned cooperatives)
- Ranks first in the nation in production capacity

### Wind

- Iowa has more than 400 wind turbines with 471.86 MW installed capacity (26 projects)
- 580.5 MW (4 projects) planned for installation
- Ranks 4th in the nation in installed capacity

### Biomass

- 5 major methane energy recovery projects
- Major switchgrass project

### Biodiesel

- 3 plants (21 mmgy capacity)
- 3 plants in various stages of planning
- Submitted grant to build a terminal mixing facility

#### Resource

#### State Incentives

##### Biomass

Tax exemption – personal property, real property and improvements to real property used to collect and covert methane gas to energy in a operation connected with, or in conjunction with, a publicly owned sanitary landfill are exempt from the state property tax

Tax exemption – electricity generated by methane gas conversion property are exempt from the replacement generation tax

Solid Waste Alternatives Program – funds statewide development and expansion of waste reduction and recycling projects.

##### Wind

Property tax – any city or county can pass an ordinance assessing wind energy conversion equipment at a special valuation for property tax purposes

Sales tax exemption – exempts from state sales tax the total cost of wind energy equipment and all materials used to manufacture, install or construct wind energy systems.

Tax exemption – electricity generated by wind energy conversion property is exempted from the replacement generation tax, which is six hundredths of a cent per kWh

Property tax – the market value added to a property by a wind energy system is exempt from state property tax

Financial incentives – Agricultural Improvement Loan Program – provides loans to farmers for improvements or additions to permanent facilities, including energy conversion equipment with an output capacity of 1 MW or less

##### Ethanol

Excise tax exemption – ethanol-blended gasoline is taxed at \$0.19/gallon, while non-ethanol blended gasoline is taxed at \$0.205/gallon.

Tax credit – a tax credit is given to retail service stations at which more than 60% of the total gallons of gasoline sold and dispensed through one or more metered pumps is ethanol-blended for tax years beginning on or after 1/1/02.

##### Misc.

Energy Bank Program – provides technical and financial assistance to public and non-profit facilities for installing cost-effective energy efficiency and renewable energy improvements.

Alternate Energy Revolving Loan Program – zero-percent interest loans for up to ½ of project cost – maximum of \$250,000. (Funded by IOUs) Awards are made: Solar – 5%; Methane – 30%; Biomass – 20%; Small Wind – 10%; Large Wind 20%; Hydropower – 15%.

Grants – Iowa Energy Center provides grants for energy research on topics that have a strong relevance to Iowa.

Value-added Agricultural Products and Processes Financial Assistance Program – Iowa Renewable Fuel Fund – offers a combination of forgivable and traditional loans

Iowa Energy Bank – provides financing for public and some non-profit organizations for energy management programs.

Mainstay Energy Rewards Program – private company offering customers who install, or have installed, renewable energy systems the opportunity to sell the green tags associated with the energy associated by these systems.

Alternative Energy Law – IOUs must contract a combined total of 105 MW of generation from renewable resources.

Interconnection Standards – net metering is allowed for renewable energy systems – no uniform standards are currently in place.

Mandatory Utility Green Power Option – All electric utilities operating in Iowa are required to offer green power options to customers.

## Renewable Energy in Nebraska

### Wind

- 12 operational wind turbines with 13.98 MW of installed capacity (4 projects)
- 60 MW of additional capacity are expected to come online in 2005 (1 project)

### Biomass

- 20 federally funded biomass RD&D projects currently underway

### Ethanol

- 6 plants (389 mmgy capacity)
- 2 additional plants under construction
- Ranks 3<sup>rd</sup> in the nation in production capacity
- 43.6 % of the gasoline sold in Nebraska is an ethanol blend
- 20% of the state corn crop is processed into ethanol

**Resource****State Incentives****Wind**

Solar and wind easements – allow property owners to create binding solar easements for the purpose of protecting and maintaining proper access to sunlight. The solar access laws were revised to include wind.

**Ethanol**

Most recent program expired on 6/30/04 – paid 18½ cents per gallon for 15,625 gallons/year for a period of up to 8 years. Four plants were built with this incentive and six more projects have qualified for the incentive, even though it has expired. The Nebraska legislature is considering a similar incentive package this session

**Misc.**

Dollar and Energy Savings Loans – makes available low interest loans for residential and commercial energy efficiency improvements, including renewable energy projects.

Mainstay Energy Rewards Program – Green Tag Purchase Program – private company offering customers who install, or have installed, renewable energy systems the opportunity to sell the green tags associated with the energy generated by these systems.

DOE is collaborating with the University of Nebraska to study the implications of using corn stalks for biofuels.

## Renewable Energy in South Dakota

### Wind

- 44.48 MW of installed capacity (7 projects)

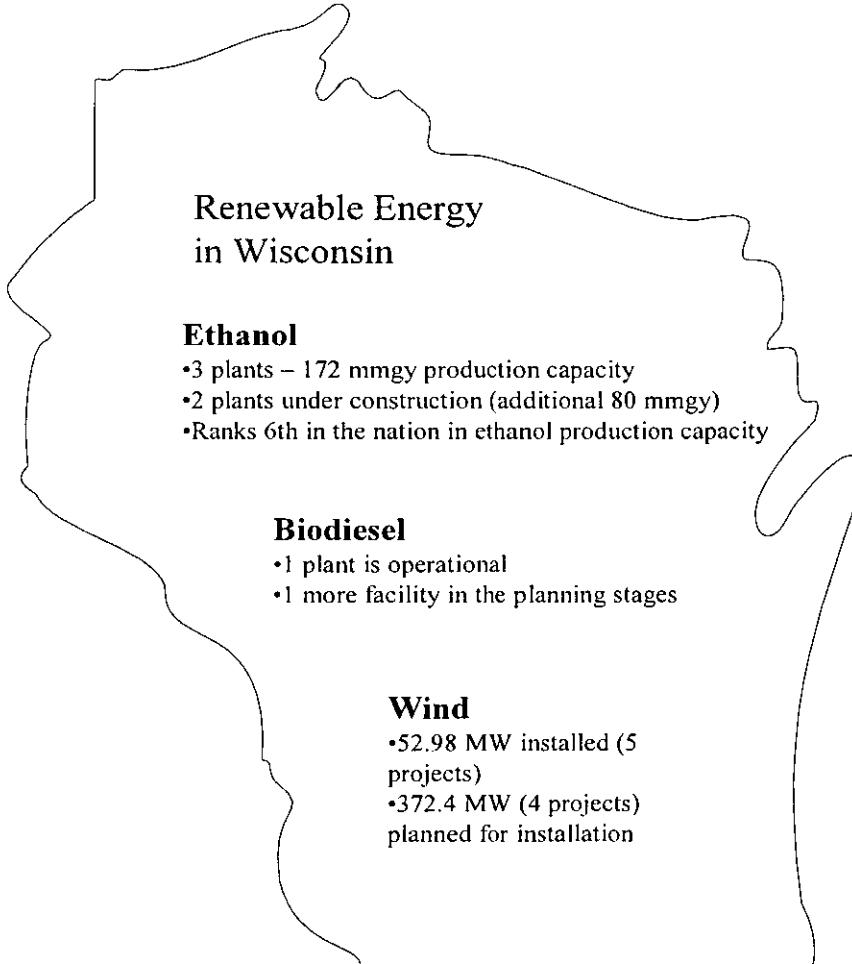
### Biodiesel

- 1 facility is in the planning stages

### Ethanol

- 10 plants (422 mmgy capacity)
- 1<sup>st</sup> in the nation in farmer-owned plants (8)
- 1<sup>st</sup> in the nation in the percentage of corn used for ethanol
- Ranks 4<sup>th</sup> in the nation in production capacity
- More than 8,000 farm families have invested in some form of ethanol production
- 65 % of the gasoline sold in South Dakota is an ethanol blend

Resource	State Incentives
Wind	Property tax exemption – all commercial wind power production facilities, regardless of ownership, are assessed at the local level. Previously, some facilities were centrally assessed for tax purposes at the state level. T
Ethanol	2- cent at-the-pump excise tax reduction
Misc.	Mainstay Energy Rewards Program – Green Tag Purchase Program – private company offering customers who install, or have installed, renewable energy systems the opportunity to sell the green tags associated with the energy generated by these systems.  Renewable Energy Systems Exemption – exempts from local property taxes renewable energy systems on residential and commercial property. The exemption applies to the entire assessed value of residential systems and 50% of the installed cost of commercial systems and it may be taken for three years after installation.



Resource	State Incentives
<b>Wind</b>	<p>Property tax – any value added by a wind energy system is exempted from general property taxes.</p> <p>Madison – Green Power Purchasing- Madison's Metro Maintenance &amp; Administration Facility purchases 25% of its electricity from wind power.</p> <p>Net metering – all technologies, including renewables, are eligible for net metering.</p> <p>Wind access law – property owners with wind systems can apply for permits guaranteeing unobstructed access to wind resources.</p>
<b>Miscellaneous</b>	<p>Renewables Portfolio Standard – effective in 1999. A schedule has been implemented for the amount of renewables required</p> <p>Public Benefits Fund – established in 1999 (without deregulating electric utility industry). Fund supports grants for low-income programs, energy efficiency services and renewable energy projects.</p> <p>Focus on Energy – grant programs – offers several grant programs to support the development of renewable energy (feasibility study grants, implementation grants, special equipment grants for non-profits)</p> <p>Mainstay Energy Rewards Program – Green Tag Purchase Program – private company offering customers who install or have installed renewable energy systems the opportunity to sell the green tags associated with the energy generated by these systems.</p> <p>Focus on Energy – Cash Back Reward for installing or expanding renewable energy systems on businesses and homes.</p>

## **Renewable Energy in North Dakota**

### **Wind**

- 66.3 MW of installed capacity (9 projects)
- 19.5 MW of additional capacity are expected to come on line in 2005 (1 project)

### **Ethanol**

- 2 plants (39 mmgy capacity)
- 3 projects in various stages of planning and development

<b>Resource</b>	<b>State Incentives</b>
Wind	<p>Property tax reduction – property taxes are reduced by 70% for wind facilities of 100 kW or larger on facilities constructed before January 1, 2011.</p> <p>Sales tax exemption – This exemption applies to building materials, production equipment and other tangible property used in the construction of a wind-powered electrical generating facility that has at least one electrical energy generation unit with a nameplate capacity of 100 kW or more.</p>
Ethanol	Ethanol plants in operation before July 1, 1995, and that produce fewer than 15 mmgy are eligible for incentives (40 cents per gallon) up to \$650,000 per year. The 2003 North Dakota Legislature tied ethanol production incentives to the price of corn and the price of ethanol. If corn prices are high, the incentive payment is increased; if corn prices are low, the incentive payment decreases. In addition, if ethanol prices are high, the incentive payment decreases; if ethanol prices are low, the payment increases.
Biodiesel	Corporate income tax credit – tax credit is available at a rate of 10% per year for five years for the taxpayer's direct costs to adapt or add equipment to retrofit an existing facility or adapt a new facility for the purpose of producing or blending biodiesel.
Misc.	<p>Geothermal, solar and wind tax credit – allows any taxpayer to claim an income tax credit of 3% per year for 5 years for the cost of equipment and installation of a geothermal, solar or wind device (individuals – long form; corporations Schedule 2).</p> <p>Property tax exemption – during the five year period following installation, solar wind or geothermal energy devices are exempt from property taxes.</p>
	<p>Solar easements – allows parties to voluntarily enter into solar easement contracts for the purpose of ensuring adequate exposure of a solar energy system.</p>
	Net Metering – Net metering is available to all customer classes. It applies to both renewable energy generators and cogenerators up to 100 kW in capacity.
	Mainstay Energy Rewards Program – Green Tag Purchase Program – private company offering customers who install, or have installed, renewable energy systems the opportunity to sell the green tags associated with the energy generated by these systems.

John Ness

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H.B. 1308

## **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 roles 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?

Greater North Dakota Chamber of Commerce  
Qwest Corporation  
North Dakota Hospitality Association  
North Dakota Petroleum Council  
National Federation of Independent Business  
Tesoro Petroleum  
Montana Dakota Utilities  
Xcel Energy  
Otter Tail Power  
Utility Shareholders of ND  
Associated General Contractors  
North Dakota Retail Association  
North Dakota Petroleum Marketers Association  
Bismarck/Mandan Chamber of Commerce  
Beulah Chamber of Commerce  
North Dakota Grocers Association  
North Dakota Motor Carriers Association