

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

1506

2007 HOUSE NATURAL RESOURCES

HB 1506

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1506

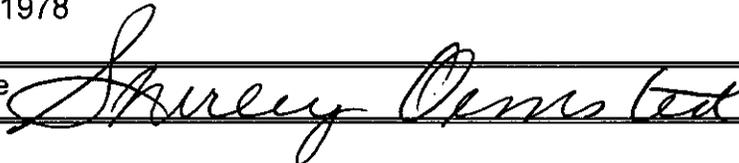
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: January 25, 2007

Recorder Job Number: 1978

Committee Clerk Signature



Minutes:

Chairman Porter opened the hearing on HB 1506.

Representative David Monson of District #10 introduced HB 1506. He said the bill with the proposed amendments is a milestone piece of legislation. This represents agreements of many parties from both the renewable energy advocates and the lignite industries. The meat of the bill has 9 sections. Section 1 establishes a voluntary goal of 10% of renewable energy and recycled energy sources for electricity sold at retail within the state by the year 2015. Section 2 defines renewable energy and includes hydroelectric as renewable. Section 3 limits credit under this bill for hydroelectric generation to new or improvements to hydroelectric facilities. Section 4 lays out further roles as to what qualifies for renewable energy certificates. Section 5 tells how a retail provider may deduct from its baseline of total retail sales the portion of electricity obtained from existing hydroelectric facilities. Section 6 allows for the purchase of recycled energy certificates to meet the voluntary goal of 10%. Section 7 has the proposed amendment that addresses this. Section 8 says the tracking of the energy credits will be done by a third party. Section 9 lays out the annual reporting process. There are a number of people who know a lot more about this than me, and I am sure they can answer your questions better than me. The 10% goal is very realistic. It helps bring us into alignment with our

neighbors in this industry. This bill is part of larger picture and part of an emerging statewide energy plan. It makes us a major player in a regional plan. We can only use a portion of the power that we produce so we need to have a plan to move the energy out of our state.

Representative Scott Kelsh also sponsored this bill. He said is a very visionary bill for the state of North Dakota and urged a do pass. He wanted to applaud all the energy interests that came together to help write this bill.

Commissioner Susan Wefald, President of the North Dakota Public Service Commission came forward in support of HB 1506. See written testimony marked as Item #1.

Representative Jim Kerzman from District #31 came forward to also sponsor this bill. He wanted to applaud all the efforts on this bill. He asked the committee to keep an open mind.

North Dakota cannot be an island on this. He said they are looking at a transmission authority and we must be on the same page as our neighboring states.

Mr. Blake Seese, General Manager of LM Glass Fibers in Grand Forks. Their company produces about 1/3 of all the turbines and employs over 700 employees and they have doubled their plant size. They have received support by Governor Hoeven, Senator Byron Dorgan, Senator Kent Conrad, and Representative Earl Pomeroy. They believe this bill is very important and sets the stage for further development in North Dakota. They support this bill.

Mr. Mark Nesbits, from Excel Energy, and he said they are in support of this bill. Excel Energy has worked with other utility companies in the room as well as members of the energy partnership of which they are members. They believe this bill sets reasonable objectives.

Chairman Porter asked Mr. Nesbits about the amendments proposed by Representative Monson.

Mr. Nesbits said they were in support of the amendments as proposed.

Mr. Harlan Fuglesten with the North Dakota Association of Rural Electric Cooperatives came forward in support of HB 1506. See written testimony marked as Item #2. They urged for a do pass.

Representative Hofstad asked for a snapshot of the percentage they were at now.

Mr. Fuglesten said he was not sure he could provide that number for him. He said statewide that about 8% would be hydropower. That hydropower will not be used to meet the goal but will be deducted from the base for the goal for 2015. This means that goal may be slightly less. There are a number of exciting projects going on right now.

Mr. Scott Handy of the Cass County Electric came forward in support of this bill. See attached written testimony marked as item #3. He also handed out written testimony from **Mr.**

Gerad Paul of Minnkota Power who had travel difficulties getting here today. See testimony marked as Item #4. They were here to urge a do pass.

Mr. Loren Laugtug came forward on behalf of Otter Tail Power Company. See written testimony marked as Item #5.

Ms. Patrice Lahlum testified on behalf of Agriculture Commissioner Roger Johnson who was testifying in another room. See attached testimony marked as Item #6. They were here to support this bill.

There was no testimony in opposition to HB 1506.

Chairman Porter closed the hearing on HB 1506.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1506

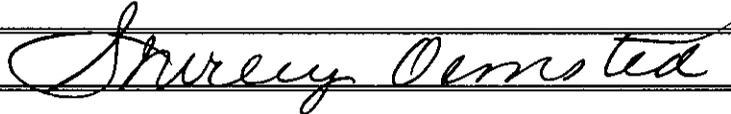
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: January 25, 2007

Recorder Job Number: 1983

Committee Clerk Signature



Minutes:

Chairman Porter opened the discussion on HB 1506. He indicated there were two sets of amendments which were the Monson 303 amendment and then the set of amendments proposed by Commissioner Wefald as part of her testimony.

Representative Keiser made a motion to accept both sets of amendments.

Representative Kelsh seconded the motion.

Chairman Porter asked for discussion. There was none. A voice vote was taken and the motion carried.

Representative Nottestad said there was also an amendment by Representative Monson as 301. What about the amendment from Wefald?

Representative Keiser that is what we just moved.

Chairman Porter said the motion would have taken care of Monson amendments no. 303 and 301 and the Wefald amendments that were part of the testimony. They were all friendly amendments. Does anyone have any questions on that?

Representative Kelsh made a motion for a do pass as amended.

Representative DeKrey made a second to the motion.

Chairman Porter asked for discussion. Seeing none, the clerk called the roll on a do pass as amended. Let the record show 13 yes, 0 no, with 1 absent. Do pass as amended prevails.

Representative Damschen will carry the bill to the floor.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1506

Page 1, line 14, after the underscored period insert "Municipal and cooperative utilities that receive wholesale electricity through a municipal power agency or generation and transmission cooperative may aggregate their renewable and recycled energy objective resources to meet this objective."

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1506

Page 3, line 17, replace "determination - Reporting" with "evaluation"

Page 3, line 18, remove "requirement" and after the second comma insert "to meet the objective,"

Page 3, line 19, after "provider" insert "or its generation supplier" and replace "determination that" with "evaluation to determine if"

Page 3, line 20, remove "more", replace "than existing" with "considering other", and remove "This economic determination"

Page 3, remove line 21

Page 3, line 22, replace "section 9 of this Act. If" with "After evaluating the renewable and recycled energy objective and economic evaluation," and replace "finds that use of new renewable and recycled energy" with "or its generation supplier may use the electricity alternative which best meets its resource or customer needs"

Page 3, remove line 23

Page 3, line 24, remove "cost-effective electricity alternative"

Re-number accordingly

January 25, 2007

VR
1/29/07

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1506

Page 1, line 14, after the underscored period insert "Municipal and cooperative utilities that receive wholesale electricity through a municipal power agency or generation and transmission cooperative may aggregate their renewable and recycled energy objective resources to meet this objective."

Page 2, line 27, replace "commission case PU-05-364" with "commission's"

Page 2, line 28, remove "which stipulates"

Page 3, line 17, replace "determination - Reporting" with "evaluation"

Page 3, line 18, remove "requirement" and after the second underscored comma insert "to meet the objective."

Page 3, line 19, after "provider" insert "or its generation supplier" and replace "determination that" with "evaluation to determine if"

Page 3, line 20, remove "more", replace "than existing" with "considering other", and replace "This economic determination" with "After evaluating the renewable and recycled energy objective and economic evaluation, the retail provider or its generation supplier may use the electricity alternative that best meets its resource or customer needs."

Page 3, remove lines 21 through 24

Page 4, line 5, after "previous" insert "calendar"

Re-number accordingly

Date: 1-25-06
Roll Call Vote #: 7

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1506

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken As Amended 0303 + 0301

Motion Made By Keiser Seconded By Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman - Rep. Porter			Rep. Hanson		
Vice-Chairman - Rep Damschen			Rep. Hunskor		
Rep. Charging			Rep. Kelsh		
Rep. Clark			Rep. Meyer		
Rep. DeKrey			Rep. Solberg		
Rep. Drovdal					
Rep. Hofstad					
Rep. Keiser					
Rep. Nottestad					
<i>Vote</i>					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

Date: 1-25-06
Roll Call Vote #: _____

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HP 1506

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass to amend

Motion Made By Keish Seconded By DeKrey

Representatives	Yes	No	Representatives	Yes	No
Chairman - Rep. Porter	✓		Rep. Hanson	✓	
Vice-Chairman - Rep Damschen	✓		Rep. Hunskor	✓	
Rep. Charging	✓		Rep. Kelsh	✓	
Rep. Clark	✓		Rep. Meyer	✓	
Rep. DeKrey	✓		Rep. Solberg		
Rep. Drovdal	✓				
Rep. Hofstad	✓				
Rep. Keiser	✓				
Rep. Nottestad	✓				

Total Yes 13 No 0

Absent 1

Floor Assignment Damschen

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

Do Pass previous

REPORT OF STANDING COMMITTEE

HB 1506: Natural Resources Committee (Rep. Porter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1506 was placed on the Sixth order on the calendar.

Page 1, line 14, after the underscored period insert "Municipal and cooperative utilities that receive wholesale electricity through a municipal power agency or generation and transmission cooperative may aggregate their renewable and recycled energy objective resources to meet this objective."

Page 2, line 27, replace "commission case PU-05-364" with "commission's"

Page 2, line 28, remove "which stipulates"

Page 3, line 17, replace "determination - Reporting" with "evaluation"

Page 3, line 18, remove "requirement" and after the second underscored comma insert "to meet the objective."

Page 3, line 19, after "provider" insert "or its generation supplier" and replace "determination that" with "evaluation to determine if"

Page 3, line 20, remove "more", replace "than existing" with "considering other", and replace "This economic determination" with "After evaluating the renewable and recycled energy objective and economic evaluation, the retail provider or its generation supplier may use the electricity alternative that best meets its resource or customer needs."

Page 3, remove lines 21 through 24

Page 4, line 5, after "previous" insert "calendar"

Renumber accordingly

2007 SENATE NATURAL RESOURCES

HB 1506

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1506

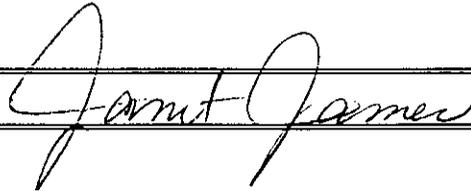
Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 9, 2007

Recorder Job Number: # 4769

Committee Clerk Signature



Minutes:

Senator Stanley Lyson, Chairman of the Senate Natural Resources Committee opened the hearing on HB 1506 establishing a state renewable and recycled energy objective.

All members of the committee were present.

Representative Dave Monson of District 10, prime sponsor of HB 1506 introduced the bill as being complicated (see attachment #1).

Roger Johnson, North Dakota Commissioner of Agriculture testified in support of HB 1506 (see attachment #2).

Susan Wefald, President of the North Dakota Public Service Commission testified on her own behalf of HB 1506 stating the other Public Service Commissioners are neutral on the bill. She stated they have no problem with section 8 of the bill as rules were passed last session as to the tracking of the third party. Section 9 is also acceptable.

Senator Ben Tollefson: how is hydroelectric considered renewable?

Susan Wefald: others are better qualified to answer.

Harlan Fuglesten, representing the North Dakota Association of Rural Electric Cooperatives testified in support of HB 1506 (see attachment #3). He also presented written testimony of

Warren Ault, national Account Manager for LM Glasfiber (see attachment # 4).

Senator Joel Heitkamp: what is the rate of depreciation for a wind tower?

Harlan Fuglesten; had no idea although the contracts are usually 25 years long.

Kathy Aas representing Xcel Energy testified in support of HB 1506 stating that they along with all the utilities in North Dakota and the renewable energy partners worked on this legislation and that it is a good step toward having an objective in North Dakota. This will also help meet the intention of Minnesota law and their commitment to renewable energy.

Scott Handy, President/CEO of the Cass County Electric Cooperative, Inc testified in support of HB 1506 (see attachment # 5). He also presented to the committee written testimony from **Minnkota Power Cooperative** supporting HB 1506. (See attachment # 6).

Senator Herbert Urlacher: he supports renewable energy and in the questions of the survey often mentioned are there any costs of the renewables included.

Scott Hardy: a general question of support is included and then asked if support still exists when the rates are increased due to incorporation of renewables. The support remains strong if the rate increase stay 5% and below.

Senator Urlacher; appreciates the fact that those statements are included in the survey.

Senator Heitkamp: how long does a wind tower last?

Scott Handy: the two they own are advertised for 15 years, but expect a 50 year life time of the tower, however the turbines do not last that long and will need to be replaced.

John Olson representing the Otter Tail Power Co. testified in support of HB 1506 by presenting to the committee testimony of Loren Laugtug (see attachment # 7).

Senator Lyson asked for opposing testimony of HB 1506 and hearing none asked for testimony in a neutral position.

Verle Reinicke testified on behalf of God by bringing a biblical respect to what is being done there. We have not paid enough attention to the non-human creation. We in our sinful human

arrogance talk only about helping effects humans as we are the pinnacle of creation and that everything serves us. We are to serve the creation and help it be the most it can be. We do that as God does and out of love. We are a great time of change and this is something like the Industrial Revolution. This all has to be considered as to how this affects creation and we are responsible. We have to pull back from what we are doing as a people not only in the whole world but here in North Dakota. So what is going on here is consistent with biblical witness about being sensitive to the creation which God has made. By pursuing these avenues we are praising God and giving Him thanks for what he has given us.

Senator Lyson closed the hearing on HB 1506.

Senator Jim Pomeroy made a motion for Do Pass of HB 1506.

Senator Constance Triplett second the motion.

Senator Triplett: as the motion was being made, Senator Heitkamp commented he had amendments.

Senator Heitkamp: he did not know if he was going to offer the amendments in committee and maybe not on the floor. He passed them out to the committee to look at, but the committee should just move forward with what they already have because he is not sure the support of the committee is there for them. Maybe at another time.

A roll call vote for a Do Pass of HB 1505 was taken indicating 4 Yeas, 3 Nays and 0 absent or not voting.

Senator Lyson will carry HB 1506.

REPORT OF STANDING COMMITTEE (410)
March 9, 2007 1:07 p.m.

Module No: SR-45-4877
Carrier: Lyson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1506, as engrossed: Natural Resources Committee (Sen. Lyson, Chairman)
recommends **DO PASS** (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1506 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

HB 1506

Item #1

H. B. 1506

Presented by: Susan Wefald, President
Public Service Commission

Before: House Natural Resources
Honorable Todd Porter

Date: January 25, 2007

Mr Chairman and Members of the Committee, I am Commissioner Susan Wefald, President of the North Dakota Public Service Commission. The testimony that I am presenting is my own testimony, and not that of the whole Commission. I am in support of HB 1506.

I am not in favor of mandates, but I am in favor of voluntary objectives. This bill meets that requirement.

This legislation builds on HB 1314 passed last session, which authorized North Dakota's participation in a regional accounting system to verify the generation, exchange and retirement of renewable energy credits. The Commission anticipates making a decision on selecting a credit tracking system this year. This bill is consistent with rules the Commission has developed in response to 2005 HB 1314.

This legislation is of long term economic importance to North Dakota. Two years ago, the state of Minnesota passed renewable energy legislation with a goal of 10 percent by 2015. Minnesota legislators who were working with utilities, agricultural interests and legislators from the Dakotas on renewable energy issues included a provision allowing Minnesota utilities to purchase renewable energy credits from bordering states to meet their objective, if those states have a *similar* renewable portfolio, standard or objective in place. This legislation meets that test.

I have noted that states that have passed voluntary renewable energy objectives have greater wind development take place in their states than states that do not have these objectives. The objectives included in this bill will enable North Dakota to have its fair share of wind energy development in our region.

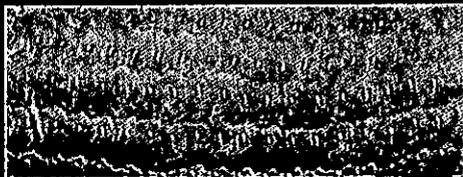
Next, I would like to comment on Section 9 of this bill – the Public Reporting Section. This section gives a responsibility to the Commission to receive the annual reports and make data and narrative reports publicly available and accessible electronically on the internet. This should be a very easy task for the Commission.

There are two housekeeping amendments which I am proposing today, which the Commission would be happy to provide in writing later today to the Committee.

The first is on page 2, line 27 and 28. Strike the words "case PU-05-364 which stipulates." These words are not needed.

The second is on page 4, line 5. Insert the word "calendar" after the words "provider's previous." This would clarify that the first report is for the calendar year 2008, and that the retail providers would have 6 months to prepare their public reports.

Energy & North Dakota



Renewable Energy Opinion Survey Results August 2006

Survey conducted by
University of North Dakota Bureau of Governmental Affairs
on behalf of
North Dakota Renewable Energy Partnership
North Dakota Office of Renewable Energy & Energy Efficiency

August 2006

Earlier this year, the North Dakota Renewable Energy Partnership (NDREP), with financial support from the Office of Renewable Energy & Energy Efficiency, commissioned a public opinion survey to determine the views held by North Dakotans on traditional and renewable sources of energy including biodiesel, biomass, ethanol and wind.

The University of North Dakota Bureau of Governmental Affairs conducted the survey between June 13 and July 12, 2006. More than 600 surveys were completed. Respondents were equally split male and female and were age 18 or older.

This publication provides an overview of the survey results. In some instances, the questions have been shortened and the results have been rounded to whole numbers. To view the complete survey and accompanying questions, please visit the NDREP website at www.ndrep.org.



Sincerely,

Mike Clemens, Chair
North Dakota Renewable Energy Partnership



- 91 percent of North Dakotans surveyed are somewhat concerned or very concerned about our dependence on foreign sources of oil. 96 percent believe that we should reduce our dependence on foreign sources of oil by promoting renewable sources of energy and energy conservation.

- More than 3/4 of survey respondents are somewhat concerned or very concerned about the depletion of fossil fuel supplies. Additionally, approximately 70 percent expressed concern about health and environmental problems caused by burning fossil fuels.

Those surveyed also expressed significant concern that fossil fuels may be causing global warming, with 67 percent saying they were very or somewhat concerned about the issue.

- 93 percent of North Dakotans surveyed believe that renewable energy should be a priority in our state legislature.

- 69 percent of respondents would support a law that adds an additional charge to electric bills to promote renewable energy projects, and 81 percent of respondents would support a law requiring utilities to generate 10 percent of their electricity from renewable sources.

- More than one-half of those surveyed are concerned about out-of-state interests owning North Dakota wind projects.

- Only 13 percent of respondents favor fossil fuels for new electricity if they had to choose only one source, while 80 percent prefer wind or other renewables and energy conservation.



Overall, North Dakotans are very familiar with energy terms:

<u>Term</u>	<u>% Familiar</u>
Wind energy	94%
Ethanol	93%
Fossil Fuels	85%
E-85	81%
Biodiesel	71%
Flex-Fuel	56%
Biomass	32%

- 84 percent of those surveyed believe that the Resources Trust Fund - a fund used only for water projects to date - should be used to fund both water and renewable energy & energy efficiency projects, as it was originally proposed.

- 95 percent of those surveyed believe it is a good idea to grow crops for the production of biodiesel to replace petroleum diesel. 83 percent believe the state legislature should provide incentives that encourage the production and use of biodiesel. 83 percent also support a 2 percent biodiesel blend requirement in North Dakota's diesel supply.

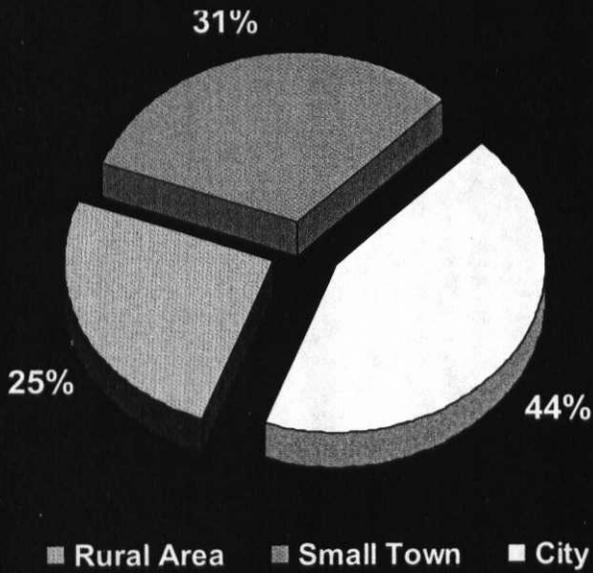
- 93 percent of the respondents are familiar with the 10 percent blend of ethanol with gasoline used in passenger vehicles. Nearly 80 percent support a 10 percent ethanol blend requirement in gasoline sold in North Dakota. 87 percent support a tax advantage for ethanol that makes ethanol cheaper than regular gasoline. More than half of those surveyed prefer to purchase gasoline blended with ethanol.



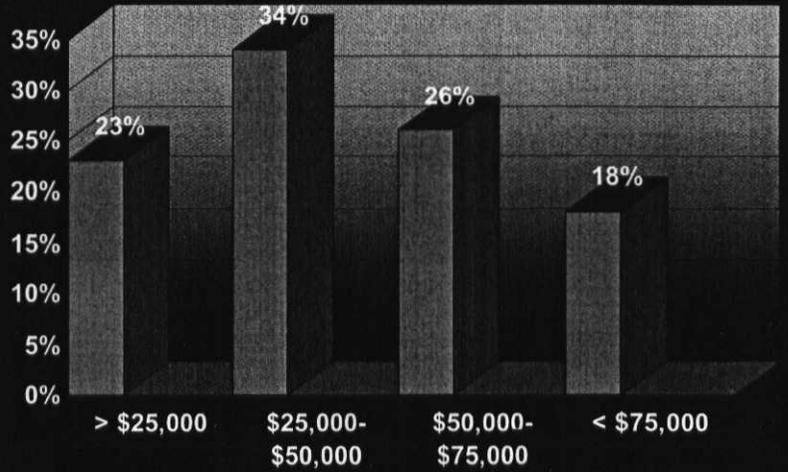
- 80 percent of those surveyed say that the legislature should provide funding research and incentives for biomass.

Survey Demographics

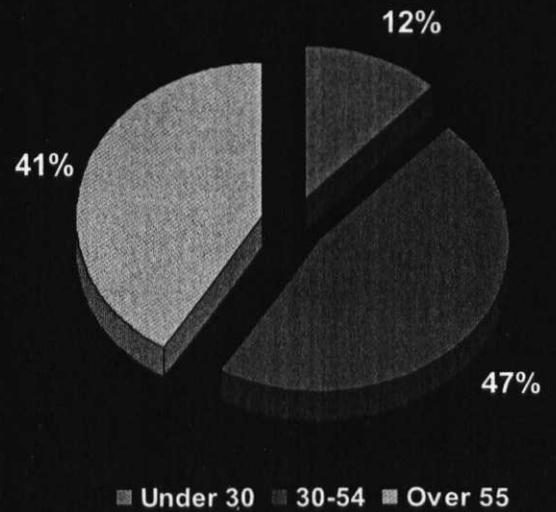
Residential Location



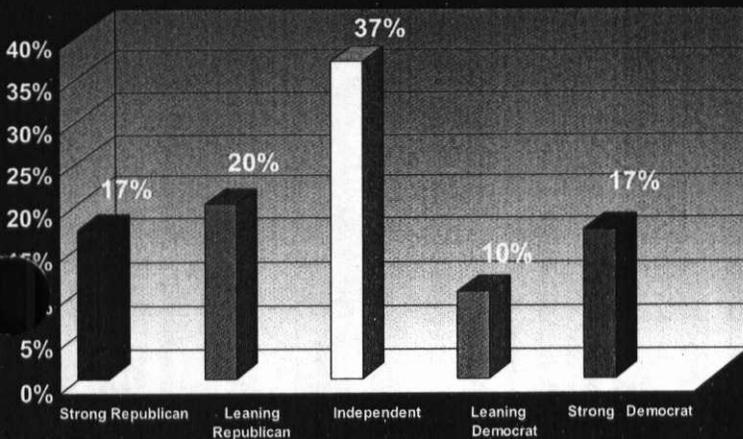
Household Income



Age Categories



Political Viewpoint



Item #2

Testimony in Support of HB 1506
Harlan Fuglesten,
Communications and Government Relations Director,
North Dakota Association of Rural Electric Cooperatives
Before the
House Natural Resources Committee
January 25, 2007

Mr. Chairman and members of the Natural Resources Committee. My name is Harlan Fuglesten with the North Dakota Association of Rural Electric Cooperatives. I rise in support of HB 1506, with the amendments offered by Rep. Monson. Our association represents 17 electric distribution cooperatives and five generation and transmission cooperatives operating in North Dakota. Together, these cooperatives sell about 45% of the retail electricity in the state, are responsible for nearly 90% of the state's coal-based generation, and own or purchase the majority of the state's wind generation.

The board of our association passed a motion recently endorsing the provisions found in HB 1506. This action is part of a series of steps taken by our members that recognizes the growing importance of renewable energy, both as a source of transportation fuels and as a source of electric generation. Our association was a charter member of the North Dakota Renewable Energy Partnership, which was instrumental in bringing the utilities together with wind proponents, environmental policy advocates and others to fashion the framework for the voluntary goal established in this bill.

Our association and a number of our co-ops are also members of the 25x'25 Alliance, which has as a goal that 25% of our nation's energy should come from renewable sources by 2025. We believe HB 1506 is a reasonable step toward achieving that goal.

In our view, this bill is not about favoring one type of resource over another. North Dakota is blessed with an abundant supply of energy from fossil fuels, wind, and biomass. As a nation, we will need to use all of our domestic energy resources to achieve energy independence. And as a state, we will need to support responsible and economic approaches to encourage development of all our energy resources if we are to realize the full benefits of energy development.

HB 1506 is a responsible measure that promotes a goal but does not establish a mandate.

We urge you to give it a DO PASS, with the amendments offered by Rep. Monson.

Thank you.

**Testimony in support of HB1506
Scott Handy, President/CEO
Cass County Electric Cooperative, Inc.
Kindred, ND**

**Before the North Dakota House of Representative's Natural Resources
Committee
January 25, 2007**

Mr. Chairman and members of the Natural Resources Committee, My name is Scott Handy and I'm employed by Cass County Electric Cooperative in Kindred, North Dakota. Thank you for this opportunity to appear in support of HB1506, with the amendments offered by Rep. Monson.

Cass County Electric supports a state objective for the voluntary use of renewable electric generation. Through our power supplier Minnkota Power Cooperative, we have offered wind energy to our membership for the past five years, and anticipate Minnkota increasing the level of wind generation among its generation resources later this year.

You may be familiar with the 20/20 initiated measure on the ballots in Fargo and Grand Forks this past fall. Cass County Electric had a great deal of concern over the mandates in this measure and worked hard to educate our membership about the potential impact of the measure. Forty four percent of Fargo's voters favored the measure, hardly a rejection of renewable energy. We know from our own surveys and other surveys we've helped sponsor, that our members overwhelmingly support renewable energy, as long as it's accomplished in a thoughtful, reasonable manner. We fully understand that now the burden is on us to show good faith in setting new goals and steadily increasing the percent of electricity we deliver from renewable sources. It will not be business as usual going forward.

I'd like to illustrate a few ways in which Cass County Electric is already moving ahead with renewable energy to show that voluntary efforts can be effective. We have

committed to converting our passenger vehicle fleet to flex-fuel over time, and already have a dozen such vehicles in our fleet. Our heavy trucks use biodiesel whenever it's available. We're also experimenting with the use of crop oil in transformers as a replacement for mineral oil. As mentioned earlier, we fully support Minnkota's increase of wind energy in its generation resources.

HB1506 has been a true coalition effort. Utilities - both investor-owned and cooperative, environmental groups and agriculture groups have worked together through the North Dakota Renewable Energy Partnership over the past many months to bring this effort forward.

It is our belief that HB1506 is the right approach to move North Dakota forward with renewable electricity generation. Cass County Electric urges your DO PASS recommendation on HB1506.

Item # 4

**Minnkota Power Cooperative
In Support of North Dakota House Bill No. 1506
House Natural Resources Committee - Pioneer Room
January 25, 2007 – 10:30 a.m.**

Chairman Porter, members of the committee, my name is Gerad Paul and I am employed by Minnkota Power Cooperative. On behalf of Minnkota, I am here in support HB 1506 with the amendments that have been offered.

Minnkota Power Cooperative is a generation and transmission cooperative (a "G&T"), which means that we generate and then deliver electricity to our member/owner distribution cooperatives that, in turn, deliver to their retail customers. In North Dakota, those distribution cooperatives are Cass County Electric, Nodak Electric and Cavalier Rural Electric. The electricity that we produce from lignite coal is generated at the Milton R. Young Station in Center, North Dakota.

Here are the reasons Minnkota supports HB 1506:

1. Our customers (who own us) have expressed their interest in having renewable energy comprise a larger part of their power supplier's resources. In 2002, Minnkota was the first utility in North Dakota to invest in commercial-scale wind turbines. Today, Minnkota is constantly evaluating means by which power from renewable resources can comprise a larger portion of the energy that is offered to our customers and we believe that there may be good renewable alternatives for our customers. In fact, within the next few weeks, we anticipate being able to announce specifics to demonstrate Minnkota's substantial and long-term commitment to wind energy. HB 1506, as amended, provides a reasonable, well-structured goal for North Dakota and the bill could serve to further establish North Dakota's leadership in meeting the nation's growing demand for energy.

2. As a G&T, we are strong supporters of and participants in the lignite industry. Minnkota has long recognized the importance of lignite to assist our ability to provide the lowest cost electricity to our customers and we understand lignite's contribution to our economy in North Dakota. However, Minnkota does not regard this bill as threat to base load, lignite-fired power plants or to the lignite industry. We believe that a renewables such as wind and lignite will both hold a place in North Dakota long into the future.

3. Minnkota's North Dakota service area enjoys a very strong wind resource that stretches from the Langdon area in the north through Lisbon to the south. We believe that HB1506 could benefit some of the landowners and communities within our service area through lease payments for their land and also through the construction and ongoing maintenance of both the wind farms and the necessary transmission infrastructure.

For these reasons, Minnkota is joining its North Dakota member/owner distribution cooperatives in supporting this bill as amended and respectfully urges that this body recommend a "Do Pass".

Thank you for your consideration.

**TESTIMONY OF LOREN LAUGTUG
Otter Tail Power Company
Before the HOUSE NATURAL RESOURCES COMMITTEE
January 25, 2007**

Mr. Chairman and members of the Committee, for the record my name is Loren Laugtug and I am before you today on behalf of Otter Tail Power Company.

On behalf of my company, I would like to submit the following comments regarding my company's support for an effort to establish a ten percent Renewable Energy Objective in the state of North Dakota, as outlined in HB 1506 that you have before you.

Let me begin by pointing out that Otter Tail Power has been engaged in developing renewable electric energy for several years now. As most of you know, we are required by Minnesota's Renewable Energy Objective (REO) to make a good faith effort to produce at least 10% of the electricity we sell in the state of Minnesota from renewable sources by the year 2015. Both Governor Pawlenty and the leadership of the Minnesota legislature are presently supporting even higher renewable energy goals. Our company's most substantial renewable energy project undertaken to meet the requirements of the Minnesota REO so far is our 21 megawatt Edgeley/Kulm wind project in North Dakota. Our company likes doing business in North Dakota. As most of you know, we own a small wind tower manufacturing company in West Fargo called DMI. The wind business has been good for DMI as it continues to grow jobs in North Dakota. Another reason for wanting to do more renewable energy business in North Dakota: the wind resources in Otter Tail's North Dakota footprint are far better than those in Otter Tail's Minnesota footprint. The bottom line is that we would like to increase our presence in the state with more renewable energy projects.

Members of the committee, in my role as Manager of Legislative Affairs for Otter Tail Power Company, I divide my time and energy between legislative sessions in Bismarck, Pierre, and St. Paul, and I also do my best to work with the federal delegations of the three states we serve as well. By necessity, I spend most of my winter sitting in legislative committee hearings in St. Paul, keeping an eye on what's going on in Minnesota. Now, I would like to confide in the members of the committee concerning the goings-on in St. Paul from time to time. It's not unusual to be sitting in a committee hearing at the Minnesota Legislature and hear some reference to "those dirty coal plants in North Dakota". Or, to hear a reference to this effect: "Well the Dakotas have all those wind energy resources, and they don't even have renewable energy requirements or objectives.

I want to suggest to you that these widely-held assumptions are not good for the state of North Dakota -- especially not if we see ourselves as a continuing going-concern in the energy export business. Many of our markets for both lignite energy and renewable energy lie to the east, and we cannot succeed without new transmission lines into Minnesota.

In 2003/2004, Otter Tail Power Co. partnered with Xcel Energy to build a new 230 kV transmission line from Harvey, North Dakota to Glenboro, Manitoba. Nearly 160 miles

of new transmission corridor was required, and it was accomplished in what we considered to be record time. In fact, we marveled at the time that it was easier to site transmission from North Dakota into a foreign country, than it would be to site a similar transmission line from North Dakota into Minnesota. We need to be concerned about perceptions and misperceptions of our state and its energy industry in Minnesota. To a large degree, as a significant energy importer, Minnesota controls our ability to grow our energy industry.

Now, I would ask you to indulge me for a few minutes and allow me to act as your consultant on energy export matters. I was born in North Dakota, and I spent most of my life in this state. I also attended that fine institution of higher learning in Grand Forks three times, and I even graduated twice. And even though I currently live in Minnesota, I am and always will be, a North Dakotan at heart. So please think of me as your ambassador to Minnesota. Here are the issues we face regarding Minnesota: How do we grow North Dakota's energy export future? How do we smooth the path for doing more business with other states in general, and with Minnesota in particular?

Well, my first suggestion is that we would undertake environmental projects at our coal plants that demonstrate that we're committed to a cleaner energy environment. In this regard, I think the lignite coal industry should be congratulated for stepping forward this year with very bold steps to add environmental controls at Milton R. Young and Leland Olds generating stations. North Dakota and the Lignite Energy Council should be very proud of these environmental commitments, and I look forward to clearing up any misperceptions Minnesotans may have if they aren't aware of this. North Dakota's development of the Lignite Vision 21 Advanced Generation program is a further example of North Dakota's commitment to a cleaner, more reliable energy future.

But the other major component that I think could significantly enhance North Dakota's environmental image with our neighbors to the east, is a clear commitment by the state to renewable energy. Everyone knows we want to sell renewable energy, but are we committed to using it as well? It's my company's hope that a lot of the renewable electricity that we will generate to meet the Minnesota Renewable Energy Objective will be built right here in North Dakota -- similar to our Edgeley-Kulm wind project. There are people in Minnesota who would like to make this difficult. But, there is a statute in Minnesota that states that the Minnesota Public Utilities Commission may establish a renewable credit tracking and trading system with any other state that has a "similar" renewable energy standard or objective. Such a tracking and trading system already exists in the form of the Midwest Renewable Energy Tracking System (M-RETS). To its credit, our Public Service Commission has been very involved in its development. But, there is nothing about M-RETS that requires any other state to accept our renewable "credits". My company believes that passage of HB 1506 by the North Dakota Legislature is North Dakota's best opportunity for securing Minnesota's buy-in to the renewable credits that North Dakota would sell into M-RETS.

A second major reason Otter Tail Power seeks your support for HB 1506 is that we believe it is the best alternative to engaging in city by city initiated measures to establish renewable energy standards in the communities we serve. As you know, the cities of Grand Forks and Fargo, because they have home rule, engaged in a 20% by 2020 / 30% by 2030 debate last fall -- to much fanfare, and promotion or opposition on

both sides. Our company would like to avoid this kind of city by city debate, since we serve nearly 250 communities in North Dakota. We would prefer instead to debate the merits of a renewable energy objective here at the legislature where we can have a reasoned discussion of the facts. Those initiated measures failed by just 47% - 53% in Fargo, ^{GF} and 43% - 57% in Grand Forks. ^{GF} These are hardly "resounding" no's. We believe our customers want us to generate more of their electricity from renewable resources, and we believe we can do so most economically in North Dakota. Utility generation and transmission planning is a regional effort. Otter Tail serves customers in a three-state footprint. Is it any wonder we have concerns about initiated measures that would require significant capital investments to meet stringent regulations for individual communities at a potentially significant cost to the residents of each individual community? It's far more efficient to do this for all of our customers on a system-wide basis.

Mr. Chair and members of the committee, Otter Tail Power recommends a "Do Pass" on House Bill 1506. Thank you for your kind attention. This concludes my comments and I am prepared to stand for questions.

Roger Johnson
Agriculture Commissioner
www.agdepartment.com



Item # 6
Phone (701) 328-2231
Toll Free (800) 242-7535
Fax (701) 328-4567

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

**Testimony of Roger Johnson
Agriculture Commissioner
HB 1506
House Natural Resources Committee
Pioneer Room
10:30 am
January 25, 2007**

Chairman Porter and members of the House Natural Resources Committee, I am Agriculture Commissioner Roger Johnson. I'm here this morning to offer testimony in favor of HB 1506, which establishes a voluntary renewable and recycled energy objective in North Dakota, and to support the amendments offered by Representative Monson relating to Sections 1 and 7 of the bill.

Attached is a map provided by the Database of Incentives for State Renewables & Efficiency which details the objectives and standards in the various states (Attachment 1). If established, North Dakota would be the 27th state to adopt either a renewable energy objective or standard in this country.

Late last summer, the North Dakota Renewable Energy Partnership (NDREP), in cooperation with the Office of Renewable Energy & Energy Efficiency, commissioned the University of

North Dakota Bureau of Governmental Affairs to conduct a public opinion survey on renewable energy issues in the state. More than 600 people were surveyed and respondents overwhelmingly support renewable energy production and use in North Dakota. Eighty-one percent of North Dakotans surveyed said they would support a law requiring utilities to generate ten percent of their electricity from renewable sources. (Attachment 2)

HB 1506 is the culmination of months of work by many in the renewable energy and utility industries in the state to put a thoughtful and meaningful goal in place to measure our progress in incorporating renewable energy into retail sales of electricity.

The “20/20 Initiatives” in Fargo and Grand Forks during the last general election have brought much more attention to the issue of renewable electricity use. This legislation will also bring North Dakota more in line with renewable energy public policy in states where our electricity is sold.

Section 1 of the bill describes the parameters of the renewable energy and recycled energy objective. HB 1506 establishes a voluntary objective that 10 percent of all electricity sold at retail within North Dakota by 2015 be obtained from renewable energy and recycled resources. The objective will be measured by qualifying retail sales or by certificates representing credits purchased and retired to offset non-qualifying retail sales. The legislation applies to all electricity retailers in the state and does not penalize retailers that fail to meet the objective.

Section 2 amends the definition of renewable electricity and recycled energy to include hydropower as a renewable energy source.

Sections 3&4 makes new hydropower built after January 1, 2007, and additional hydropower from existing facilities resulting from repowering and efficiency improvements eligible for renewable energy and recycled energy credits.

Section 5 allows retailers to deduct generation from existing hydroelectric facilities from the base when calculating the percentage of renewable electricity sold in meeting the renewable energy objective.

Section 6 allows retailers to meet the objective by purchasing or retiring renewable energy and recycled energy certificates.

The language in Section 7 of HB 1506 was not contemplated as part of the ongoing discussions with utilities, renewable interests and others. Section 7 calls for retailers to make an "economic determination" regarding the cost-effectiveness of renewable sources of energy versus existing sources and use existing sources if they are cheaper. I urge you to support the amendments offered by Representative Monson relating to this section.

Section 8 calls for third-party verification of electric generation applied to the objective as well as certificate purchases and retirements.

Section 9 creates a reporting process for the renewable energy and recycled energy objective, requiring electric retailers to provide an annual report to the Public Service Commission on June 30th of each year beginning in 2009 and concluding in 2016.

Chairman Porter and committee members, urge you to recommend a "do pass" on HB 1506, with Representative Monson's amendments. This legislation is a solid step forward toward measuring our success relative to renewable energy in this state. Thank you for this opportunity to offer testimony. I would be happy to answer any questions you may have. I would like to thank you for your time on this matter and would be happy to answer any questions you may have.

Testimony on HB 1506

Rep. David Monson, Dist. 10

Mr. Chairman and members of the Senate Natural Resources Committee, I am here to tell you that the bill before you is a milestone piece of legislation. It represents an agreement of many parties from both the renewable energy advocates and the lignite industries. It is probably one of those cases where no one is totally happy but everyone can live with the result.

The meat of the bill is:

1. It establishes a voluntary goal of 10% of electricity in ND be generated from renewable sources by 2015.
2. It defines renewable energy in section 2 and includes hydroelectric as renewable.
3. It limits credit under this bill for hydroelectric generation to new or renovated hydroelectric facilities in section 3.
4. In section 4 it lays out further rules as to what qualifies for renewable energy certificates.
5. Section 5 tells how a retail provider may deduct from its baseline of total retail sales the hydroelectric power from existing facilities.
6. Section 6 allows for the purchase of recycled energy certificates to meet the voluntary goal of 10%.
7. Section 7 deals with the reporting requirements and the cost effectiveness of alternative energy in relation to other sources of electricity.
8. The tracking of the energy credits will be done by a third party as outlined in section 8.
9. The last section lays out the annual reporting process.

There are numerous people who know much more than I do about the total effect of this bill. Many plan to testify and can answer your questions, I'm sure.

In closing, I want to stress that this goal of 10% is strictly voluntary. It is a goal that I believe is very realistic but should not intimidate anyone. It also helps bring us more into alignment with our neighboring states on this issue.

Roger Johnson
Agriculture Commissioner
www.agdepartment.com



Attachment #2
Phone (701) 328-2231
Toll Free (800) 242-7535
Fax (701) 328-4567

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

**Testimony of Roger Johnson
Agriculture Commissioner
HB 1506
Senate Natural Resources Committee
Fort Lincoln Room
10:15 am
March 9, 2007**

Chairman Lyson and members of the Senate Natural Resources Committee, I am Agriculture Commissioner Roger Johnson. I'm here this morning to offer testimony in favor of HB 1506, which establishes a voluntary renewable and recycled energy objective in North Dakota.

Attached is a map provided by the Database of Incentives for State Renewables & Efficiency which details the objectives and standards in the various states (Attachment 1). If established, North Dakota would be the 27th state to adopt either a renewable energy objective or standard in this country.

Last summer, the North Dakota Renewable Energy Partnership (NDREP), in cooperation with the Office of Renewable Energy & Energy Efficiency, commissioned the University of North Dakota Bureau of Governmental Affairs to conduct a public opinion survey on renewable energy issues in the state. 600 people were surveyed and respondents overwhelmingly support

renewable energy production and use in North Dakota. Eighty-one percent of North Dakotans surveyed said they would support a law requiring utilities to generate ten percent of their electricity from renewable sources.

HB 1506 is the culmination of months of work by many in the renewable energy and utility industries in the state to put a thoughtful and meaningful goal in place to measure our progress in incorporating renewable energy into retail sales of electricity.

The “20/20 Initiatives” in Fargo and Grand Forks during the last general election have brought much more attention to the issue of renewable electricity use. This legislation will also bring North Dakota more in line with renewable energy public policy in states where our electricity is sold.

Section 1 of the bill describes the parameters of the renewable energy and recycled energy objective. HB 1506 establishes a voluntary objective that 10 percent of all electricity sold at retail within North Dakota by 2015 be obtained from renewable energy and recycled resources. The objective will be measured by qualifying retail sales or by certificates representing credits purchased and retired to offset non-qualifying retail sales. The legislation applies to all electricity retailers in the state and does not penalize retailers that fail to meet the objective.

Section 2 amends the definition of renewable electricity and recycled energy to include hydropower as a renewable energy source.

Sections 3&4 make new hydropower built after January 1, 2007, and additional hydropower from existing facilities resulting from repowering and efficiency improvements eligible for renewable energy and recycled energy credits.

Section 5 allows retailers to deduct generation from existing hydroelectric facilities from the base when calculating the percentage of renewable electricity sold in meeting the renewable energy objective.

Section 6 allows retailers to meet the objective by purchasing or retiring renewable energy and recycled energy certificates.

Section 7 calls for retailers to make an “economic determination” regarding the cost-effectiveness of renewable sources of energy versus existing sources and provide the option of using existing sources if they are cheaper.

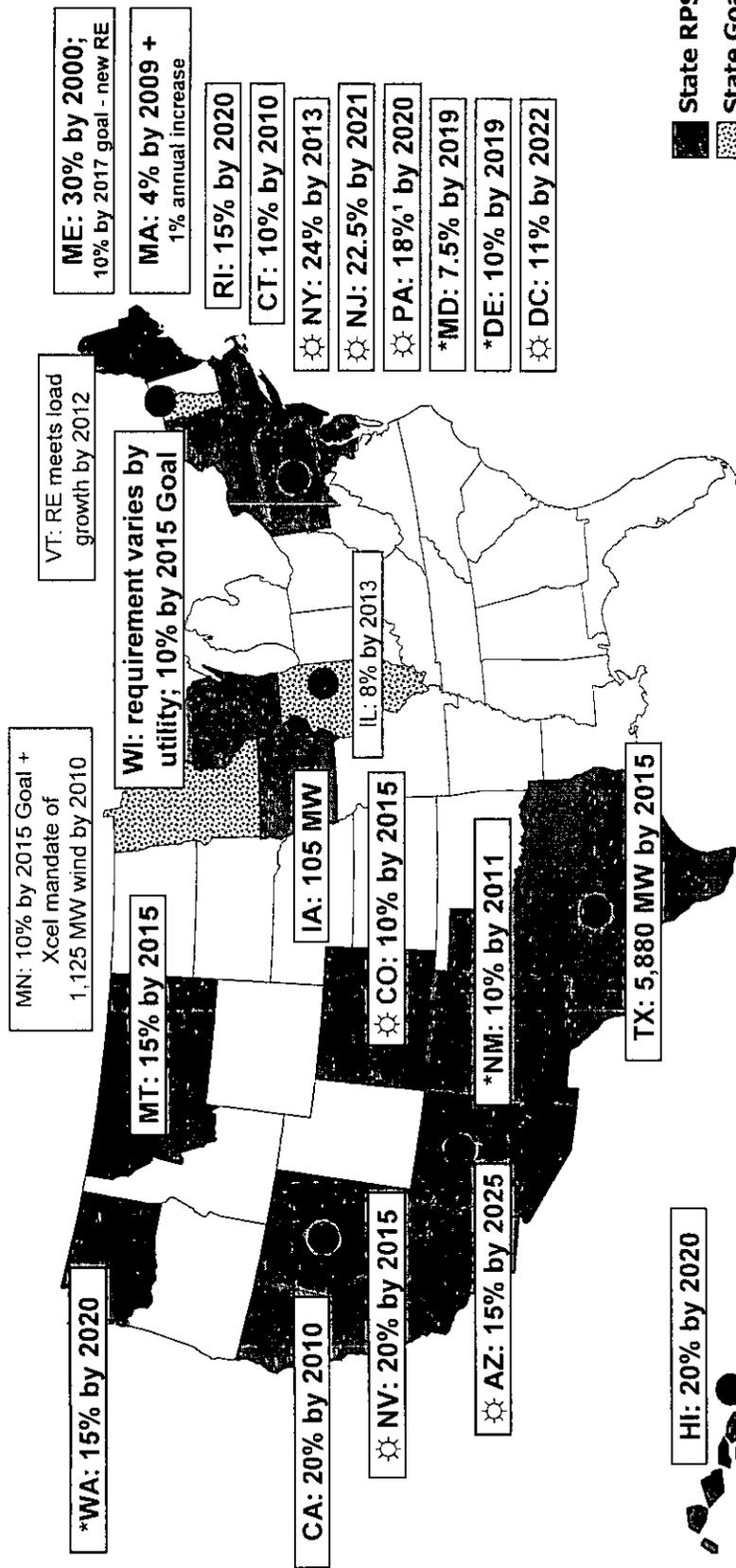
Section 8 calls for third-party verification of electric generation applied to the objective as well as certificate purchases and retirements.

Section 9 creates a reporting process for the renewable energy and recycled energy objective, requiring electric retailers to provide an annual report to the Public Service Commission on June 30th of each year beginning in 2009 and concluding in 2016.

Chairman Lyson and committee members, I urge you to recommend a "do pass" on HB 1506.

This legislation is a solid step forward toward measuring our success relative to renewable energy in this state. Thank you for this opportunity to offer testimony. I would be happy to answer any questions you may have.

Renewables Portfolio Standards



☀ Minimum solar or customer-sited requirement

* Increased credit for solar or customer-sited

'PA: 8% Tier I, 10% Tier II (includes non-renewable sources)

- ☐ State RPS
- ▨ State Goal
- ☀ Solar water heating eligible



Testimony in Support of HB 1506
Harlan Fuglesten,
Communications and Government Relations Director,
North Dakota Association of Rural Electric Cooperatives
Before the
Senate Natural Resources Committee
March 9, 2007

Mr. Chairman and members of the Committee, my name is Harlan Fuglesten with the North Dakota Association of Rural Electric Cooperatives. I rise in support of HB 1506. Our association represents 17 electric distribution cooperatives and five generation and transmission cooperatives operating in North Dakota. Together, these cooperatives sell about 45% of the retail electricity in the state, are responsible for nearly 90% of the state's coal-based electricity generation, and own or purchase the majority of the state's wind power.

The board of our association passed a motion in January endorsing the provisions of HB 1506. This action is another step taken by our members to recognize the growing importance of renewable energy, both as a source of transportation fuels and as a source of electric generation. Our association was a charter member of the North Dakota Renewable Energy Partnership, which was instrumental in bringing the utilities together with wind proponents, environmental policy advocates and others to fashion the framework for the voluntary goal established in this bill.

Our association and a number of our co-ops are also members of the 25x'25 Alliance, which has as a goal that 25% of our nation's energy should come from renewable sources by 2025. We believe HB 1506 is a reasonable step toward achieving that goal, and is

consistent with HB 1462 heard by your committee yesterday that establishes a state vision of 25% of all of our state's energy needs coming from renewable resources by 2025.

In our view, this bill is not about favoring one type of resource over another. North Dakota is blessed with an abundant supply of energy from fossil fuels, wind, and biomass. As a nation, we will need to use all of our domestic energy resources to achieve energy independence. And as a state, we will need to support responsible and economic approaches to encourage development of all our energy resources if we are to realize the full benefits of energy development.

HB 1506 is a responsible measure that promotes a goal but does not establish a mandate. We urge you to give it a DO PASS. Thank you.



LM Glasfiber

Senate Natural Resource Committee
State Capitol
600 East Boulevard
Bismarck, ND 58505-0360

**Testimony of Warren Ault
On HB 1506
Before the Senate Natural Resources Committee**

3/9/2007

To Mr. Chairman and Members of this Committee:

My name is Warren Ault, National Account Manager for LM Glasfiber, and I am writing to urge your support for H.B. 1506. LM Glasfiber is the leading global manufacturer of wind turbine blades with 9 factories in 7 countries. Our Grand Forks facility plays a key role in our global supply strategy as evidenced by our ongoing expansion activity, which is our fourth and most significant expansion to date.

LM Glasfiber (ND) Inc.
P.O. Box 5637
1580 South 48th Street
Grand Forks
ND 58206-5637

Tel +1 701 708 9910
Fax +1 701 708 9910

www.lmglasfiber.com
wau@lmglasfiber.com

LM Glasfiber's original Grand Forks plant opened in 1998, employing approximately 50 individuals. By the end of 2006, that number has grown to over 700 employees, making LM Glasfiber the largest manufacturer in Grand Forks. In the last six months alone, we have hired over 400 new employees providing them with living wage jobs and health benefits.

This important legislation will provide job stability for our work force and also sends a strong signal that demonstrates North Dakota's support for the wind industry. There are substantial additional local economic benefits to be considered such as royalties to North Dakota land owners and property tax relief for neighboring residents.

Wind energy is an abundant natural resource in North Dakota providing secure, emission-free energy that is also economically viable. Moreover, wind is complimentary to the various other types of energy generation that is basic to North Dakota. LM Glasfiber appreciates being part of a coalition of utilities and North Dakota businesses that are joining to voice their support for this timely legislation.

LM Glasfiber respectfully endorses passage of H.B. 1506.

Best regards
LM Glasfiber (ND) Inc.

Warren Ault
National Account Manager

**Testimony in support of HB1506
Scott Handy, President/CEO
Cass County Electric Cooperative, Inc.
Kindred, ND**

**Before the North Dakota Senate's Natural Resources Committee
March 9, 2007**

Mr. Chairman and members of the Senate Natural Resources Committee, My name is Scott Handy and I'm employed by Cass County Electric Cooperative in Kindred, North Dakota. Thank you for this opportunity to appear in support of HB1506.

Cass County Electric supports a state objective for the voluntary use of renewable electric generation. Through our power supplier Minnkota Power Cooperative, we have offered wind energy to our membership for the past five years, and anticipate Minnkota increasing the level of wind generation among its generation resources later this year.

You may be familiar with the 20/20 initiated measure on the ballots in Fargo and Grand Forks this past fall. Cass County Electric had a great deal of concern over the mandates in this measure and worked hard to educate our membership about the potential impact of the measure. Forty four percent of Fargo's voters favored the measure, hardly a rejection of renewable energy. We know from our own surveys and other surveys we've helped sponsor, that our members overwhelmingly support renewable energy, as long as it's accomplished in a thoughtful, reasonable manner. We fully understand that now the burden is on us to show good faith in setting new goals and steadily increasing the percent of electricity we deliver from renewable sources. It will not be business as usual going forward.

I'd like to illustrate a few ways in which Cass County Electric is already moving ahead with renewable energy to show that voluntary efforts can be effective. We have committed to converting our passenger vehicle fleet to flex-fuel over time, and

already have a dozen such vehicles in our fleet. Our heavy trucks use biodiesel whenever it's available. We're also experimenting with the use of crop oil in transformers as a replacement for mineral oil. As mentioned earlier, we fully support Minnkota's increase of wind energy in its generation resources.

HB1506 has been a true coalition effort. Utilities - both investor-owned and cooperative, environmental groups and agriculture groups have worked together through the North Dakota Renewable Energy Partnership over the past many months to bring this effort forward.

It is our belief that HB1506 is the right approach to move North Dakota forward with renewable electricity generation. Cass County Electric urges your DO PASS recommendation on HB1506.

**Minnkota Power Cooperative
In Support of North Dakota House Bill No. 1506
Senate Natural Resources Committee – Ft. Lincoln Room
March 9, 2007 – 10:15 a.m.**

Chairman Lyson, members of the committee, my name is Gerad Paul and I am employed by Minnkota Power Cooperative. Minnkota supports the passage of HB 1506 as the bill was amended and was passed by the House of Representatives earlier in the session.

Minnkota Power Cooperative is a generation and transmission cooperative (a "G&T"), which means that we generate and then deliver electricity to our member/owner distribution cooperatives that, in turn, deliver to their retail customers. In North Dakota, those distribution cooperatives are Cass County Electric, Nodak Electric and Cavalier Rural Electric. The electricity that Minnkota produce's from lignite coal is generated at the Milton R. Young Station in Center, North Dakota.

Minnkota supports HB 1506 for the following reasons:

1. Our customers (who own us) have expressed their interest in having renewable energy comprise a larger part of their power supplier's resources. In 2002, Minnkota was the first utility in North Dakota to invest in commercial-scale wind turbines. Today, Minnkota is currently evaluating means by which power from renewable resources can comprise a larger portion of the energy that is offered to our customers and we believe that there may be good renewable alternatives for our customers.
2. As you may already know through recent discussion in the press, within the next few days, we anticipate being able to announce specifics to demonstrate Minnkota's substantial and long-term commitment to wind energy. HB 1506, as amended, provides a reasonable, well-structured goal for North Dakota

and the bill could serve to further establish North Dakota's leadership in meeting the nation's growing demand for energy.

3. As a G&T, we are strong supporters of and participants in the lignite industry. Minnkota has long recognized the importance of lignite to assist our ability to provide the lowest cost electricity to our customers and we understand lignite's contribution to our economy in North Dakota. However, Minnkota does not regard this bill as threat to base load, lignite-fired power plants or to the lignite industry. We believe that a renewables sources such as wind and our abundant lignite coal will both hold a place in North Dakota long into the future.

4. Minnkota's North Dakota service area enjoys a very strong wind resource that stretches from the Langdon area in the north through Lisbon to the south. We believe that HB1506 could benefit some of the landowners and communities within our service area through lease payments for their land and also through the construction and ongoing maintenance of both the wind farms and the necessary transmission infrastructure.

For these reasons, Minnkota is joining its North Dakota member/owner distribution cooperatives in supporting this bill as amended and respectfully urges that this body recommend a "Do Pass".

Thank you for your consideration.

TESTIMONY OF LOREN LAUGTUG
Otter Tail Power Company
Before the Senate Natural Resources Committee
March 9, 2007

Mr. Chairman and members of the Committee, for the record my name is Loren Laugtug and I am before you today on behalf of Otter Tail Power Company.

On behalf of my company, I would like to submit the following comments regarding my company's support for an effort to establish a ten percent Renewable Energy Objective in the state of North Dakota, as outlined in HB 1506 that you have before you.

Let me begin by pointing out that Otter Tail Power has been engaged in developing renewable electric energy for several years now. As most of you know, we are required by Minnesota's Renewable Energy Objective (REO) to make a good faith effort to produce at least 10% of the electricity we sell in the state of Minnesota from renewable sources by the year 2015. Governor Pawlenty recently signed legislation passed by the Minnesota legislature requiring a 25% Renewable Energy Standard. Our company's most substantial renewable energy project undertaken to meet Minnesota's Renewable Energy requirements is our 21 megawatt Edgeley/Kulm wind project in North Dakota. Our company likes doing business in North Dakota. As most of you know, we own a small wind tower manufacturing company in West Fargo called DMI, and it employs nearly 400 people. The wind business has been good for DMI as it continues to grow jobs in North Dakota. Another reason for wanting to do more renewable energy business in North Dakota: the wind resources in Otter Tail's North Dakota footprint are far better than those in Otter Tail's Minnesota footprint. The bottom line is that we would like to increase our presence in the state with more renewable energy projects.

Members of the committee, in my role as Manager of Legislative Affairs for Otter Tail Power Company, I divide my time and energy between legislative sessions in Bismarck, Pierre, and St. Paul, and I also do my best to work with the federal delegations of the three states we serve as well. By necessity, I spend most of my winter sitting in legislative committee hearings in St. Paul, keeping an eye on what's going on in Minnesota. I would like to confide in the members of this committee concerning the goings-on in St. Paul from time to time. It's not unusual to be sitting in a committee hearing at the Minnesota Legislature and hear some reference to "those dirty coal plants in North Dakota". Or, to hear a reference to this effect: "Well the Dakotas have all those wind energy resources, and they don't even have renewable energy requirements or objectives.

I want to suggest to you that these widely-held assumptions are not good for the state of North Dakota -- especially not if we see ourselves as a continuing going-concern in the energy export business. Many of our markets for both lignite energy and renewable energy lie to the east, and we cannot succeed without new transmission lines into Minnesota.

In 2003/2004, Otter Tail Power Co. partnered with Xcel Energy to build a new 230 kV transmission line from Harvey, North Dakota to Glenboro, Manitoba. Nearly 160 miles of new transmission corridor was required, and it was accomplished in what we considered to be record time. In fact, we marveled at the time that it was easier to site transmission from North Dakota into a foreign country, than it would be to site a similar transmission line from North Dakota into Minnesota. We need to be concerned about perceptions and misperceptions of our state and its energy industry in Minnesota. To a large degree, as a significant energy importer, Minnesota controls our ability to grow our energy industry.

Now, I would ask you to indulge me for a few minutes, and allow me to act as your consultant on energy export matters. I was born in North Dakota, and I spent most of my life in this state. I also attended that fine institution of higher learning in Grand Forks three times, and I even graduated twice. And even though I currently live in Minnesota, I am and always will be, a North Dakotan at heart. So please think of me as your ambassador to Minnesota. Here are the issues we face regarding Minnesota: How do we grow North Dakota's energy export future? How do we smooth the path for doing more business with other states in general, and with Minnesota in particular?

Well, my first suggestion would be that we would undertake environmental projects at our coal plants that demonstrate that we're committed to a cleaner energy environment. In this regard, I think the lignite coal industry should be congratulated for stepping forward this year with very bold steps to add environmental controls at Milton R. Young and Leland Olds generating stations. North Dakota and the Lignite Energy Council should be very proud of these environmental commitments, and I look forward to clearing up any misperceptions Minnesotans may have if they aren't aware of this. North Dakota's development of the Lignite Vision 21 Advanced Generation program is a further example of North Dakota's commitment to a cleaner, more reliable energy future.

But the other major component that I think could significantly enhance North Dakota's environmental image with our neighbors to the east, is a clear commitment by the state to renewable energy. Everyone knows we want to sell renewable energy, but are we committed to using it as well? It's my company's hope that a lot of the renewable electricity that we will generate to meet the Minnesota Renewable Energy Objective will be built right here in North Dakota -- similar to our Edgeley-Kulm wind project. There are people in Minnesota who would like to make this difficult. But, a stronger commitment to renewable energy by our state, together with participation in a renewable credit tracking and trading system with other states, will place North Dakota on higher ground. Such a tracking and trading system already exists in the form of the Midwest Renewable Energy Tracking System (M-RETS). To its credit, our Public Service Commission has been very involved in its development. But, there is nothing about M-RETS that requires any other state to accept our renewable "credits". My company believes that passage of HB 1506 by the North Dakota Legislature is North Dakota's best opportunity for securing Minnesota's buy-in to the renewable credits that North Dakota would sell into M-RETS.

A second major reason Otter Tail Power seeks your support for HB 1506 is that we believe it is the best alternative to engaging in city by city initiated measures to establish renewable energy standards in the communities we serve. As you know, the

cities of Grand Forks and Fargo, because they have home rule, engaged in a 20% by 2020 / 30% by 2030 debate last fall -- to much fanfare, and promotion or opposition on both sides. Our company would like to avoid this kind of city-by-city debate, since we serve nearly 250 communities in North Dakota. We would prefer instead to debate the merits of a renewable energy objective here at the legislature where we can have a reasoned discussion of the facts. Those initiated measures failed by just 44% - 56% in Fargo, and 47% - 53% in Grand Forks. These are hardly resounding "no's". We believe our customers want us to generate more of their electricity from renewable resources, and we believe we can do so most economically in North Dakota. Utility generation and transmission planning is a regional effort. Otter Tail serves customers in a three-state footprint. Is it any wonder we have concerns about initiated measures that would require significant capital investments to meet stringent regulations for individual communities at a potential significant cost to the residents of each individual community? It's far more efficient to do this for all of our customers on a state-wide basis.

Mr. Chair and members of the committee, Otter Tail Power recommends a "Do Pass" on House Bill 1506. Thank you for your consideration of my comments.