

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1515

2007 HOUSE NATURAL RESOURCES

HB 1515

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1515

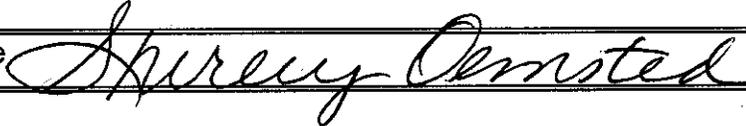
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: January 25, 2007

Recorder Job Number: 1980

Committee Clerk Signature



Minutes:

Chairman Porter opened up the hearing on HB 1515.

Representative David Monson, District 10, came forward as a sponsor for HB 1515. See written testimony marked as Item #1.

Chairman Porter said the Commissioner from game and fish was before them and said there is two million dollars in new money in his budget for the PLOTS program and this kind of demonstration project would fit right into their existing working lands program within the PLOTS program.

Representative Monson said that was excellent news.

Representative Damschen said in the second paragraph of his testimony he said it refers to allowing farmers to apply to game and fish for help in establishing perennial grass stands, probably switch grass, although you are not limited to that species. Would that leave it open to hemp?

Representative Monson down the road it could be a very good source of biomass although this particular bill is dealing with perennial grasses and industrial hemp is an annual crop, but it does grow 10-12 feet tall and does produce a tremendous amount of biomass.

Commissioner Roger Johnson came forward in support of HB 1515. See written testimony marked as Item #2. See written testimony marked as Item #2.

Representative Hofstad asked if there were any conversations on a national level about combining CRP with this project.

Commission Johnson said there is a lot of conversation about it. As of about 2 years ago there was almost no conversation about it, at least in agriculture circles. This is an issue that I have pushed for a number of years and as of last year almost to the day when the President mentioned ethanol or switch grass in his speech, almost everyone has discovered this. There is a lot of interest in this. One of the policy recommendations that I introduced to the National Agriculture Commissioners in our organization was a proposal to create a CRP like program on the federal level to do this very thing. You would allow folks to get started by CRP program and get paid for it and as the economics became viable as you were actually able to harvest and sell that biomass if you will and get paid for it and then your payments would get reduced on the CRP. People are concerned about how we are going to get to 35 billion gallons of ethanol. Senator Conrad's bill has 60 billion gallons by 2030. This is enormous. Not to say that we are not going to raise a bunch of more corn because we are.

Representative Solberg said more and more you see the perennial energy crops mentioned. What research has been done to see how perennial crops would grow in the semi-arid climate in the western parts of the state?

Commissioner Johnson said there has been a fair amount of research done. In almost all of the NDSU research centers they have some plots dealing with switch grass. The Mandan Center has done research on this too. A lot of work has been done but there is a lot more to be done. We cannot produce all of the ethanol with corn. A lot of the land in your area is not suitable for growing corn, but it is suitable for growing biomass.

Representative Charging asked him to tell her a little bit about the time of the harvest of switch grass.

Commissioner Johnson said usually late in the fall. Unlike the concerns you have with CRP for grass when you want to get in there when it is green and full of nutrition, but with cellulosic materials for biomass harvesting, you want to take this off when it is dried down. It would be much later in the season.

Representative Charging asked what would be considered a residual feed stock.

Commissioner Johnson said that would be any plant material that is left over after the harvesting.

Brad Crabtree representing the Great Plains Institute came forward in support of HB 1515.

Please see written testimony marked as Item #3.

Representative Hofstad asked if they had addressed the technology or equipment that we will need to harvest this crop. Who is going to develop that?

Mr. Crabtree said there is experience with this but it is not extensive. The thing that is a bit of a challenge is not so much the equipment but the fact that farmers are not used to cooperating together in this way to deliver a feedstock to a plant. Sometimes harvest will occur when other harvest seasons are in progress.

Representative Charging asked who the LLC is and has it been defined.

Mr. Crabtree said this is just an example of an ownership structure. They thought it was best to target the agriculture community. The ethanol plant can take a group of their technical people and work with the farmers to form a coop or an LLC and provide the technical assistance they need to do an application. At this point it is not wired for any particular group of farmers or company. It is intended to be competitive and open.

Mr. Donald M. Senechal came forward in support of HB 1515. See written testimony marked as Item #4.

Mr. Mike McEnroe from the Wildlife Society came forward in support of HB 1515. See written testimony marked as Item #5.

Randy Krile of the ND Game and Fish came to the podium. He said there were taking a neutral stand on the bill. There are a number of things that came up this afternoon so he would like to help clarify. Things like switch grass will be part of the landscape and will improve the wildlife habitat. They are interested in it as far as the PLOTS program is concerned. There are a lot of considerations that need to be taken into account. They would like to know where it would be located. If were to be located in Nelson County, that may not be the place where people want to hunt. They certainly do not need any more whitetail deer in Nelson County. If you put that in pheasant range and you left half of the field standing every other year, then your benefits as far as wildlife production and hunter opportunities may go up. If this goes forward, enrolling these tracts in our working lands programs which pays between one and four dollars per acre per year depending upon the habitat that is there. The establishment costs of these tracks are another thing. They are eighty five dollars per acre and that would be something the PLOTS program would be a good vehicle to support the establishment of the switch grass plots at eighty five dollars per acre. To try to replace the annual economic loss that the producers would sustain for the two year period of establishment, that is listed about fifty dollars per acre. Once again, the wildlife value and hunting opportunity value for those dollars would not be anywhere like we could get somewhere else. Our director did say we have an additional two million in the department for the PLOTS program. That is primarily to take the opportunity to try to work with private landowners who recently went through their CRP or extension or reenrollments. They

currently have a backlog of 135 farmers who are waiting to hear from game and fish about their opportunity to participate in the PLOTS program. As we go through this process, we are deciding how we could best fit to the PLOTS program with this program. We need to balance that with some of the other priorities that we currently have.

Chairman Porter asked for opposition to this bill. Seeing none, the hearing was closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1515

House Natural Resources Committee

Check here for Conference Committee

Hearing Date: January 25, 2007

Recorder Job Number: 1990

Committee Clerk Signature

Shirley Demsted

Minutes:

Chairman Porter opened the discussion on HB 1515.

Representative Charging said it appears that there was a mixed message from the wildlife people regarding the dovetailing the PLOTS directly to this bill.

Chairman Porter said having worked on this particular piece of legislation and looking at line 9 it is very permissive language as to whether the department will in fact use their PLOTS money to go in partnership with this type of program. Currently within the PLOTS program there are a number of programs, one of which is the working lands programs where existing farmers are already harvesting crops and getting payments from one to four dollars per acre and it fits right into it. It is permissive and allows the biologist to go out and look at what they are getting into and make sure that it fits into their programs and the goals of their program at the same time as the goals of the biomass program. I see it as a perfect fit.

Representative Charging referred to the incentives and was wondering who the producers would be.

Chairman Porter said it was a competitive application process. It could be a group of cooperating agriculture producers or other ownership structures, so it could be anything. I could be a sole proprietor.

Representative Keiser said he thought we have a responsibility to look at the fiscal note on this bill. As you read the paragraph under Part B. It says this is a nice bill but can't be done. If we are going to do it, it is going to require an appropriation. I think it is a good concept.

Chairman Porter said as Representative Monson was going through the bill, the appropriation was purposely taken out of this bill to take the policy forward and then work through twenty million dollars that already existing in the Centers for Excellence money. The research part of this is going to be done at a facility like NDSU or UND and it fits right in with the Centers of Excellence. That is why the appropriation was taken out.

Representative Hanson said that was what he was going to say. It was going to be in another bill.

Representative Meyer made a motion for a do pass.

Representative DeKrey seconded the motion.

Chairman Porter asked for discussion.

Representative Keiser said again that he liked the bill, but he did not like the money coming out of the Centers for Excellence.

Chairman Porter said there was mention of several other places, but Centers of Excellence is one for the research component that is already in place.

Representative DeKrey said that he thought he was seconding a motion for referral to appropriations.

Representative Keiser said there is no money in it. That is the point.

Chairman Porter said as Representative Monson stated in his testimony they are working on a number of budgets that this would be plugged into. They are working on the Industrial

Commission Budget, the Commerce Department Budget, and the Higher Education Budget, which includes NDSU along with research. It is in their eyes.

There was no further discussion.

Chairman Porter asked the clerk to call the roll on a **do pass** on HB1515. Let the record show 13 yes, 0 no, with 1 absent. The motion prevails. **Representative Keiser** will carry the bill to the floor.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1515

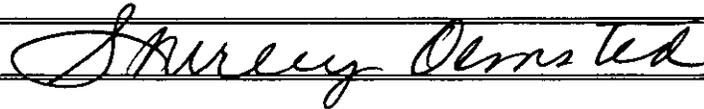
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: January 26, 2007

Recorder Job Number: 2014

Committee Clerk Signature



Minutes:

Chairman Porter opened the discussion of HB 1515.

Chairman Keiser said he does not feel comfortable sending a bill out of committee without identifying the funding source.

Representative Monson said that they were absolutely correct and we needed to discuss this. I think we probably still need more discussion on this and I would hope that as long as you haven't sent this to the floor, I would like to have more discussion on exactly where to put it. One of thoughts that he was having as he was sitting in the audience, we have money at this time that they have not been able to use for other things in previous years and a lot of that we can consider one time spending. Maybe one of the cleanest things to do is just bite the bullet and consider this one time spending and take it out of the general fund. That is another option that we have discussed and I guess I am really not ready today to tell you that yes this is the exact place we are going to put it. I believe that Chairman Porter, Representative Berg, Representative Keiser and myself, along with some others have taken it upon ourselves this session to develop a long term energy goal and of course it is not a final road map or final energy policy because all of these things change constantly and they will be changed in future

biennium's in its dynamics. I believe that some of these energy issues could fall under the one time funding and that might be the best way to do that.

Chairman Porter said that in his testimony he mentioned numerous places that this could be funded. Would you be opposed for us reconsidering our action and adding a section 3 that just puts the 2.5 million dollar general fund appropriation into the bill and kick it over to appropriations so that it gets into your hands and you can further explore where it fits in the general scheme of things?

Representative Monson said that might be a very good idea because, as you know time is short. We can't be sitting with bills that have potential appropriations in the policy committee if we are going to get them acted on and out. As long as there is no appropriation in here of course, it would never go to appropriations which make it a bit of a problem. It means the policy program is going through one channel and the appropriation is going through another channel which happens a lot more than you would probably want to know. It might be a very good plan to bring it back, discuss how you think it should be funded and put the amendment on with the appropriation in it and send it to appropriations. We will have a little bit more time for those of us that are working on many of these energy projects and to get a little better plan on how to fund it.

Representative Keiser made a motion for the committee to reconsider HB 1515.

Representative Hanson seconded the motion.

Chairman Porter asked for discussion. Seeing none, a voice vote was taken to reconsider the actions taken for a do pass on HB 1515 and return it to the committee. The motion prevailed.

Representative Keiser made a motion that Section 3 be created adding an appropriation of 2.5 million dollars from the general fund to fund this program.

Representative Hofstad seconded the motion.

Chairman Porter asked for discussion. Seeing none, a voice vote was taken. The motion prevailed.

Representative Keiser made a motion for a **do pass as amended** on HB 1515 with a **referral to appropriations**.

Representative Nottestad seconded the motion.

Chairman Porter asked for discussion. Seeing none, the clerk called the roll. Let the record show 11 yes, 0 no, with 3 absent. The motion prevailed. **Representative Keiser** will carry the bill.

FISCAL NOTE
Requested by Legislative Council
04/24/2007

Amendment to: Engrossed
 HB 1515

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures				\$2,000,000		
Appropriations				\$2,000,000		

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Permits the establishment of a private land open to sportsmen biomass demonstration project and permits the Industrial Commission to establish a biomass incentive and research program.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Engrossed HB 1515 Section 5 with conference committee amendments permits the Industrial Commission to transfer up to \$1,000,000 from the Beginning Farmer Revolving Loan Fund and up to \$1,000,000 from the Biofuels PACE Fund to the Biomass Incentive and Research Fund. Section 6 permits the Industrial Commission to provide up to \$30,000 from the Biomass Incentive Research Fund to support organic agriculture initiatives and programs.

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

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

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

The Industrial Commission is directed to develop the programs outlined in the legislation and allows funds to be transferred from the Beginning Farmer Revolving Loan Fund and the Biofuels PACE Fund.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Engrossed HB 1515 with conference committee amendments permits the transfer of special funds to the Biomass Incentive and Research special fund in the amount of up to \$2,000,000.

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	04/24/2007

FISCAL NOTE

Requested by Legislative Council

03/27/2007

Amendment to: Engrossed
 HB 1515

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Permits the establishment of a private land open to sportsmen biomass demonstration project and permits the Industrial Commission to establish a biomass incentive and research program.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Engrossed HB 1515 with Senate amendments removes all funding for this program.

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

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

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

The Industrial Commission is directed to develop the programs outlined in the legislation. As amended no funding or spending authority remains in the bill.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Engrossed HB 1515 with Senate amendments provides no funding for this program.

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	03/27/2007

FISCAL NOTE

Requested by Legislative Council

01/31/2007

Amendment to: HB 1515

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$2,500,000			
Appropriations			\$2,500,000			

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Permits the establishment of a private land open to sportsmen biomass demonstration project and permits the Industrial Commission to establish a biomass incentive and research program.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Engrossed HB 1515 authorizes the transfer of \$2,500,000 from the General Fund to the Industrial Commission for the establishment of a private land open to sportsmen biomass demonstration project and the establishment of a biomass incentive and research program.

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

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

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

The Industrial Commission is directed to develop the programs outlined in the legislation. HB 1515 provides a general fund appropriation of \$2,500,000. Limited information is available as to how these programs would be structured. At this point unable to determine if additional staffing would be needed.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

HB 1515 appropriates \$2,500,000 to the Industrial Commission from the General Fund. This appropriation was not included in the executive budget.

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	01/31/2007

FISCAL NOTE

Requested by Legislative Council

01/17/2007

Bill/Resolution No.: HB 1515

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Permits the establishment of a private land open to sportsmen biomass demonstration project and permits the Industrial Commission to establish a biomass incentive and research program.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This is permissive language and does not provide any funding for either aspect of this legislation. Without an appropriation being provided, the Industrial Commission could not establish or participate in either of these programs. Estimates for establishing these programs and providing incentives have ranged from two to five million dollars.

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

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

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

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	01/24/2007

Date: 1-25-07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1515

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Meyer 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 Keiser

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

motion prevails

Date: 1-26
 Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1515

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Returned to comm

Motion Made By Keiser Seconded By Hanson

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

Vote noted
Vote approved

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

Date: 1-26
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1515

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken add sec 3 - 2.5 million

Motion Made By Reiser Seconded By Hofstad

Representatives	Yes	No	Representatives	Yes	No
Chairman - Rep. Porter			Rep. Hanson		
Vice-Chairman - Rep Damschen			Rep. Hunsakor		
Rep. Charging			Rep. Kelsh		
Rep. Clark			Rep. Meyer		
Rep. DeKrey			Rep. Solberg		
Rep. Drovdal					
Rep. Hofstad					
Rep. Keiser					
Rep. Nottestad					
<i>Roll call vote changed</i>					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

Date: 1-26
Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1515

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as amended

Motion Made By Keiser Seconded By No Hestad

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

Total Yes 11 No 0

Absent 3

Floor Assignment Keiser

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

*Per Reporter 1-29-07
This was referred to Approp.
As amended*

REPORT OF STANDING COMMITTEE

HB 1515: Natural Resources Committee (Rep. Porter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). HB 1515 was placed on the Sixth order on the calendar.

Page 1, line 4, after "program" insert "; and to provide an appropriation"

Page 2, after line 21, insert:

"SECTION 3. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$2,500,000, or so much of the sum as may be necessary, to the industrial commission for the purpose of establishing a private land open to sportsmen biomass demonstration project and a biomass incentive and research project, for the biennium beginning July 1, 2007, and ending June 30, 2009."

Renumber accordingly

2007 HOUSE APPROPRIATIONS

HB 1515

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1515

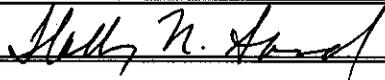
House Appropriations Committee

Check here for Conference Committee

Hearing Date: 2/6/07

Recorder Job Number: 2861

Committee Clerk Signature



Minutes:

Chairman Svedjan: Open the hearing for HB 1515 and we have a FN that is dated on 1/31 and an amendment. Is that the amendment that led to the engrossed bill?

Rep Porter: Yes it was.

Rep Porter: I believe the engrossed bill does is adding section 3 which is a 2.5 million dollar appropriation. What this bill is is a bio mass demonstration project and bio mass incentive and research program. The testimony we took in House Natural Resources was directly related to most recent Presidents State of the Union Address in talking about renewable energy and renewable program. The 20/15 goal is 35 billion gallons of ethanol being produced a year. Currently we are at 5 or 6 billion gallons of ethanol. Under the current technology, from the information that we received, there is no way to do this with turning a grain into ethanol product. The new technology to switch grasses and wheat straw and corn straw/stover is to turn into ethanol.

The switch grass, which grows up to 6/7 feet tall, is best harvested every other year. Inside of this program there is a definite value to Game and Fish and back to nesting habitat and other habitat in the state of ND.

So inside the first section of the program it allows Game and Fish, if they choose to, incorporate that into current slots program. They have numerous programs that work with

working lands where it is actually farmed land. It is farmed in such a manner that it promotes habitat and open to public hunting. This particular ground could be considered the same inside the program.

Section 2 then goes into the actual then goes into the bio mass incentive and research program in order to get the work towards the establishment of bio mass facility inside the state of ND. When we were discussing this particular measure with the bill sponsor, we were talking about some place between 2.5 and 5 million dollars in order to fund this program. During our committee work and the testimony that was provided it was determined that 2.5 million dollars would cover this particular program. We put it down as a General Fund appropriation knowing good and well it was coming here to your committee and that it also fits criteria for other programs that are here for the Department of Commerce, Through Center of Excellence and other places. We wanted very much to keep the idea alive and going and knowing it would be worked into the rest of the process as we move forward.

Chairman Svedjan: Working this into the Plots Program that involves landowners who are currently cropping their land in such a way to provide habitat? What you are suggesting is that the switch grass could be incorporated into that process.

Rep Porter: Yes

Chairman Svedjan: So of the 2.5 million dollars that is appropriated here part of it is for research but not all?

Rep Porter: All of that is for research.

Chairman Svedjan: There is no indication as to who would do the research.

Rep Porter: Section 1 from the habitat stand point the Game and Fish has in place a field biologist that would look at it from their stand point to see if they wanted to participate. They do have the biologist.

Second portions we are looking at the Industrial Commission as being the key component to this particular project.

Chairman Svedjan: But the Industrial Commission wouldn't conduct the research, they would arrange or select the researcher?

Rep Porter: We were discussing on this particular one is it would be like an RFP type of demonstration project that would report back to us. They would be the writer of the RFP and then the information would come to us.

Rep Aarsvold: It is my understanding the CRP is frequently one of the applications for the Plots program. Does the CRP approve switch grass for CRP acres?

Rep Porter: I don't know.

Rep Monson: I understand that that is one of the grasses that CRP does approve along with others. So this is not relevant to just switch grass, it could be prevalent to any perennial grasses that CRP that would approve.

Chairman Svedjan: In event that that would happen would CRP allow harvesting of the Switch grass for this purpose.

Rep Porter: It would be unlikely with the recent changes in the program the only allowable uses on the new contracts coming forward is a disaster type situation. The actual management part of the program where you could do a 1/3 every year or blocks every 3 year has been taken out of the new program as it moves forward.

Rep Skarphol: Do we need to have in place an end user that going to use what ever is produce before any of this money is appropriate? Do we need a plant that will make ethanol?

Rep Monson: There are manufacturers and much of the research is done already. The problem is that if you are going to go forward with this, you need a market. So this goes forward in conjunction with processors stepping up to the plate. This would be where possibly

the component with the Center of Excellence may come into play. Where people would be willing to put up their money would be private enterprise sticking their money into this as well. These incentive grants would be administered by the Industrial Commission to help get these stands of grasses established and get at least 5000 acres perennial grasses that there would be a market or production enough for a processor to have steady supply.

Rep Skarphol: There needs to be a processor in place asking for this product not necessarily ready to use it but commitment as far as a processor before the Industrial Commission can expend any of this money or sign any contracts with a grower to produce this grass.

Rep Monson: That is how I understand it.

Rep Carlisle: How did you come up with 2.5 million dollars and why not use the Game and Fish or the Extension Service some of their dollars?

Rep Porter: During the discussion as to see what it would take to get the project started and the land being idle and out production for the 2 years it would take the grass to grow, there would have to be payment to the landowner of the 5000 acres in order to tell them that you are not going to get an income off of this land for 2 years, until it starts producing or the product can be mowed for the first time. As far as Game and Fish money, it really doesn't qualify for any kind of Game and Fish type of grant because that money is tied back to the Pittman Roberts Federal Money and that would cause us to be in a huge back penalty situation. The portion that would work though is you could add an incentive for a dollar or two dollars or three dollars an acre to that landowner to be in the working lands program and to help off set some of the cost of moving to another crop.

Rep Wald: Does switch grass grow in every part of the state or only in where there is more rain fall? Will grow our west?

Rep Porter: The information we got in the committee was that it does take a little more work and it is a little more temperamental crop in those more arid regions of the state but it was felt that over all it would grow without the state. It may have spotty patches.

Rep Wald: On line 21 what is a nanowhiskers project?

Rep Monson: It is using some technology being developed in NDSU. They have a project going where they take wheat straw and they take out these small fibers and they are using those nanowhiskers for substitute for fiberglass. The amount of cellulose that is left after they take the nanowhiskers can then be used in the same process to make ethanol.

Rep Hawken: The 2.5 million dollars would go to producers it would not for ethanol people that Rep Skarphol was referencing. It would just be to the farmer who was using the land, is that correct?

Chairman Svedjan: I understood you to say it was all for research.

Rep Porter: On page 2 it talks about where the funds would go.

Chairman Svedjan: Item number 5 has the producer payments in it.

Rep Monson: Item number 4 would cover your group of people that are wanting make this co op user or producer as well.

Rep Nelson: The industry is in an emerging stage in this country. There are some questions from the people that would build the plants that delivery could be made in a timely fashion.

This is where the research arm of this is including mass of acres that could deliver to a plant.

Chairman Svedjan: What we have in issue here is an appropriation for 2.5 million. Rep

Monson, Center of Excellence has been referenced a couple of times. Obviously there has been a choice not to pursue that course of funding and it probably has to do more with how

these funds are applied. It is clear that not all of is for research.

Rep Monson: That is correct. We started off with the Game and Fish having some General Fund money in this bill and then when we talked with Rep Berg and others when we were working on some other energy bills, we were talking about using the Centers of Excellence money or various pace money or funding sources.

Now we are now at a level where we need an industry start and in order to have an industry we have to have producers. We have to have incentives for the farmers to plant this because there is not going to be any income off of this until the stand gets established. Some of this money is would be for the incentive.

Rep Kerzman: I do not have any problem with giving the money for the industries to get them up and running but I do have a problem with Game and Fish involvement and not contributing anything to it. Are we going to pay the corn grower for growing for the fuel for ethanol plants?

This does not make sense to me.

Rep Skarphol: A few years ago I had the opportunity to talk to some people in Washington and Oregon and I was amazed at the Tree Farms that were having developed out there. After having visited out there one of the projects managers at the commerce department approached me if it would be possible to put together 50,000 acres in one chunk and western ND that had access to reservoir water where they could irrigate.

I can appreciate the project for switch grass but I have a little exposure switch grass, I planted some in CRP at one time and Western ND and I didn't find it to be very prolific. In Eastern ND where they get large amounts of rain it probably could be but I still think that there are a lot alternative crops out there. I thin the private sector when it comes will come up with a way to get the bio mass they need for this particular kind of project. I am not sure I can support this.

Rep Klein: How large are these Plot Programs?

Rep Kroeber: Plots Programs are all across the state. Plots program is where land owners are paid a certain amount of dollars for making the land available for hunting. This is not really isn't really a Game and Fish program. This is a program of bio mass where you are trying to get an area set up to where they could get an area switch grass growing.

Rep Hawken: In the extension budget we do have a research person that we did not take out for bio energy research. Perhaps we could look at how that would fit together with an actual with an extension.

Chairman Svedjan: I think that is a reasonable recommendation but I think the money in here is for incentives that been described.

Rep Porter: The research is already known, the money is for demonstration type project. In order to get the 5000 acres of switch grass in one area where you can harvest it and have a plant. So you would have to take 5000 acres out of production for 2 or 3 years in order to grow the bio mass in the first place and the plant would have to be either build or converted in order to be handling the bio mass to produce the ethanol. The technology in order to do it is already present and known what this does is move it to the next level where you have the commitment from the state to the producers to produce the bio mass to then make the product.

Rep Wald motioned for a Do Not Pass. Rep Klein seconded the motion.

Rep Nelson: I understand that it is difficult to make a motion for a do not pass on a new project that is taking 2.5 million dollars from the General Fund. If you look long term at this industry, this is where efficiencies in ethanol production are in the future. There is a lot of debate in using corn as a feedstock for ethanol and how it is riding prices for corn up for livestock people. This is the most efficient feedstock that can be used for ethanol production.

The state of ND certainly has a lot on the line if this works. This project with out the state participating or partnering with private industry they are not going to be coming here. We are going to be finding ourselves behind curve again in another form of bio fuel production. Maybe is what we want but if it isn't what we want we need to resist this motion of "Do not pass".

Rep Monson: I do hope we would resist the Do Not Pass also. The bottom line is that making ethanol out of starch is not as efficient as making it out of cellulose. Cellulose has very long carbon and complex carbon molecules, when broken down and combined with hydrogen you can make it into ethanol way more efficiently and much more quantity than you can out of corn or other grains. This is the new type of ethanol plant and it is a way to get an incentive to get an ethanol plant built.

Rep Kerzman: If you take section 1 out of there I will support it. But I will not support the

Game and Fish participation

Rep Monson: The Game and Fish is in favor of this. They will put their money into this but it is not written into the bill as them having to use it. They have their own budget with Plots money in there and they testified in favor of this bill because there are some places where Plots of this kind of grass will be something that they would want to put their money into. But there are many places they do not want to money into it. They do have money in their Plot Line Item and they would use their money for this. The 2.5 million that is in here is General Fund and that the seed money, if you will to get this project going, to get the farmers the incentive to plan it and get the Plant going.

Chairman Skarphol: I am highly supportive of the cellulose ethanol idea and I would be happy to vote with anyone that is willing to take money out of the corn base incentive program we have and put it into cellulose ethanol. But we have numerous types of proposals in front of us for 2. Or 5 million dollars, we can't pass them individually, we have to come forward with some

type of over all plan and I would hope that is in the energy bill that is going to see a little bit later.

Rep Gulleson: This bill is very important. It is not unlike other oil industry where we look at some additional incentives to encourage more production and looking at where that production can come from. We have tremendous potential in ND but we have to answer some questions about the capability of getting a deliverable product. The companies that are building the first big bio mass plants in Iowa and Idaho are very interested in this state and want to see what the potential is.

The motion for a Do Not Pass failed by a roll call vote of 11 yeas, 12 nays and 1 absent and not voting.

Rep Nelson motioned for a Do Pass. Rep. Monson seconded the motion. The motion carried by a roll call vote of 13 yeas, 10 nays and 1 absent and not voting. Rep. Keiser was designated to carry the bill.

Rep Carlson: I voted against that and if got have it we have to have it, but I find it very troubling as we sit here and talk about these plants and we have a bunch of corn ethanol plants that are ready to come on line being are being built. People are already telling me that they are already telling me that they are not the right plant and that we have to dump this and go into cellulose, because we aren't going to have enough corn and the price is to high and we do not have enough acres, we will be shipping it in, to expensive and we can't feed our cattle and now we are taking another avenue. Can one of these plants be converted to cellulose or

not? I don't think the answer is yes. Where are we headed with our energy policy and I am not sure we have one. Are we going to chase our tail on another issue?

Rep Carlisle: Did the Governor have any indication or any funding message to the extension service any place?

Rep Wald: I didn't make the motion because I am against research and this type of technology. I do think we should let the private sector come forward with this type of research rather than State General Fund dollars.

Rep Monson: If you think 2.5 million dollars is going to produce a plant without private industry stepping up to this you are sadly mistaken. This is just the incentive to get over the hump to get the producers to having enough bio mass so an industry will come in with their bucks to build one. We do have as Rep Gulleson said industries out there that are looking at doing this kind of stuff. If we can come up with some kind of incentive so that we can show these plants that there will be some raw material to process we have a good shot at getting them to come in with many, many millions to build this plant.

Chm. Svedjan adjourned the meeting.

Date: 2/5/07
 Roll Call Vote #: ①

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1975

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass as expressed

Motion Made By Wald Seconded By Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempenich					
Representative Wald	✓		Representative Aarsvold		✓
Representative Monson		✓	Representative Gulleson		✓
Representative Hawken		✓			
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson	✓		Representative Glassheim		✓
Representative Carlisle	✓		Representative Kroeber		✓
Representative Skarphol	✓		Representative Williams		✓
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom		✓
Representative Bellew	✓		Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf		✓
Representative Nelson		✓			
Representative Wieland		✓			

Total (Yes) 11 No 12

Absent 1

Floor Assignment _____

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

Motion fails

Date: 2/5/07
 Roll Call Vote #: (2)

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1575

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken No Pass as discussed.

Motion Made By Nelson Seconded By Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Representative Wald		✓	Representative Aarsvold	✓	
Representative Monson	✓		Representative Guleson	✓	
Representative Hawken	✓				
Representative Klein		✓			
Representative Martinson	✓				
Representative Carlson		✓	Representative Glassheim	✓	
Representative Carlisle		✓	Representative Kroeber	✓	
Representative Skarphol		✓	Representative Williams	✓	
Representative Thoreson		✓			
Representative Pollert		✓	Representative Ekstrom	✓	
Representative Bellew		✓	Representative Kerzman		✓
Representative Kreidt		✓	Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 13 No 10

Absent 1

Floor Assignment Rep. Keiser

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

motion carries

REPORT OF STANDING COMMITTEE (410)
February 8, 2007 9:32 a.m.

Module No: HR-24-2490
Carrier: Kelsner
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1515, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)
recommends DO PASS (13 YEAS, 10 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed HB 1515 was placed on the Eleventh order on the calendar.

2007 SENATE NATURAL RESOURCES

HB 1515

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB1515

Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 8, 2007

Recorder Job Number # 4689

Committee Clerk Signature



Minutes:

Senator Stanley Lyson, Chairman of the Senate Natural Resources Committee opened the hearing on HB 1515 relating to establishment of a private land open to sportsmen biomass demonstration project and the duty of the industrial commission to establish a biomass incentive and research program.

All members of the committee were present.

Representative David Monson of District 10 introduced HB 1515 (see attachment # 1).

Senator Lyson: presented amendments to the committee as they are complimentary to HB 1462.

Representative Monson: he understands the amendment replaces the Industrial Commission running the project to the Department of Commerce although he does not know what the effect will be.

Senator Constance Triplett: section 3 has not been addressed and how will the money be used and exactly how this money will get us to the goal.

Representative Monson: the \$2.5 million will hopefully establish grass stand on approximately 5000 acres. Others can give the reimbursement rate per acre and anything PLOTS can use or fit into the program is not included in the \$2.5 million. This money does not

include North Dakota Game and Fish Department money, because if it works for them, the expense would be in their budget.

Roger Johnson, North Dakota Agriculture Commissioner and member of the North Dakota Industrial Commission testified in support of HB 1515 (See attachment #3). He stated that he had not seen the amendments but is his firm belief that this belongs under the council created in SB 2288 and the Industrial Commission verses the commerce department. This is about research and development and not establishing the board policy framework in the other bill. The bill does two things – puts money into development of technology and we need to get about the business of proving we can grow the biomass that the R & D people are excited about working with. Companies like Iogen Company will then invest in North Dakota by proving the state can grow enough biomass products for them to invest here. This is a forward looking bill.

Senator Constance Triplett: you objected to the amendment of moving the project from the IC to the Department of Commerce and if not adopted, will the two organizations work well enough together to get this to happen.

Roger Johnson: yes because the commerce chairs the council and is made up of experts in the renewable energy field. Biomass is a renewable energy issue and a research and development issue not an everything energy policy issue.

Senator Joel Heitkamp: talking about the regions of the state and the different crops grown, how will affect areas where single crops are grown.

Roger Johnson: the promise of using biomass is fits everywhere in the state. Some area of the state should never grow corn but they could grow grass. What is the most productive grown product on a piece of land?

Senator Triplett: Is the present ethanol plants designed to handle corn and/or other products.

Roger Johnson: corn right now but are looking to get more from the corn kernel. It is unsettled as to where the research is headed. It is conceivable to seem many small plants that can convert the biomass into products.

Senator Heitkamp: again asked if the present plants can convert this or do they have the capacity right now. He rephrased the question if the plants do not use corn how far are they from running.

Roger Johnson: along ways a way.

Senator Herbert Urlacher: the conversion of using corn into biomass within the plants is very far away. There is a lot of debate as to how far down the line.

Senator Triplett asked for the Department of Commerce to comment on the amendments.

Brad Crabtree representing the Great Plains Institute testified in support of HB 1515 (see attachment # 4). He added he chaired the sub committee that developed producer incentive package that is part of HB 1515. Three utilities, university representative, farm interest groups and conservationist groups all participating in the committee discussion regarding the incentive package. It is estimated the state can produce 17 million tons of biomass grass. The mines in the state produce 30 million tons of coal annually. One ton of switch grass or combination of grasses is not energy equivalent to a ton of lignite but they are not that far apart presenting some scale of value of this production. We are at the edge of a huge opportunity to reconcile the conflicts between the agricultural interests, conservationist and sportsmen over habitat. The institute has just finished four years of department of energy funded research with the university in the region in using switch grass and other grasses. The production, harvest of the native grasses, the bio-refining and the economic feasibility and found some amazing facts.

Harvesting times are conducive to wildlife, productivity levels and other benefits are a result. It is important to understand the North Dakota Game and Fish Department provision in the bill

and that is a facilitating opportunity and does not create anything else. He further presented to the committee a spreadsheet that has not been adjusted since the appropriation has been amended so the acreage is higher than what would be worked with. The appropriation covers the state contribution to the engineering study for a biomass plant as well as the producer incentive package. Therefore it is not \$2.5 million for 5000 acres, but substantially less than that. If this is paired with the CRP program this is the possibility of additional federal funding and if so there could be the possibility of two pilot locations or one larger project.

Mike McEnroe representing the North Dakota Chapter of the Wildlife Society testified in support of HB 1515 (see attachment #6).

Senator Triplett: conversion of CRP land would affect the wildlife.

Mike McEnroe: if CRP mixed grass plants are different than the switch grass that makes poor habitat.

Senator Triplett: why not have a mixed grass good for the habitat.

Mike McEnroe: the grass needs to be single species specially.

Senator Triplett; then how will CRP work with this concept.

Brad Crabgrass; the bill has nothing to do with CRP although it was mentioned. There is a component of a farm bill that is being worked out with the input from a conservation group that would allow a demonstration program in CRP that could be linked with this project.

Senator Lyson asked for testimony in opposition of HB 1515 and hearing none asked for neutral testimony.

Roger Rostvet, Deputy Director of the North Dakota Game and Fish Department testified in a neutral position to HB 1515 to answer questions asked earlier in the hearing. There is no appropriation on the bill involving North Dakota Game and Fish Department because as it reads it is with the Industrial Commission. The funding going into the program would come

from the appropriations in the Private Lands Open to Sportsmen (PLOTS) program. That budget is not increased based on the bill so therefore it would be off set within the program. Additional funding would not be requested due to this bill. It would used as a component as it matched up with are goals objective, probably under the working lands program. General funds into the PLOTS program nor would additional funding be requested.

Senator Lyson closed the hearing on HB 1515.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1515

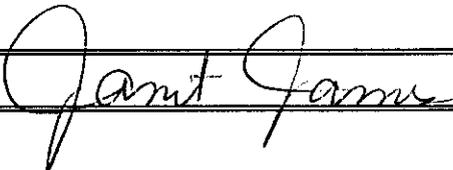
Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 9, 2007

Recorder Job Number: # 4758

Committee Clerk Signature



Minutes:

Senator Stanley Lyson, Chairman of the Senate Natural Resources Committee opened committee work on HB 1515.

All members of the committee were present.

Senator Lyson told the committee because of some of the information he had received yesterday and on e-mail today, the committee will wait until Monday, March 12th to work on the bill.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1515

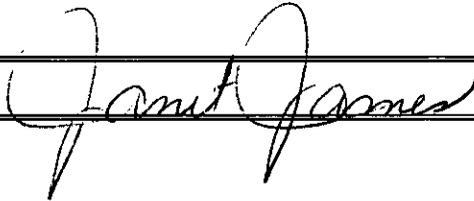
Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 12, 2007

Recorder Job Number: # 4825

Committee Clerk Signature



Minutes:

Senator Stanley Lyson, Chairman of the Senate Natural Resources Committee opened committee work on HB 1515.

All members of the committee were present except Senator Ben Tollefson and Senator Herbert Urlacher.

Senator Stanley Lyson stated the bill had amendments taking it out of the Industrial Commission and putting it under the Department of Commerce and it seemed okay until it was realized no one had talked to the Attorney General nor the Agricultural Commissioner as members of the Industrial Commission.

Senator Constance Triplett agreed and that the Agricultural Commissioner gave a good argument to leave it with the Industrial Commission and does not see the necessity to the change.

Senator Joel Heitkamp made a motion for Do Pass and rereferred to Appropriations.

Senator Constance Triplett second the motion.

Senator Lyson asked if everyone understood the bill.

Senator Heitkamp questioned number 9 as to whether that belongs. If appropriations want to put this into the commerce department, he would object because that is policy but if they want

to debate if number nine happens or not that is okay because they are the ones who fund things.

Senator Lyson stated he doubts the amendments will come back and haunt the committee.

Senator Lyson asked the committee if they wanted to wait or take the vote and leave it open for the two missing senator to vote later.

Roll call vote for a Do Pass and rereferred to Appropriations of HB 1515 was taken indicating 5 Yeas, 0 Nays and 2 absent who later voted for a final vote of 7 Yeas, 0 nays and 0 absent or not voting.

Senator Stanley Lyson will carry HB 1515.

March 7, 2007

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1515

Page 1, line 2, replace "54-17" with "54-60"

Page 1, line 3, replace "industrial commission" with "department of commerce"

Page 1, line 10, replace "industrial commission" with "department of commerce"

Page 1, line 17, replace "54-17" with "54-60"

Page 1, line 19, replace "industrial commission" with "department of commerce"

Page 2, line 17, replace "industrial commission" with "department of commerce"

Page 2, line 19, replace "industrial commission" with "department of commerce"

Page 2, line 24, replace "industrial commission" with "department of commerce"

Renumber accordingly

REPORT OF STANDING COMMITTEE (410)
March 12, 2007 9:21 a.m.

Module No: SR-46-4928
Carrier: Lyson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1515, as engrossed: Natural Resources Committee (Sen. Lyson, Chairman)
recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee**
(7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1515 was
referred to the **Appropriations Committee**.

2007 SENATE APPROPRIATIONS

HB 1515

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1515

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-15-07

Recorder Job Number: 5180

Committee Clerk Signature

Alice Delzer

Minutes:

Vice Chairman Bowman opened the hearing on HB 1515 on March 15, 2007 regarding establishing private land open to sportsmen biomass demonstration project and the duty of the Industrial Commission to establish a biomass incentive and research program.

Representative David Monson, District 10 presented written testimony (1) and oral testimony in support of HB 1515 stating this energy bill is a part of a package of larger bills taking shape to expand North Dakota's role in our nation's energy production. The bill has 3 components:

1. Section I of the bill provides language which is permissive for North Dakota Game and Fish to participate in incentives to help farmers and sportsmen. This section allows farmers to apply to Game and fish for help in establishing perennial grass stands, probably switch grass, although no limited to that species. This would be done through the PLOTS program. This is done by Game and Fish rules
2. Section II of the bill says that the Industrial Commission may establish a biomass incentive and research program.
3. Point #9 in this section has to deal with the nano-whiskers project referred to in SB 2288 which actually uses wheat straw and is being researched at NDSU and NDSCS. The link between the perennial grasses and the wheat straw is the end product of the

biomass, which is biofuels from cellulose. The biofuels can be ethanol, biodiesel, or others. His testimony expressed that in the big picture of ethanol and biodiesel production, the use of corn or starch is not nearly as efficient as the use of cellulose from biomass.

He presented written testimony (2) which is a News Release entitled Dalrymple, Grain Growers meets with Johanns on Disaster Aid, Farm Bill; Renewable Energy.

Senator Krauter had questions regarding the Industrial Commission's involvement and the PLOTS program. He was informed that originally they had this bill with some money coming from Game and Fish and we took it out. If it fits in Game and Fish PLOTS, fine, but if not they don't have to put their money in. the committee was told if they are not comfortable with that last part in Section 3, if you'd like to strike the language dealing with the industrial purpose establishing lands open to sportsmen (PLOTS) because this money is to help the farmers establish a stand of perennial grasses.

Senator Bowman had questions how to market this switch grass. He was informed it takes a couple of years to get a stand established to the level where you would be able to start harvesting it. It doesn't have to be harvested every year. You can harvest it the second year and you'll get the same amount of ethanol from it.

Senator Tallackson asked if any industries are interested in this product and asked where hunting fits in.

Further discussion followed regarding the different types of crops and the use of cellulose.

Brad Carbtee, Program Director of great Plains Institute presented written testimony (3) and oral testimony in support of HB 1515. He stated the Great Plains Institute staffs a Biomass Work Group with over 50 participants from six Upper Midwest states that promote state policies and support projects that demonstrate the production of energy, chemicals and bio-

produces from biomass. The legislation before you today draws on recommendations from the regional Work Group and from the North Dakota Biomass Task Force. Capital Cost Estimates for capital required for Biomass Projects Chart (4) was distributed and explained to the committee.

Senator Bowman had questions regarding value of crop if it gets hailed out, the value by ton, and considering the costs, where would the profit be for the farmer.

Senator Christmann had comments regarding the chart stating it could be produced at \$5.00 per acre and wondering if you could do any custom work at that rate. He was told the chart is a result of surveys done in Iowa by the Agriculture Department of the University of Minnesota. Senator Christmann stated that even without seed you won't do it for \$5.00 per acre. Further comments were made concerning the storage costs.

Harlan Fugleston, North Dakota Association of Rural Electric Cooperatives gave oral testimony on behalf of his association along with a number of other utilities, EXCEL Energy, Basin Electric, have participated in the biomass taskforce, and we support HB 1515.

Vice Chairman Bowman closed the hearing on HB 1515.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1515

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-23-07

Recorder Job Number: 5538

Committee Clerk Signature

Jane Perkins

Minutes:

Chairman Holmberg opened the discussion on HB 1515.

Senator Grindberg moved a do pass on the amendment to remove section 3, Senator Wardner seconded. Discussion followed regarding the national farm bill using some of the money. An oral vote was taken to remove Section 3. The motion carried.

Senator Grindberg moved a do pass as amended, Senator Wardner seconded. No discussion followed. A roll call vote was taken resulting in 12 yes, 1 no, 1 absent. The motion carried and Senator Wardner will carry the bill.

Chairman Holmberg closed the hearing on HB 1515.

Date:
Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1515

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number DP and amen Tcome

Action Taken _____

Motion Made By Grindberg Seconded By Wardner

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm	✓		Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	✓		Senator Tim Mathern	✓	
Senator Randel Christmann		✓	Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson		
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Wardner

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

REPORT OF STANDING COMMITTEE

HB 1515, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). Engrossed HB 1515 was placed on the Sixth order on the calendar.

Page 1, line 4, remove "; and to provide an appropriation"

Page 2, remove lines 22 through 27

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes the appropriation to the Industrial Commission for the establishment of a private land open to sportsmen biomass demonstration project and a biomass incentive and research project.

2007 HOUSE NATURAL RESOURCES

CONFERENCE COMMITTEE

HB 1515

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1515

House Natural Resources Conference Committee

Check here for Conference Committee

Hearing Date: April 12, 2007

Recorder Job Number: 5970

Committee Clerk Signature

Surrey Demsted

Minutes:

Chairman Porter called the conference committee to order and said to let the record show that those present included Representatives Porter, Monson and Kelsh and Senators Tollefson and Urlacher. Senator Heitkamp arrived a few minutes late. HB 1515 has to do with the biomass program, biomass incentive and biomass research and then the private lands opened to sportsman biomass demonstration project. It left the house with an appropriation of 2.5 million dollars for a biomass demonstration project and I know that neither one of the senators or any of the senators that are here had anything to do with the funding being stripped and that is really all that we are here to talk about as everything else passed. With that unless Senator Tollefson or Senator Urlacher have anything to add, I am going to have Representative Monson pass out a set of amendments that deal strictly with the funding.

Representative Monson said he was not so sure that it was strictly with the funding because there are a few little tweaks that he thinks went along with this. He just got these amendments as he was going to his last conference committee so he hasn't even looked at them so he is not sure if they were what he was really intending. I am not going to move them but maybe as a group look at them to see if maybe they fit together and if we agree on what they say.

The basis of this really is that we have two million dollars that the governor's office has helped

us identify and it would be a million from the beginning farmer revolving loan fund and a million dollars from the AG PACE fund. That would be two million dollars which is five hundred thousand less than we sent it out of the house with and three million dollars less than what we had originally anticipated would be the ideal amount or a good amount. That is what the basis of this is all about. As Representative Porter said there are a couple of other little things in there though that deal with some policy and I think everyone would be amenable to them. Number one is actually on page 1, of this amendment where it says page 2 replace lines 22 through 27.

Chairman Porter said we would be going back to the house original version, first engrossment of the house bill, which is the old 400 version.

Representative Monson said it would be page 2, lines 22 through 27 which is Section 3 of the appropriation.

Chairman Porter said that can't be the right version.

Representative Monson said I think it would work actually because the appropriations section is added back in as Section 5 on here. Subsection 10 clarifies the roles of Game and Fish and some people along the way did have a little problem with the Game and Fish and the PLOTS program and some people said it requires them to do that and others said no it doesn't because it is optional and really what this says is that there is "work in cooperation with the game and fish department to establish a private land open to sportsmen program biomass demonstration project." That would just be further clarification for Section 1 which just said that they would try to work with Game and Fish to try to establish some rules.

Chairman Porter said that when we had this bill in the House Natural Resources Committee it was very clear to us that it was a project that Game and Fish could choose to do or could choose not to do just by the language on line 9 where it said they may develop and make

available as part of the broader support for establishing the cost share provided to the Industrial Commission. It doesn't say that they have to and so we always looked at it as permissive language if they felt that they wanted to participate in the project.

Representative Monson said every time that he went in and testified on this bill, in every committee that I went in to I made it very clear and I don't think there was a lot of heartburn but there were always a few people that always questioned just what their role is. I don't know if this helps or not.

Chairman Porter said maybe you would want to walk through the new section 3 of the amendment.

Representative Monson said in Section 3 the only thing that is new is that there is a number 10 added on. Section 4 is new. The reason for section 4 is that SB 2288 makes reference to a new biomass incentive and research fund. We don't know if SB 2288 is going to pass or not. We assume that it is but at this point in time it hasn't but the Industrial Commission has control of this money, they have control of the beginning farm loan fund at the Bank of ND, and they also have control of the AG PACE so really what this is doing in Section 5 is giving them the authority to transfer from one of their funds to another of their funds which is being established in Section 4. This is meant to dovetail with SB 2288. Just in case something happens to SB 2288 where it is referencing the biomass incentive and research fund this makes sure that it is set up and they can make the transfer. Karlene Fine (from the Industrial Commission) was the one that said that we probably should establish the fund in here so that they would have the authority to transfer that into the fund so it is just basically just taking it out of one pocket and giving it to another.

Chairman Porter asked for questions of Representative Monson.

Senator Tollefson said it is permissive language all the way through isn't it? It says that they "may" upon their choice proceed with this program. There is nothing that says that they must.

Chairman Porter said that was correct. He said in the house hearings many of the sportsmen's groups testified and Game and Fish was also there. They felt, at least what we heard, on our side that they felt that it was very workable language and that they were very interested in seeing how it would work and how they could use PLOTS dollars to provide additional incentive know how the rotation of how the grasses are cut, the time of the year when the grass is actually cut, the benefits of the grass being tall and thick during the nesting season and then cut in blocks during the actual harvest of the switch grass situations. They were very interested and then the rotation that this piece only gets cut every three years kind of thing they were very interested in potentially participating and really what the language says is that if they find a biological success story with the practices of biomass that they are more than welcome to join in.

Senator Urlacher said the switch grass was primarily to be used for ethanol development and is not to be used and is not suitable for livestock purposes.

Chairman Porter said it is probably not as nutritious as other grasses.

Senator Urlacher said it was for ethanol development and wildlife habitat with control. What is the acreage proposal?

Representative Monson said he would guess ideally they were looking at 10,000 acres when it was coming in at five million dollars. I would guess when it gets proportionately cut back that would mean 4,000 acres with 2 million unless PLOTS can come in and help out some with it and if we can get a few acres that work for the PLOTS parts of it which is really bare bones.

It is hardly enough to do a lot. I was going to add to that if you watched the news early this

morning there was a biomass plant that they were working on down in Iowa using the corn stocks. They mentioned this on the news so this is not just research but it is happening.

Senator Urlacher asked if there were plants in North Dakota that can utilize that at this time or how long would it be before they could.

Representative Monson said they would have to retool to some extent. I don't know exactly how much renovating or changing it would take but it isn't like they can just start putting switch grass into where they had corn. I don't know that it is out of the question that they could do that.

Chairman Porter said it was his understanding as they worked on this that really the money is to give something to the agricultural community for taking the land out of production for the two years that it would take to grow the biomass project to the point where a plant could in fact even use it. It would kind of fall back to the cart and horse theory that before the agriculture producer would say give me the money and I will put the 2,000 or 3,000 acres aside there is going to have to be a commitment from a plant along with it to say that we will be able to use this biomass feedstock in our plant and so it really truly is past the research stage of things. It has to be a demonstration project where it is an actual commitment from a plant and then an actual commitment from an agriculture producer to get things going.

Representative Monson said he was absolutely right. There is going to have to be a lot of private industry money going in here. This is not going to result on its own. It is going to take a huge investment by a producer or an industry partnership here. Piggybacking,

Representative Porter eluded to here with Section 4 and Section 5 it is totally permissive and we are thinking since the Industrial Commission has control of all three of these funds, they aren't going to go ahead and fund something unless they are pretty sure that it is going to happen and they are going to use it where it will be best utilized.

Senator Urlacher said he was assuming that they were talking about an acreage that would have to meet the level that would be feasible to accommodate an ethanol production and that is 5,000 acres.

Senator Tollefson said it relates directly to SB 2288 and if that goes this is gone.

Chairman Porter said this bill deals directly with the demonstration project and directly with a plant producer relationship. SB 2288 concept is still a research concept inside an experimental station and the Ag extension and inside of NDSU.

Senator Tollefson said it indicates here that if SB 2288 is approved it becomes affective.

Chairman Porter said just Section 4 is the only matched language between the two bills.

Representative Monson said he wanted to point out that on the top of Page 1, line 2 after "54-17 insert" it says if Senate Bill 2288 of the sixtieth legislative assembly becomes effective, a new section to chapter 54-17" is going to be created and the way it is supposed to read is this language on page 1, line 2 and at the beginning of section 3 it was supposed to make sense with the addition of Section 4 and to show that they all are to supposed to tie together. I think if SB 2288 doesn't pass, this would still be workable.

Senator Heitkamp said he had a couple of questions on of the carrier of the amendment and the other of you. The first question is in reference to SB 2288 and there seems to be this buildup of things countering and there was reference that Karlene says we should do this. Is something happening behind the scenes that I don't know about to replace SB 2288?

Representative Monson said not that he knows of. We totally expect that SB 2288 is going to pass but if it didn't for some unforeseen reason Section 4, the first part of it establishes the fund because SB 2288 establishes a fund and if for some reason SB 22 didn't pass then we don't have a fund for it to be transferred into. I guess when Karlene helped to put this together the idea was that it would make sense for them to be able to take from this pocket

and put it into this pocket and that we do have a fund named for this money to be transferred into so that they can move it from here to here and pay it out as needed or as it makes sense for them to do that.

Senator Heitkamp said his other question lies in the fact that there was reference made earlier to Game and Fish and that Game and Fish wants this. Maybe there is just bad communication between Game and Fish and our committee on the Senate side and there must be a better line between Game and Fish and House Natural Resources because I am trying to remember when they were in front of us. This is the second or third example that I have seen where we have had to decipher what Game and Fish is getting at and whether they want something and why they just don't tell us that is what they want and I know that you have conversations with them about a number of issues and so could you tell me at Game and Fish is the lead point person when it comes to this.

Chairman Porter said maybe they just like us better. I didn't bring my folder down on this particular bill to be able to answer that completely so I will bring it down next time so that I will have the testimony that happened on the bill.

Senator Heitkamp said thank you Mr. Chairman. Is there any discrepancy on the opinions on this particular issue with Game and Fish because I know there were on others? It is one thing for me to back some things that Game and Fish said and then when I get pounded by the underlings or the next tier from Game and Fish saying that we only heard half of the story. It gets frustrating as we wind down this session.

Chairman Porter said I think as Section 1 inside of this bill took place I think there was an indication early on in the session that there was a movement to make it mandatory that Game and Fish participate in these projects so I think that created its own urban legend on itself. Never in the language that we saw in House Natural Resources was it ever anything other

than permissive language saying that if they see where it does do something good for dense nesting cover and habitat we are all for it and it would work right into our existing working lands program. If the language wasn't there would it preclude them for making it part of their working lands program? Absolute not. It would do the same thing. Their working lands program is exactly the same fit as what Section 1 is so it really works hand in hand with what they already have inside of their PLOTS program.

Senator Urlacher said they are not participating in the funding of this at all are they?

Chairman Porter said there was no required participation from North Dakota Game and Fish in this program.

Senator Urlacher said but they realize there could be benefits from it and want to participate but there is no mandatory participation. It seems to me like they should be participating because this is an experimental thing for them as well as us but I am really wondering how much it is going to drain the other funds for the other purposes that have been intended to accommodate this.

Chairman Porter said we could immediately ask the Bank of North Dakota to give us that information.

Senator Urlacher said we could be moving it from one to the other without knowing the affects of the transfers.

Mr. Bob Humann, President of lending from the Bank of North Dakota was called forward. He said they were originally looking at eight million dollars for PACE and it is not actually Ag PACE, it is the PACE fund. That has been downsized to seven million dollars. A million dollars was moved over to the North Dakota Development Fund. We are talking about seven million dollars for PACE. If we ended up losing another million to this project we would be down to six million dollars. We are on pace this biennium to use nine million dollars of PACE

funds so if this is the right amount or not, I think we could get by with six million dollars if we need to if that is what the number ends up being. It is just going to depend on the demand that we are going to have for the PACE money for the next biennium. As far as the Beginning Farmer Program we run cash flows and there were some other bills that were going on up here during the session and we looked at the actual Beginning Farmer Development Fund could get down to a low of two and one half million dollars if all of the dollars were transferred out of there but that was with consideration for eight hundred thousand dollars that would be set aside for the PSC to use for a railroad lawsuit case and from my understanding that balance has been reduced to four hundred fifty thousand dollars so that would free up a few more dollars and we would be down to a low of two million eight hundred fifty thousand dollars.

If we took another million out of there we would be talking about one million eight hundred fifty thousand dollars. We still would have adequate money in the Beginning Farmer Fund. I think really what the intent was for giving the Industrial Commission the authority to move the dollars is you can take the two million dollars and you can set it aside from the general fund there is a chance during the next biennium that there won't be any of these dollars used so then you have just carved out two million dollars that is going to be sitting there when they really don't know what is going to happen with this demonstration project at this time. I read a lot of articles on using switch grass for ethanol and we are very interested in the ethanol industry. There is a lot of federal dollars being funneled to a lot of states to research this industry right now so whether or not a private firm would be able to come in and set up a plant within the next biennium in my own opinion is going to be a stretch.

Senator Urlacher said the Beginning Farmer Funds and other funds are they accommodating all the requests for those funds or do they have to make their selections pretty close in order to accommodate the upper end of the requests.

Mr. Humann said in the Beginning Farmer Program they have been able to accommodate all of the requests. The actual volume has decreased because of the high land prices. As far as the PACE program we have also been able to accommodate all of the requests this biennium but we did move two million dollars from the Beginning Farmer Revolving Fund over to the PACE fund in order to accommodate the demand for the PACE program. We won't have the luxury of doing that in the next biennium.

Chairman Porter said we will end it here and everyone has the information and we will reschedule. Thanks everybody.

The conference committee adjourned.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1515

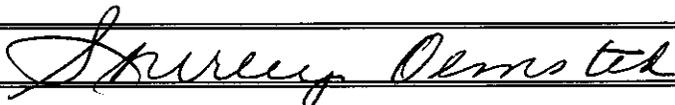
House Natural Resources Conference Committee

Check here for Conference Committee

Hearing Date: April 13, 2007 2:00 PM

Recorder Job Number: 6018

Committee Clerk Signature



Minutes:

Chairman Porter opened the conference committee on HB 1515. Let the record show that all conference committee members were present including Representatives Porter, Monson and Kelsh and Senators Tollefson, Urlacher and Heitkamp. He asked if everyone had a chance to look at the amendments presented by Representative Monson yesterday and asked if anyone had any questions on them. The group responded no. He asked if there was a motion on them.

Representative Monson made a motion that the House recede from its amendments as printed on the HJ on page 1438 and 1439 and 1017 in the Senate journal and that engrossed HB 1515 be amended as follows on amendment .0404.

Representative Kelsh seconded the motion.

Chairman Porter asked for discussion. Hearing none, he asked the clerk to call the roll. Let the record show 4 yes and 2 no (Senators Tollefson and Urlacher). The motion failed.

Senator Urlacher made a motion for a do not pass.

Senator Heitkamp seconded the motion.

Chairman Porter said we do not have that kind of a motion. Are you moving that we dissolve?

Senator Urlacher said that would be fine with him.

Senator Heitkamp asked if he could indulge the committee and I know this is completely up to you but can we get Karlene (Karlene Fine from the ND Industrial Commission) to just speak to the committee for a brief period about what just happened.

Chairman Porter said sure. That would be fine.

Senator Heitkamp my question would be, when I heard these amendments explained to me yesterday I believe they did something completely different when I left the room then what was explained to me later on. Could you just in your words Karlene explain what these amendments do in your opinion do?

Ms. Karlene Fine said what these amendments do are to provide the biomass (unable to hear what she is saying) and that should SB 2288 pass then the renewable energy council could be consulted with. Then these amendments go on to say that the funding should this project come forward that the Industrial Commission would be able to transfer money, one million dollars, from the PACE program or the Beginning Farmer Program to a fund called the biomass incentive and research fund to fund this program and it would all be permissive language.

Senator Tollefson said that he was under the impression that they were going to be someone from the Game and Fish here to talk too.

Chairman Porter asked what the concern was with Game and Fish since it is all permissive language.

Senator Tollefson said he knew that but he believed that Senator Heitkamp brought that up as well yesterday.

Senator Heitkamp said he did Mr. Chairman and I realize that he is in a cabinet meeting. The thing I would like to state before he gets here was that some of the language and I couldn't

have read it, and I don't know if I didn't listen to the explanation well enough but when I talked to Karlene in the hall then it connected with the synergies of how this worked so it did alleviate some of my concerns. The Game and Fish question I think is legitimate and I think it goes through a number of other issues that we have had to deal with but you can ask him that when he comes.

Senator Urlacher said his objection is transferring funds from the PACE program and from the Beginning Farm Funds to this. We really don't have a facility to utilize what they are trying to produce and there is some of it being done in other states that we can draw from as part of the experimental benefit or whatever. That is my objection for taking it from one pot and putting it in another and they say that they have the funds but it certainly weakens those two programs.

Chairman Porter said the jest of this particular program isn't about research any longer. I think that everybody feels that the research portion of this is to the point that demonstration projects and actual either plant conversions or new plants can be constructed using this particular biomass to produce or stock to produce ethanol and what this bill does is goes to the next level past research to the actual demonstration project of production. Prior to those funds being kicked in there would have to be either a) a company that builds a biomass plant or the conversion of an existing plant to biomass for it to happen. Then these funds would kick in to incentivize a farmer to plant the feedstock in order to produce the necessary switch grass to fuel the plant. This bill has nothing to do with research. It is either an absolute demonstration project or the money can't be spent. Mr. Steinwand there was a question from Senator Heitkamp in regards to the biomass demonstration and how it fits into the existing working lands project as I guess we discussed in the house. If you could come up and I will let Senator Heitkamp ask the questions.

Senator Heitkamp said that was his point. How do you see this interacting with what you are doing already and is this coming from Game and Fish?

Mr. Terry Steinwand from the Game and Fish asked "where is what coming from?"

Senator Heitkamp said here is my problem. It seems like we are reacting to a lot of things, this amendment is being one of them, where whether it is a new idea or whatever. There was no genesis here from the Game and Fish right? It didn't start there?

Mr. Steinwand said correct.

Senator Heitkamp said so how do you see this interacting with what you currently have?

Mr. Steinwand said we are certainly in favor of a cellulosic and ethanol program somewhere because ultimately it will provide habitat for upland game, big game and everything else or a nesting songbird or whatever it might be. Our intent and from day one of 1515 was we could make our working lands program with PLOTS fit into this without any additional funding into the programs or nothing from the general fund under our criteria. We don't sign up almost any piece of land because it has to meet our criteria of habitat. As an example, if two years down the road we did 160 acres of this experimental cellulosic ethanol land and it is cut down to 2 inches every year, we probably are not going to sign that up because it is minimal if any habitat value. If that is left with 12 to 15 inches cover then it probably will provide some and we will pay accordingly like we would with anybody else whether it is in that program or CRP or whatever.

Senator Heitkamp asked if the money came from your fund rather than the Beginning Farmer or anywhere else and it came out of the funds that you control would you still be in support of that.

Mr. Steinwand said yes. I guess that is what I meant. It would come out of our existing PLI Plots yes.

Chairman Porter said he thinks there is a little bit of confusion on the way that the question was just phrased to you where the entire two million dollars to do the demonstration project would be funded solely by Game and Fish dollars rather than the normal working lands incentive that is available today.

Mr. Steinwand said if that is a confusion, no it was never the intent that we would fund the \$85.00 establishment cost and \$50.00 per year lost production costs. No that was never the intent. The intent was to try to fit it in as an added incentive to these landowners to put those lands into the cellulosic ethanol program.

Senator Tollefson said as a part and parcel of the PLOTS programs which is what you are talking about, only from the standpoint of habitat. That was the only real value that you can see in this program.

Mr. Steinwand said yes plus the guaranteed free public access.

Chairman Porter asked if there were any further questions for Mr. Steinwand. There were none.

Representative Monson the two senators that voted no, is there anything else that we can say or do in extenuation of how this would work that would put you more at ease.

Senator Tollefson said maybe we should the Fish and Game to finance the two million dollars that we are talking about here.

Chairman Porter said the incentive side of this is truly part of the farm economy and we are going ask a farmer to take their land out of production for about two years in order to plant this feedstock to supply another private business with the cellulosic feedstock and it fits right into the agricultural community and the incentive into the agriculture community. When we passed it out to the Senate we had it as a general fund appropriation. The Senate didn't like that so they left the language and stripped the appropriation out of it so we came back with farm

programs to fund a farm program and we think that we found a good funding source to do a farm program for the future of ethanol and not only the future of ethanol but what is being demonstrated as the future of ethanol in a more reliable and efficient manner than is currently being done through the conversion of corn.

Senator Urlacher asked what does the farmer do with his feedstock when there isn't a facility utilizing it?

Chairman Porter said the agreements back through the renewable council and the industrial commission, the agreements would all have to be in place and there would be a considerable amount of private sector dollars invested in this in the first place for the plant or for the conversion of the plant so those agreements that already have to be in place, you wouldn't just tomorrow if this had an emergency clause on it, you wouldn't just give a guy two million dollars and tell him to plant this stuff and not knowing that someone is going to use it. All of that has to come into play through the industrial commission prior to any of the money being spent.

Senator Urlacher said so then aren't we ahead of the game.

Chairman Porter said you bet we are.

Senator Urlacher said we don't foresee plants on the studies to determine its feasibility in place. We are ahead of it.

Chairman Porter said that is not necessarily true Senator. There are up and running biomass ethanol plants in other states and with the push from the department of energy to move the gallons of ethanol required in the United States and the consumption of gasoline there is absolutely no way that we grow enough corn to meet what those goals are so the push is there that the plant that is being proposed in Hankinson could certainly at this point in time in the design phase convert to the technology that is currently being used in Iowa and go to a feedstock rather than corn and be up and running before we are back in session.

Senator Urlacher said one of his concerns is that we have a number of ethanol plants which is good but that are carrying an awful heavy subsidy. I think there should probably be some kind of adjustment made when those subsidies come off. Now we are adding a new phase that is going to require conversion and there is going to be additional costs involved to utilize what we are attempting to utilize which is I know in other states is there but it is not here. That is what they are talking about is here. I guess my thinking is along that line that we are ahead of the game to some degree but I am not sure what degree that is but I am a bit concerned about adding additional costs for conversion and then there are the subsidies in the mix. I hope you understand what I am trying to say.

Representative Monson said he wanted to give a little bit more background and detail on biomass. It is not only just ethanol. It can be used to make any kind of bio fuels. It can be used for bio diesel which is going to make it go farther. One other thing that you brought up that you had a concern with is that you thought we were taking money away from these other two programs and possibly shorting them. That isn't going to happen because this is the same people that control all three funds and the only way they are going to do it is if they feel that there is a plant or private partner or private industry that comes to the state and say what do you have available for us in the line of biomass that we could be assured that we are going to have some kind of production here. They are not going to take the money out of one pocket and put it in the other because it is the same people. They have the oversight of all three programs unless there is something that is definitely right there in hand. If it doesn't happen the money will stay where it will do the most good which is in the beginning farmer or the PACE program. If some industry came here and said we want to proceed with this but we need to have some assurances that there are going to be farmers out there that are going to produce enough to make it worthwhile for us to pursue this and if they go to the Industrial

Commission, the Industrial Commission has this tool in hand to say ok, this looks like a good deal, we still have money in the Beginning Farmer Program that we can transfer here and we have up to two million dollars that we can throw out there to get this thing going.

Senator Urlacher said so the transfer or the agreement would not come into play until there is an agreement.

Chairman Porter said that is correct Senator.

Senator Urlacher said it seems if there are benefits to the Game and Fish they should participate. I don't know how you fit it into the picture.

Chairman Porter it is very likely that they would but in order for them to fit it in to their existing programs they would have to see how from a wildlife benefit standpoint how the feedstock is handled. If they take it down to the table level and it provides no habitat whatsoever then that would be kind of stealing from the sportsmen of North Dakota for the program that really is about farming. If it works from a biological standpoint and fits and plugs into their program and does carry a biological benefit then I think that they have made it clear that they would be more than happy to add additional dollars on top of the money available not only for this demonstration project but for other projects as well and with that would come access.

Senator Heitkamp said he had a question for Representative Monson. These amendments take money I mean you can see the different farm groups and others in the room, the grain growers and others. We really haven't had that debate that allowed them to stand at a podium and speak to the issue. Did you on the house and we missed it?

Chairman Porter said it was a general fund appropriation that the Senate stripped.

Senator Heitkamp said yes we took the money out and boom so you take it and you find this source, but as far as a hearing so that they stand up and say whether those different Ag groups think this is good or bad and other than what how they might have grabbed this in the

● hall no one has jumped up and down and said here is our thoughts on this. There hasn't been a hearing is my point.

Chairman Porter said no. This is not a whole lot different than a lot of things that are happening.

Senator Heitkamp said not too many others are happening that have this type of price tag.

Chairman Porter asked if anyone from the farm groups would like to jump up and down.

Senator Heitkamp asked if they were opening it up so they can speak.

Chairman Porter asked Dan Wogsland if he wanted to jump up and down.

Mr. Dan Wogsland, representing the Grain Growers said if you are asking my opinion.

Chairman Porter said I am.

● **Mr. Wogsland** said the Grain Growers are opposed to this. The price tag is one thing. We are very supportive of the cellulosic ethanol and in the promotion of that but we are a ways away from where we need to be in order to get this viable. We are concerned about an appropriation today that would do that even though futuristically we need to take a look at that. We are concerned about and how this works within the PLOTS program and that is another one of the concerns that my board has so we would be opposed to that.

Mr. Brian Kramer, representing the North Dakota Farm Bureau, said they would concur with Mr. Wogsland. This may be the future but we are not ready for it. That is our major concern and that is what Senator Urlacher was alluding to I think. If there was some commitments or some discussion going on out there about building a cellulosic plant in the state or there was some research going on in that area at this point.

Senator Heitkamp said that Kayla is right behind you too.

● **Ms. Kayla Pulvermacher** representing the ND Farmers Union said their group is concerned with the money coming from Beginning Farmers because they know that there is going to be

other funds that will be taking some of these funds but we believe with the Industrial Commission having authorization over who can take the funds we believe that it will help.

Senator Urlacher said he had not spoken to any one of these people.

Chairman Porter said he hadn't either.

Senator Urlacher said so they had not moved his mind one direction or the other.

Senator Heitkamp said he didn't feel bad that he had Mr. Chairman. It was that mixed answer.....

Chairman Porter said that caused you to vote yes last time.

Senator Heitkamp said that caused me to vote yes because one of my big concerns first off last time the way it was pitched as long as we are going to get smart about it the fact that 2288 is this bill that we are setting up to fail. Maybe it should have been explained better last time and you would have had more support. Yea, so that is why.

Chairman Porter said since we have no motions we are done for today.

Representative Monson said he had another conference committee.

The conference committee was adjourned.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1515

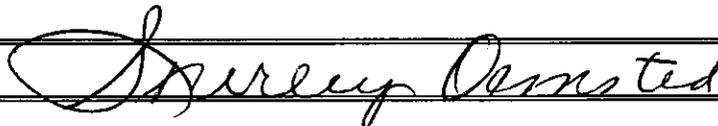
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: April 16, 2007 2:30 PM

Recorder Job Number: 6055

Committee Clerk Signature



Minutes:

Chairman Porter opened the conference committee on HB 1515 and let the record show that all are present including Representatives Porter, Monson and Kelsh and Senators Tollefson, Urlacher and Heitkamp.

Representative Monson said he passed out an amendment .0405 which adds the section 6 onto here and it again is permissive language. I wanted to keep everything permissive in this whole bill as we were discussing it with various people and I am not sure, and I know it isn't real popular on the house side. I have talked to some of the people in the house and we killed this bill earlier in the house and the reason for the opposition is that at that time the bill had a FTD in there and that raised some flags. The other thing about it is that it is picking a board out of a group of many, many boards that we would fund this one and we don't fund others. I can't think of all the different boards that are out there but this is just kind of a group of people that have been together to try to promote anything in farming. I see the need for it when I discussed it with Senator Urlacher and I believe the original bill was his bill and the idea would be here that we would use the same money up to two million dollars that could be transferred into this fund and the Industrial Commission may grant up to \$130,000 of that for the organic advisory board to support organic agriculture initiatives and programs during the biennium and

discussions with Senator Urlacher the need is there or the opportunity I guess maybe too because we do have a lot of CRP which is potentially coming out of production. It would qualify for organic qualifications or qualify for that and they could perhaps get into the business of raising organic alfalfa and organic timothy grass and who knows what other kinds of foliage off of that. This would be for farmers so it comes out of the same group of money.

Senator Urlacher said it is a proven fact that there is not sufficient product to satisfy the demand. So the organization is established in a small group that can't generate the check off that will accommodate what is done. You mention a handful of CRP land raising the alfalfa which relates to the high return to our dairy farms and the marketing person is there and already established but the producer education is not there to address the potential for it. So what they really need is a person or an agency that can handle some of the coordination of those people along the marketing and production lines. I understand that this can be done by a private contractor or possibly through the Ag Department. It wouldn't mean hiring additional people as I understood. I think it is a form of economic growth and because the demand is there.

Chairman Porter said on the original bill and I think it was 2335, is that right?

Senator Urlacher said yes.

Chairman Porter asked on the bill where the money coming from at the time.

Senator Urlacher said it was a general fund appropriation.

Representative Monson said in one version of the bill it was coming out of the fuels gas tax fund or something like that. Mr. Chairman I guess it would just make better sense instead of giving it to the board and an entity called the organic advisory board, or just leave it with the Industrial Commission with the right to grant it out to the promotion of organic agriculture. By

singling out a board to give this to we are probably opening up a whole can of worms where every other board in the state and might come in and say that we want some too next time.

Senator Urlacher asked if they could transfer those funds to the Ag Department to handle the coordination of it?

Representative Monson said if we were to do that I really don't think we would need the \$130,000 because part of the hundred thousand was to contract with somebody to buy services and the Ag Department probably already done some organic promotion I would think.

Senator Urlacher said he didn't believe so or it would have already been done. I believe we have an Ag person here who could answer that question for the committee.

Mr. Jeff Weispenning from the Department of Agriculture came forward at the request of Senator Urlacher. He said they have done very limited work with organic producers as a part of the Pride of Dakota Program and part of international marketing. I think that what the organic advisory board had in mind when they first developed this legislation was to get more staff time devoted to this. There are several people that work for us that work on Pride of Dakota and handle the marketing activities so doing this would be staff intensive kind of work. We will need cash to contract someone or to hire someone to do more in this area.

Senator Urlacher asked if he recognized the potential in this.

Mr. Weispenning said very much so. Organic agricultural markets have been showing double digit growth since the early 1990's. It is a very much growing market. I think the really exciting thing that the organic advisory board has done is that they have brought together the producers and the processes and they are all together on the same page with the plan of building the industry in this state. It is really value added agricultural in many ways and an identity preserved agriculture in many ways.

Senator Urlacher said and they are pulling the funds out of their own pocket.

Mr. Weispenning said they are working on it but have decided that they want to move forward together, the producers and the processors and get better organized. I think and I am not sure if I should say this but the producers in North Dakota are almost like a cult and almost like a religion and they have not really thought about the value added in taking the next step and I think this board has made good progress in that whole area.

Chairman Porter asked if there were any other boards or agricultural groups that were spending money to promote that board solely other than like through the Pride of Dakota program or as the industry as a whole have we singled anything out else.

Mr. Weispenning said he couldn't think of anything else. I think the organic producers are caught sort of in a quandary. They grow wheat and they pay wheat check offs. They grow soybeans and they pay soybean check offs. They are kind of commodity of a different nature made up of a lot of different commodities that are produced in a specific way.

Chairman Porter asked if there was any discussion during the course of this particular bill of allowing them access back to their own check off dollars inside of these existing programs to say that if you are growing organic wheat that it goes to the promotion of the organic product or organic soybeans since it is a specific specialized crop within those check offs.

Mr. Weispenning said he would have to refer that to Chuck Fleming who was at all the hearings.

Mr. Chuck Fleming who is the Marketing Coordinator of the Department of Agriculture came forward at the request of Mr. Weispenning. I think both questions came up and the farmer's market association came in as well as the organic and it was quickly shown that based on the acres and so forth if you pulled all of that money out of the commodity groups at the present time it wouldn't be enough and you would spend more money collecting it and getting it from

the program and you wouldn't really have the kind of money you would need to do any kind of a program.

Chairman Porter asked if he had an estimate of what that dollar amount was.

Mr. Fleming said he didn't have the amount off the top of his head.

Representative Monson said he thinks the Ag budget includes some money for the farmers market and he thought it was \$50,000 or something like that.

Mr. Weispenning said no. He thought the senate had \$79,500 and the house cut it down to \$29,500 for the farmers markets. That was coming in non general fund money. Senator Urlacher's bill started out as a general fund bill and the house decided to take it out of APAC funds and that is where it ran into a buzz saw real quick and then that bill got killed.

Representative Monson asked if \$30,000 be a similar amount to what we were using to get the farmer's market up and running and this would be a similar group. By that time there would just be a little promotion money and there is no money in there for any contracted services.

Senator Urlacher said he was not sure if the farmer's market was similar to this group or not.

Chairman Porter said there are a couple of things to consider here. Number one is that we know from last Friday that the Ag groups already are split on even the transfer language in Section 5 in thinking that is a good idea to money out of Ag PACE and the Beginning Farmers programs for the demonstration project on a biomass program. In Section 5 the transfer can happen unless there is a demonstration project going. Section 6 is a direct transfer that will happen on July 1st regardless of what happens there will be \$130,000 less inside of Ag PACE and the Beginning Farmer Program. I know that there have already been concerns relayed to me from our Ag Committee about putting this language back onto the bill in Conference Committee. I don't have any problem taking it up to the floor and running the conference

committee report by them but I know that our Ag Committee is already well aware of it and totally opposed to it. That is the word that I got and I talked to just a few of them after we had originally discussed the idea today but I certainly don't have a problem running it up the proverbial flagpole to see.

Senator Urlacher said he was hoping he could find a way to support the old bill.

Senator Tollefson said all that they would do is reject the conference committee reports if you did take it up there otherwise we may not get the bill out of conference committee.

Chairman Porter said the only other thing that could happen is for the house to accede to the senate's amendments and just pass the bill without any funding because really what is up for conference is section 3 of the appropriation is what we are here for.

Representative Monson said he would move the house accede to the senate amendments.

Chairman Porter said the motion dies for a lack of a second.

Senator Urlacher said that accedes to the senate's amendments meaning?

Representative Monson said to pass the bill with the way the senate passed it with no money. Realistically the ethanol industry come up with the money to trigger the transfer into that fund anyway during the next two years and I guess if somebody did come in and say gee we would sure come in here if we had some guarantees we can at least point to the fact that there is a fund established.

Senator Urlacher said what we are saying is that those funds would be committed at some time if somebody stepped forward but we don't have any money to put into it to promote it.

Chairman Porter said there would not be any funding with 1515 based on what that motion would have done.

Representative Monson said he would try this one. He would modify it to \$30,000 to the organic promotion if the money goes to the Ag Commissioner for the purpose of promoting organic agriculture initiatives and programs.

Senator Urlacher seconded the motion.

Chairman Porter asked for discussion. Hearing none, he asked the clerk to call the roll for the House to recede from their amendments and amend with .0405 with the changes in Section 6 from \$130,000 to \$30,000 and the Industrial Commission may grant the money to the agriculture commissioner. Let the record show 6 yes and 0 no with all present. The motion prevailed. He said when they get the amendment in the proper form they will stop over at the senate and see them. The conference committee was adjourned.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1515

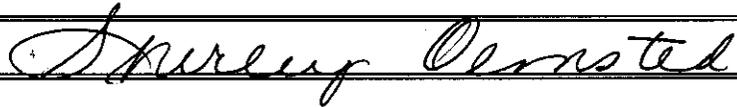
House Natural Resources Conference Committee

Check here for Conference Committee

Hearing Date: April 23, 2007 5:00 PM

Recorder Job Number: 6290

Committee Clerk Signature



Minutes:

Chairman Porter called the conference committee to order on HB 1515. Let the record show that all were present including Representatives Porter, Monson and Kelsh and Senators Tollefson, Urlacher and Heitkamp. He said they would need a motion to reconsider their actions.

Representative Monson said he would so move.

Senator Urlacher seconded the motion.

Chairman Porter asked for discussion.

Representative Monson said when they got into the middle of their discussions it became an issue for some people that Section 5 the biofuels partnership was really the vehicle that they wanted the money to come from for this biomass project even though they could completely transfer it back and forth between PACE or BIO PACE or whatever. There were some people that thought BIO PACE was actually the proper vehicle and wanted it cleaned up. We were going to do that in HB 1014 which was the Industrial Commission's budget bill but we had time to come back and do it here so they felt that would be the proper thing to do. I would move the amendment.

Chairman Porter said we had to reconsider our action first. Is there any further discussion on the reconsideration? Hearing none he did a voice vote which carried.

Representative Monson made a motion to accept amendment .0407. The only change in this entire amendment from what we passed the other day is that it says a million dollars from the biofuels partnership instead of from PACE.

Chairman Porter said is that PACE in general.

Representative Monson said yes.

Chairman Porter asked if there was a second.

Senator Tollefson seconded the motion.

Chairman Porter asked for any discussion. Hearing none, he asked the clerk to call the roll on the motion to adopt amendment .0407. Let the record show 5 yes, 1 no (Senator Heitkamp) with all present. The motion prevailed. The conference committee was adjourned.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1515

That the House recede from its amendments as printed on pages 1438 and 1439 of the House Journal and page 1017 of the Senate Journal and that Engrossed House Bill No. 1515 be amended as follows:

Page 1, line 1, replace the second "and" with a comma

Page 1, line 2, after "54-17" insert "and, if Senate Bill No. 2288 of the sixtieth legislative assembly becomes effective, a new section to chapter 54-17"

Page 1, line 3, replace "and" with a comma

Page 1, line 4, after "program" insert ", and to establish a biomass incentive and research fund; to provide a transfer"

Page 1, line 17, replace "A" with "If Senate Bill No. 2288 of the sixtieth legislative assembly does not become effective, a"

Page 2, replace lines 22 through 27 with:

"10. Work in cooperation with the game and fish department to establish a private land open to sportsmen program biomass demonstration project.

SECTION 3. If Senate Bill No. 2288 is approved by the legislative assembly and becomes effective, a new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Biomass Incentive and research program. The industrial commission in coordination with the renewable energy council may:

1. Establish an incentive program to assist the agricultural community to demonstrate the production, harvest, storage, and delivery of a biomass feedstock on a commercial scale to a private sector end user.
2. Establish a project on a scale sufficient to enable at least one group of cooperating agricultural producers, and preferably two groups in different regions of the state, to produce, harvest, store, and deliver biomass feedstock to an end user at commercial scale.
3. Give priority on a perennial grass feedstock due to the state's resource potential, although residual feedstocks are eligible for consideration.
4. Establish procedures for competitive applications by cooperating agricultural producers organized through a limited liability corporation, cooperative, or other appropriate ownership structure, that can demonstrate in their application the commitment of a commercial end user to purchase the biomass produced and adequate technical support to accomplish the biomass production, harvest, storage, and delivery to that end user.

5. Provide funds for incentives, including producer payments to provide income support during the critical biomass stand establishment period of two years without harvest, in the case of native grasses, or other perennial biomass crops.
6. Ensure that activities enumerated in this section qualify for the agriculture partnership in assisting community expansion program.
7. Arrange for the provision of technical assistance services determined by participating producers in their application to the industrial commission.
8. Provide incentive support targeted to producer entities that successfully apply to the industrial commission rather than the commercial biomass end user.
9. Provide funds for a front-end engineering and design study for a cellulosic ethanol and nanowhiskers project.
10. Work in cooperation with the game and fish department to establish a private land open to sportsmen program biomass demonstration project.

SECTION 4. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Biomass Incentive and research fund. The biomass incentive and research fund is a special fund in the state treasury. The industrial commission shall establish the guidelines and procedures for use of the fund. All earnings of the fund must be credited to the fund.

SECTION 5. TRANSFER - APPROPRIATION. The industrial commission may transfer up to \$1,000,000 from the beginning farmer revolving loan fund located at the Bank of North Dakota and up to \$1,000,000 from the partnership in assisting community expansion fund to the biomass incentive and research fund. The funds are appropriated for the biennium beginning July 1, 2007, and ending June 30, 2009."

Renumber accordingly

**REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)**

Bill Number AB 1515 (, as (re)engrossed):

Date: 4-12-07

Your Conference Committee Natural Resources 9:00 pm

<i>attended</i> For the Senate:	YES / NO		<i>attended</i>	For the House:	YES / NO	
<input checked="" type="checkbox"/> <u>Sen Hollenhorst</u>			<input checked="" type="checkbox"/>	<u>Rep Porter</u>		
<input checked="" type="checkbox"/> <u>Sen Uhlacker</u>			<input checked="" type="checkbox"/>	<u>Rep Monson</u>		
<input checked="" type="checkbox"/> <u>Sen Heitkamp</u>			<input checked="" type="checkbox"/>	<u>Rep Kelso</u>		

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (~~Senate~~/House) amendments on (SJ/HJ) page(s) 1438 -- 1439

_____, and place _____ on the Seventh order.

_____, adopt (further) amendments as follows, and place _____ on the Seventh order:

_____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____

CARRIER: _____

LC NO. _____	of amendment
LC NO. _____	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: _____

SECONDED BY: _____

VOTE COUNT ___ YES ___ NO ___ ABSENT

**REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)**

Bill Number HB 1515 (, as (re)engrossed):

Date: 4-13-07

Your Conference Committee Natural Resources 2:00 PM

For the Senate:		For the House:	
YES	NO	YES	NO
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>Sen Jolleyson</u>		<u>Rep Porter</u>	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>Sen Welecher</u>		<u>Rep Monson</u>	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>Sen Heickamp</u>		<u>Rep Kelsch</u>	

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) 1438 - 1439
SJ 1017
and place _____ on the Seventh order.

_____, adopt (further) amendments as follows, and place _____ on the Seventh order:

_____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____

CARRIER: _____

LC NO.	of amendment
LC NO.	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: Monson

SECONDED BY: Kelsch

VOTE COUNT 4 YES 2 NO 0 ABSENT

Revised 4/1/05

Motion failed

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1515

That the House recede from its amendments as printed on pages 1438 and 1439 of the House Journal and page 1017 of the Senate Journal and that Engrossed House Bill No. 1515 be amended as follows:

Page 1, line 1, replace the second "and" with a comma

Page 1, line 2, after "54-17" insert "and, if Senate Bill No. 2288 of the sixtieth legislative assembly becomes effective, a new section to chapter 54-17"

Page 1, line 3, replace "and" with a comma

Page 1, line 4, after "program" insert ", and to establish a biomass incentive and research fund; to provide a transfer"

Page 1, line 17, replace "A" with "If Senate Bill No. 2288 of the sixtieth legislative assembly does not become effective, a"

Page 2, replace lines 22 through 27 with:

"10. Work in cooperation with the game and fish department to establish a private land open to sportsmen program biomass demonstration project.

SECTION 3. If Senate Bill No. 2288 is approved by the legislative assembly and becomes effective, a new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Biomass Incentive and research program. The industrial commission in coordination with the renewable energy council may:

1. Establish an incentive program to assist the agricultural community to demonstrate the production, harvest, storage, and delivery of a biomass feedstock on a commercial scale to a private sector end user.
2. Establish a project on a scale sufficient to enable at least one group of cooperating agricultural producers, and preferably two groups in different regions of the state, to produce, harvest, store, and deliver biomass feedstock to an end user at commercial scale.
3. Give priority on a perennial grass feedstock due to the state's resource potential, although residual feedstocks are eligible for consideration.
4. Establish procedures for competitive applications by cooperating agricultural producers organized through a limited liability corporation, cooperative, or other appropriate ownership structure, that can demonstrate in their application the commitment of a commercial end user to purchase the biomass produced and adequate technical support to accomplish the biomass production, harvest, storage, and delivery to that end user.

5. Provide funds for incentives, including producer payments to provide income support during the critical biomass stand establishment period of two years without harvest, in the case of native grasses, or other perennial biomass crops.
6. Ensure that activities enumerated in this section qualify for the agriculture partnership in assisting community expansion program.
7. Arrange for the provision of technical assistance services determined by participating producers in their application to the industrial commission.
8. Provide incentive support targeted to producer entities that successfully apply to the industrial commission rather than the commercial biomass end user.
9. Provide funds for a front-end engineering and design study for a cellulosic ethanol and nanowiskers project.
10. Work in cooperation with the game and fish department to establish a private land open to sportsmen program biomass demonstration project.

SECTION 4. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Biomass Incentive and research fund. The biomass incentive and research fund is a special fund in the state treasury. The industrial commission shall establish the guidelines and procedures for use of the fund. All earnings of the fund must be credited to the fund.

SECTION 5. TRANSFER - APPROPRIATION. The industrial commission may transfer up to \$1,000,000 from the beginning farmer revolving loan fund located at the Bank of North Dakota and up to \$1,000,000 from the partnership in assisting community expansion fund to the biomass incentive and research fund. The funds are appropriated for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 6. ORGANIC ADVISORY BOARD - GRANT. The industrial commission may grant up to \$130,000 from the biomass incentive and research fund to the organic advisory board to support organic agriculture initiatives and programs during the biennium beginning July 1, 2007, and ending June 30, 2009."

Renumber accordingly

**REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)**

Bill Number HB 1515 (, as (re)engrossed):

Date: 4-16-07

Your Conference Committee Natural Resources 2:30PM

attend For the Senate: YES / NO *attend* For the House: YES / NO

	YES	NO		YES	NO
Sen Tolleson	✓		Rep Porter	✓	
Sen Ulscher	✓		Rep Monson	✓	
Sen Hestkamp	✓		Rep Kelsh	✓	

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (S/J/H) page(s) 1438 - 1439

and place _____ on the Seventh order.

adopt (further) amendments as follows, and place _____ on the Seventh order:

having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____

CARRIER: _____

LC NO. <u>0405</u> of amendment <u>w/ 30,000 w/ money</u>
LC NO. _____ of engrossment <u>going to by Comm to promote business opportunities + programs -</u>
Emergency clause added or deleted
Statement of purpose of amendment

MOTION MADE BY: Monson

SECONDED BY: Ulscher

VOTE COUNT YES 0 NO 0 ABSENT

*StB
recede
Part C*

REPORT OF CONFERENCE COMMITTEE

HB 1515, as engrossed: Your conference committee (Sens. Tollefson, Urlacher, Heitkamp and Reps. Porter, Monson, S. Kelsh) recommends that the **SENATE RECEDE** from the Senate amendments on HJ pages 1438-1439, adopt amendments as follows, and place HB 1515 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1438 and 1439 of the House Journal and page 1017 of the Senate Journal and that Engrossed House Bill No. 1515 be amended as follows:

Page 1, line 1, replace the second "and" with a comma

Page 1, line 2, after "54-17" insert "and, if Senate Bill No. 2288 of the sixtieth legislative assembly becomes effective, a new section to chapter 54-17"

Page 1, line 3, replace "and" with a comma

Page 1, line 4, after "program" insert ", and to establish a biomass incentive and research fund; to provide a transfer"

Page 1, line 17, replace "A" with "If Senate Bill No. 2288 of the sixtieth legislative assembly does not become effective, a"

Page 2, replace lines 22 through 27 with:

"10. Work in cooperation with the game and fish department to establish a private land open to sportsmen program biomass demonstration project.

SECTION 3. If Senate Bill No. 2288 is approved by the legislative assembly and becomes effective, a new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Biomass Incentive and research program. The industrial commission in coordination with the renewable energy council may:

1. Establish an incentive program to assist the agricultural community to demonstrate the production, harvest, storage, and delivery of a biomass feedstock on a commercial scale to a private sector end user.
2. Establish a project on a scale sufficient to enable at least one group of cooperating agricultural producers, and preferably two groups in different regions of the state, to produce, harvest, store, and deliver biomass feedstock to an end user at commercial scale.
3. Give priority on a perennial grass feedstock due to the state's resource potential, although residual feedstocks are eligible for consideration.
4. Establish procedures for competitive applications by cooperating agricultural producers organized through a limited liability corporation, cooperative, or other appropriate ownership structure, that can demonstrate in their application the commitment of a commercial end user to purchase the biomass produced and adequate technical support to accomplish the biomass production, harvest, storage, and delivery to that end user.
5. Provide funds for incentives, including producer payments to provide income support during the critical biomass stand establishment period of

two years without harvest, in the case of native grasses, or other perennial biomass crops.

6. Ensure that activities enumerated in this section qualify for the agriculture partnership in assisting community expansion program.
7. Arrange for the provision of technical assistance services determined by participating producers in their application to the industrial commission.
8. Provide incentive support targeted to producer entities that successfully apply to the industrial commission rather than the commercial biomass end user.
9. Provide funds for a front-end engineering and design study for a cellulosic ethanol and nanowhiskers project.
10. Work in cooperation with the game and fish department to establish a private land open to sportsmen program biomass demonstration project.

SECTION 4. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Biomass incentive and research fund. The biomass incentive and research fund is a special fund in the state treasury. The industrial commission shall establish the guidelines and procedures for use of the fund. All earnings of the fund must be credited to the fund.

SECTION 5. TRANSFER - APPROPRIATION. The industrial commission may transfer up to \$1,000,000 from the beginning farmer revolving loan fund located at the Bank of North Dakota and up to \$1,000,000 from the partnership in assisting community expansion fund to the biomass incentive and research fund. The funds are appropriated for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 6. ORGANIC ADVISORY BOARD - GRANT. The industrial commission may grant up to \$30,000 from the biomass incentive and research fund to the agriculture commissioner to support organic agriculture initiatives and programs during the biennium beginning July 1, 2007, and ending June 30, 2009."

Renumber accordingly

Engrossed HB 1515 was placed on the Seventh order of business on the calendar.

Conference Committee Amendments to Engrossed HB 1515 (70692.0407) - 04/23/2007

That the Senate recede from its amendments as printed on pages 1438 and 1439 of the House Journal and page 1017 of the Senate Journal and that Engrossed House Bill No. 1515 be amended as follows:

Page 1, line 1, replace the second "and" with a comma

Page 1, line 2, after "54-17" insert ", and, if Senate Bill No. 2288 of the sixtieth legislative assembly becomes effective, a new section to chapter 54-17"

Page 1, line 3, replace "and" with a comma

Page 1, line 4, after "program" insert ", and to establish a biomass incentive and research fund; to provide a transfer"

Page 1, line 17, replace "A" with "If Senate Bill No. 2288 of the sixtieth legislative assembly does not become effective, a"

Page 2, replace lines 22 through 27 with:

- "10. Work in cooperation with the game and fish department to establish a private land open to sportsmen program biomass demonstration project.

SECTION 3. If Senate Bill No. 2288 is approved by the legislative assembly and becomes effective, a new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Biomass Incentive and research program. The industrial commission in coordination with the renewable energy council may:

1. Establish an incentive program to assist the agricultural community to demonstrate the production, harvest, storage, and delivery of a biomass feedstock on a commercial scale to a private sector end user.
2. Establish a project on a scale sufficient to enable at least one group of cooperating agricultural producers, and preferably two groups in different regions of the state, to produce, harvest, store, and deliver biomass feedstock to an end user at commercial scale.
3. Give priority on a perennial grass feedstock due to the state's resource potential, although residual feedstocks are eligible for consideration.
4. Establish procedures for competitive applications by cooperating agricultural producers organized through a limited liability corporation, cooperative, or other appropriate ownership structure, that can demonstrate in their application the commitment of a commercial end user to purchase the biomass produced and adequate technical support to accomplish the biomass production, harvest, storage, and delivery to that end user.
5. Provide funds for incentives, including producer payments to provide income support during the critical biomass stand establishment period of two years without harvest, in the case of native grasses, or other perennial biomass crops.
6. Ensure that activities enumerated in this section qualify for the agriculture partnership in assisting community expansion program.
7. Arrange for the provision of technical assistance services determined by participating producers in their application to the industrial commission.
8. Provide incentive support targeted to producer entities that successfully apply to the industrial commission rather than the commercial biomass end user.
9. Provide funds for a front-end engineering and design study for a cellulosic ethanol and nanowhiskers project.
10. Work in cooperation with the game and fish department to establish a private land open to sportsmen program biomass demonstration project.

SECTION 4. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Biomass Incentive and research fund. The biomass incentive and research fund is a special fund in the state treasury. The industrial commission shall establish

the guidelines and procedures for use of the fund. All earnings of the fund must be credited to the fund.

SECTION 5. TRANSFER - APPROPRIATION. The industrial commission may transfer up to \$1,000,000 from the beginning farmer revolving loan fund located at the Bank of North Dakota and up to \$1,000,000 from the biofuel partnership in assisting community expansion fund to the biomass incentive and research fund. The funds are appropriated for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 6. ORGANIC ADVISORY BOARD - GRANT. The industrial commission may grant up to \$30,000 from the biomass incentive and research fund to the agriculture commissioner to support organic agriculture initiatives and programs during the biennium beginning July 1, 2007, and ending June 30, 2009."

Renumber accordingly

**REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)**

Bill Number HB 1515 (, as (re)engrossed):

Date: 4-23-07

Your Conference Committee Natural Resources 5:00PM

For the Senate: ATTEND
YES / NO

For the House: ATTEND
YES / NO

<u>Sen Tolleson</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Rep Porter</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>Sen Ullricher</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>Rep Mansom</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>Sen Heitkamp</u>	<input type="checkbox"/>	<input type="checkbox"/>	<u>Rep Kelch</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the ~~(Senate)~~ (House) amendments on (SJ/HJ) page(s) 1438 - 1439

____, and place _____ on the Seventh order.

____, adopt (further) amendments as follows, and place _____ on the Seventh order:

____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____

CARRIER: _____

LC NO.	<u>.0407</u>	of amendment	<u>change Section 5 - \$1,000,000</u>
LC NO.		of engrossment	<u>from Bid rules rather than PACE</u>
Emergency clause added or deleted			
Statement of purpose of amendment			

MOTION MADE BY: Mansom

SECONDED BY: Tolleson

VOTE COUNT 5 YES 1 NO 0 ABSENT

REPORT OF CONFERENCE COMMITTEE

HB 1515, as engrossed: Your conference committee (Sens. Tollefson, Urlacher, Heitkamp and Reps. Porter, Monson, S. Kelsh) recommends that the **SENATE RECEDE** from the Senate amendments on HJ pages 1438-1439, adopt amendments as follows, and place HB 1515 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1438 and 1439 of the House Journal and page 1017 of the Senate Journal and that Engrossed House Bill No. 1515 be amended as follows:

Page 1, line 1, replace the second "and" with a comma

Page 1, line 2, after "54-17" insert ", and, if Senate Bill No. 2288 of the sixtieth legislative assembly becomes effective, a new section to chapter 54-17"

Page 1, line 3, replace "and" with a comma

Page 1, line 4, after "program" insert ", and to establish a biomass incentive and research fund; to provide a transfer"

Page 1, line 17, replace "A" with "If Senate Bill No. 2288 of the sixtieth legislative assembly does not become effective, a"

Page 2, replace lines 22 through 27 with:

"10. Work in cooperation with the game and fish department to establish a private land open to sportsmen program biomass demonstration project.

SECTION 3. If Senate Bill No. 2288 is approved by the legislative assembly and becomes effective, a new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Biomass Incentive and research program. The industrial commission in coordination with the renewable energy council may:

1. Establish an incentive program to assist the agricultural community to demonstrate the production, harvest, storage, and delivery of a biomass feedstock on a commercial scale to a private sector end user.
2. Establish a project on a scale sufficient to enable at least one group of cooperating agricultural producers, and preferably two groups in different regions of the state, to produce, harvest, store, and deliver biomass feedstock to an end user at commercial scale.
3. Give priority on a perennial grass feedstock due to the state's resource potential, although residual feedstocks are eligible for consideration.
4. Establish procedures for competitive applications by cooperating agricultural producers organized through a limited liability corporation, cooperative, or other appropriate ownership structure, that can demonstrate in their application the commitment of a commercial end user to purchase the biomass produced and adequate technical support to accomplish the biomass production, harvest, storage, and delivery to that end user.
5. Provide funds for incentives, including producer payments to provide income support during the critical biomass stand establishment period of

two years without harvest, in the case of native grasses, or other perennial biomass crops.

6. Ensure that activities enumerated in this section qualify for the agriculture partnership in assisting community expansion program.
7. Arrange for the provision of technical assistance services determined by participating producers in their application to the industrial commission.
8. Provide incentive support targeted to producer entities that successfully apply to the industrial commission rather than the commercial biomass end user.
9. Provide funds for a front-end engineering and design study for a cellulosic ethanol and nanowhiskers project.
10. Work in cooperation with the game and fish department to establish a private land open to sportsmen program biomass demonstration project.

SECTION 4. A new section to chapter 54-17 of the North Dakota Century Code is created and enacted as follows:

Biomass incentive and research fund. The biomass incentive and research fund is a special fund in the state treasury. The industrial commission shall establish the guidelines and procedures for use of the fund. All earnings of the fund must be credited to the fund.

SECTION 5. TRANSFER - APPROPRIATION. The industrial commission may transfer up to \$1,000,000 from the beginning farmer revolving loan fund located at the Bank of North Dakota and up to \$1,000,000 from the biofuel partnership in assisting community expansion fund to the biomass incentive and research fund. The funds are appropriated for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 6. ORGANIC ADVISORY BOARD - GRANT. The industrial commission may grant up to \$30,000 from the biomass incentive and research fund to the agriculture commissioner to support organic agriculture initiatives and programs during the biennium beginning July 1, 2007, and ending June 30, 2009."

Renumber accordingly

Engrossed HB 1515 was placed on the Seventh order of business on the calendar.

2007 TESTIMONY

HB 1515

Item #1

Testimony on HB 1515

Rep. David Monson, Dist. 10

Mr. Chairman and members of the House Natural Resources Committee, I am here to urge your support on another energy bill that is part of a package of larger bills taking shape to expand ND's role in our nation's energy production. This bill actually has three components in it. It may need some tweaking, but I have no amendments to propose at this time.

Section I of the bill provides language which is permissive for ND Game and Fish to participate in incentives to help farmers and sportsmen alike. In essence, this section allows farmers to apply to Game and Fish for help in establishing perennial grass stands, probably switchgrass, although not limited to that species. This would be done through the PLOTS program. It would also have some evaluation of the compatibility of harvesting these perennial grasses, providing habitat for wildlife, and providing access for hunters.

Section II of the bill is also permissive and says that the industrial commission may establish a biomass incentive and research program. The sum of the first eight parts of this section lay out the intent of the bill to encourage farmers to begin to produce biomass in enough quantity to ensure commercial processing industries would have enough biomass to support their industry. In other words, it is an attempt to get past the "chicken and egg" dilemma. Farmers won't grow a crop if they can't market it and make a profit or at least break even. Industry won't invest in factories and processing plants without a supply of raw materials.

Point number 9 in this section may or may not fit entirely with this section. Some people believe it is a good fit while others feel putting this in it's own section may be more appropriate. There is another bill, SB 2288, which deals with biomass among other things, over in the Senate. The nanowiskers project referred to in this bill actually uses wheat straw and is being researched at NDSU. The link between the perennial grasses and the wheat straw is the end product of the biomass, which is biofuels from cellulose.

The bill, as I originally envisioned it, had a combination of several funding sources with upwards of \$5 Million in it. Before putting the bill into the

hopper I decided, with advice from other legislators, that we would take the appropriations sections out of the bill to avoid "death by fiscal note", as we often refer to it, or "sticker shock". We also wanted to make sure that this important bill was introduced within the time restraints of our rules yet still give us time to think through the various funding sources available. This sometimes causes heartburn to the people in agencies and institutions named in the bill, as well as to others who want the bill to pass but wonder how it will get done with no money. I want to assure everyone that we do have ample opportunities yet to work on agency budgets. We are working on the budgets in appropriations now and will be for the next week or so. Although it is not uncommon to have language in one bill and funding for it in another, it can be confusing.

Some of the potential sources of funds or budgets to adjust to accommodate this bill are the industrial commission budget, commerce department budget where centers of excellence are located, and the higher education budget which includes NDSU along with research and extension. There may be others we can look at, also, so if you have preferences and/or ideas, I would encourage you to contact me, Chairman Porter, or other legislators in the next few days. We will be discussing some of these options and have already discussed this in some detail. Section I will likely be funded through special funds in the Game and Fish budget. Keep in mind that this entire bill is permissive without mandates in it, so participation by any agency or entity is contingent upon the necessary funds in the right places to work. We'll do our best to make it work.

There are many others here who, hopefully, can answer your questions better than I, but I will try to answer your questions the best I can if you have any.

Roger Johnson
Agriculture Commissioner
www.agdepartment.com



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

Item #2

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

**Testimony of Roger Johnson
Agriculture Commissioner
HB 1515
House Natural Resources Committee
Pioneer Room
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 1515, which would provide for a special demonstration project and incentives for biomass production in North Dakota.

The ideas contained in this bill are the work of a Biomass Energy Task Force that was convened earlier this year to review biomass energy activities, development and potential in North Dakota, examine current state policies/programs related to biomass energy development and propose action items to promote using biomass as an energy source including possible legislation. My office was a task force participant. A copy of the task force report is attached for your review.

There is great potential to develop the biomass industry in North Dakota, ranging from the production of energy crops for delivery to an ethanol conversion facility to the utilization of crop

aftermath to produce cellulosic “nanowhiskers” to the utilization of wood waste or chips to feed boilers for energy production. According to a report from the Oak Ridge National Laboratory, North Dakota ranks first in the nation in potential to produce perennial energy crops. The biomass resource map attached to this testimony also shows that many areas in North Dakota have significant potential to produce biomass resources.

As the corn ethanol industry continues to mature, the market will continue to seek new feedstocks for the production of ethanol. As the cellulosic ethanol industry begins to commercialize, we need to ensure that our agricultural producers are able to efficiently produce and deliver the feedstock – whether an energy crop or crop aftermath – to the market.

According to Dr. Larry Leistritz at North Dakota State University, a cellulose based biorefinery producing 50 million gallons of ethanol per year would annually contribute \$183 million to North Dakota’s economy and would support more than 2,000 jobs.

HB 1515 provides for specific incentives and for a special demonstration project to meet that need. We have been told repeatedly by Iogen and other leading experts in cellulosic energy development that one of the most important things we can do to spur this development is to demonstrate our capability to grow the desired feedstock on a large enough scale and in a relative concentrated area. In addition, the legislation directs the Industrial Commission to provide funding for a FEED study for the NDSU/MBI Biomaterials Initiative, which would commercialize technology to produce bio-based “nanowhiskers” for use as a fiberglass

replacement. That is what we hope to demonstrate with this provision. Specific testimony regarding this initiative will be offered by others during this hearing.

SB 2288 also contains a provisions relating to biomass research and incentives. SB 2288 also contains a \$20 million appropriation for the establishment of a Renewable Energy Development Fund and creates a Renewable Energy Research Council to work in conjunction with the Industrial Commission to competitively award monies from the fund. SB 2288 calls for \$5 million of the fund to be earmarked for biomass development.

HB 1515 will provide a “springboard” for the biomass industry in the state and foster production, storage, delivery and conversion of biomass. Chairman Porter and committee members, I would like to recommend a “do pass” on HB 1515. Thank you for this opportunity to offer testimony. I would be happy to answer any questions you may have.

January 16, 2007



Report of the North Dakota Biomass Energy Task Force



The North Dakota State University Extension Service was selected through a grant proposal process by the North Dakota Department of Commerce to convene a task force of representatives from agencies and organizations associated with or interested in biomass for energy in North Dakota to complete the following objectives:

- a) Review biomass energy activities, development and potential in North Dakota
- b) Examine current state policies/programs related to biomass development
- c) Propose action items to promote using biomass as an energy source including possible legislation for the 2007 legislative session.

Task force participants completed the task by providing written input, and participating in three face-to-face meetings (15 hrs.) and two conference calls (3 hrs.). It was decided that for this project biomass energy would not include ethanol from grain, biodiesel, coal, or biomass co-products even

though they are very important aspects of biomass energy.

The Biomass Energy Task Force determined that all action plans should agree with the following core values established by the task force.

- Be Sustainable
- Not be harmful to people or the environment
- Must be economical and viable, except for pilot or demonstration projects
- Should use North Dakota and United States resources
- We should be a leader
- We should be willing to take risks
- Proposed projects should enhance North Dakota businesses
- The outcomes and information become public knowledge - share & collaborate
- Recognize the timeliness of activities – establish timelines
- Must be practical and usable



North Dakota Biomass Energy Action Plan

1. Establish a "Biomass Energy Center" consisting of a multidisciplinary group lead by NDSU research and extension faculty to research biomass production, harvesting, storage and transportation to conversion facilities for the production of biomass energy and value-added co-products.
 - a. NDSU and USDA researchers will expand agronomic research to determine the most efficient perennial grasses for cellulose production and recommended agronomic practices.
 - b. The NDSU Agricultural & Biosystems Engineering Department will research the most efficient methods of harvesting various biomass materials.
 - c. The NDSU Agribusiness and Applied Economics Department will determine the benefits of biomass densification or pre-processing and the Agricultural & Biosystems Engineering Department will research densification or pre-processing technologies.
 - d. The NDSU Agribusiness and Applied Economics Department will complete an economic evaluation of all steps in the utilization of biomass for energy.
2. The ND Biomass Task Force requests the North Dakota Office of Renewable Energy and Energy Efficiency (Energy Office) seek funding for a person who would, on a full-time basis, provide biomass education and promote biomass energy. This person or entity would not necessarily be part of the Energy Office. This person or entity should be in place by December 31, 2007.
3. The ND Biomass Energy Task Force recommends that a person be funded to provide education and technical assistance related to biomass energy for the agricultural sector and related industries. This person is in addition to the person identified in item 2. The NDSU Extension Service could provide this educational programming with an additional staff person funded by the North Dakota legislature or other entities.
4. The ND Natural Resources Trust, NDSU researchers and other committee members will seek funding to continue perennial biomass production research and education at NDSU Research & Extension Centers and the USDA-ARS Northern Great Plains Research Laboratory at Mandan.
5. The Great Plains Institute will work with members of the ND Biomass Energy Task Force, ND Renewable Energy Partnership members and North Dakota legislators to draft and introduce consensus legislation for an incentive program to help the agricultural community demonstrate production, harvest, storage and delivery of a biomass feedstock on a commercial scale to a private sector end user. Opportunities for funding will also be explored with the ND Senators and Congressman. Demonstration of the ability to supply a feedstock consistently and reliably is a precursor for North Dakota to be able to attract private investment in a future commercial cellulosic biomass plant. Elements of a funding and incentive package to be proposed in the 2007 legislative session include:
 - a. Scale sufficient to enable at least one group of cooperating agricultural producers in the 2007-2009 biennium to begin supplying feedstock to an end user at commercial scale;
 - b. Priority on perennial grass feedstock due to North Dakota's resource potential, although residual feed stocks would be eligible for consideration;
 - c. Priority on biomass for end use applications that offset natural gas and commonly used alternatives;
 - d. Administration through Agricultural Products Utilization Commission by competitive RFP solicitation awarded to group(s) of agricultural producers organized through a LLC or appropriate ownership structure;
 - e. Program targeted to producer entity(ies) that is successful in the solicitation, not the commercial biomass end user, although the latter would be free to encourage and assist a group of producers in their response to the RFP;
 - f. Package of incentives and funding to include:
 - i. Incentives for stand establishment of native grasses and income support during the stand establishment period prior to first harvest; (A special PLOTS Program pilot will be proposed that would provide State Game and Fish funding for stand establishment on participating acres in return for public access to hunting and adherence to conservation best practices such as post-season harvest, minimum stubble height, and possibly non-annual harvest.);
 - ii. Interest buy-downs on equipment needed for production, harvest, storage and transport; and
 - iii. Funded technical assistance from University System or private entity (identification of qualified technical resource team would be a necessary component of any successful producer group's application).

6. The ND Biomass Energy Task Force supports Senator Conrad's legislation under development that would provide for a pilot demonstration of harvest of CRP acres for biomass utilization in accordance with established conservation objectives of the program. Senator Conrad's legislation would provide for at least one pilot demonstration in North Dakota, which could be matched with a producer group in North Dakota that receives an award under the state program to supply perennial grass feedstock. The ability to involve CRP acreage in a ND project would effectively provide supplementary federal money for stand establishment costs and in income support prior to first harvest.
7. Support cellulosic biomass refinery related research and development in North Dakota using dedicated energy crops and crop residues.
8. Support manufacturers who develop biomass energy equipment or facilities in North Dakota.
9. A subcommittee consisting of Galen Bren, City of Bismarck, Jackson Bird, North Dakota Forest Service, Steve Tillotson, North Dakota Department of Health and Richard Irish, ADM Northern Sun, will develop educational and informational materials highlighting biomass success stories in the state, including the use of biomass in lieu of coal, by September 1, 2007. These materials will be produced, stocked and disseminated by the North Dakota Office of Renewable Energy and Energy Efficiency and any other interested entities.
10. The ND Biomass Energy Task Force requests that the North Dakota Office of Renewable Energy and Energy Efficiency (Energy Office) endeavor to secure partners and funding for a study to determine the long-term potential of existing and emerging gasification technologies. This study should include both domestic and international technologies and with a completion date of December 31, 2007. If the study indicates that there are appropriate commercially viable technologies, the Energy Office will endeavor to secure partners and funding to implement demonstration projects for these technologies in North Dakota.
11. The ND Biomass Energy Task Force through the North Dakota Renewable Energy Partnership shall develop and support legislation to provide state matching funding for studies and projects that demonstrate the viability of converting state and private facilities from conventional to biomass fuels if economically viable within the business plans. This bill shall be submitted for the consideration of the 2009 North Dakota Legislature.
12. A ND Biomass Energy Task Force subcommittee consisting of Bruce Grubb, City of Fargo, Steve Tillotson, North Dakota Department of Health, and Jackson Bird, North Dakota Forest Service, will identify, quantify, and compile information on viable sources of municipal and woody biomass within North Dakota by July 1, 2007. The North Dakota Office of Renewable Energy and Energy Efficiency, the North Dakota Department of Health, and other interested entities will store and disseminate this information to all interested parties.
13. All ND Biomass Energy Task Force members are encouraged to be actively involved with the North Dakota Renewable Energy Partnership to ensure that biomass interests are properly represented and championed.
14. The ND Biomass Energy Task Force, through the North Dakota Renewable Energy Partnership, will develop and support legislation to appropriate a portion of the North Dakota Resources Trust Fund to support biomass energy. This bill shall be submitted for the consideration of the 2007 North Dakota Legislature.
15. The ND Biomass Energy Task Force, through the North Dakota Renewable Energy Partnership, will develop and support legislation to establish a PACE loan program for biomass similar to that currently in place in North Dakota for the biodiesel industry. Offer this legislation for consideration by the 2007 North Dakota Legislature.
[http://www.banknd.com/lis/lis_commercial5.jsp]
16. The ND Biomass Energy Task Force, working with the North Dakota Renewable Energy Partnership, will work with the federal North Dakota legislative delegation and North Dakota state leadership to include biomass energy in the concept of an energy corridor.

Contact: Kenneth Hellevang, NDSU Extension Service, 701-231-7243

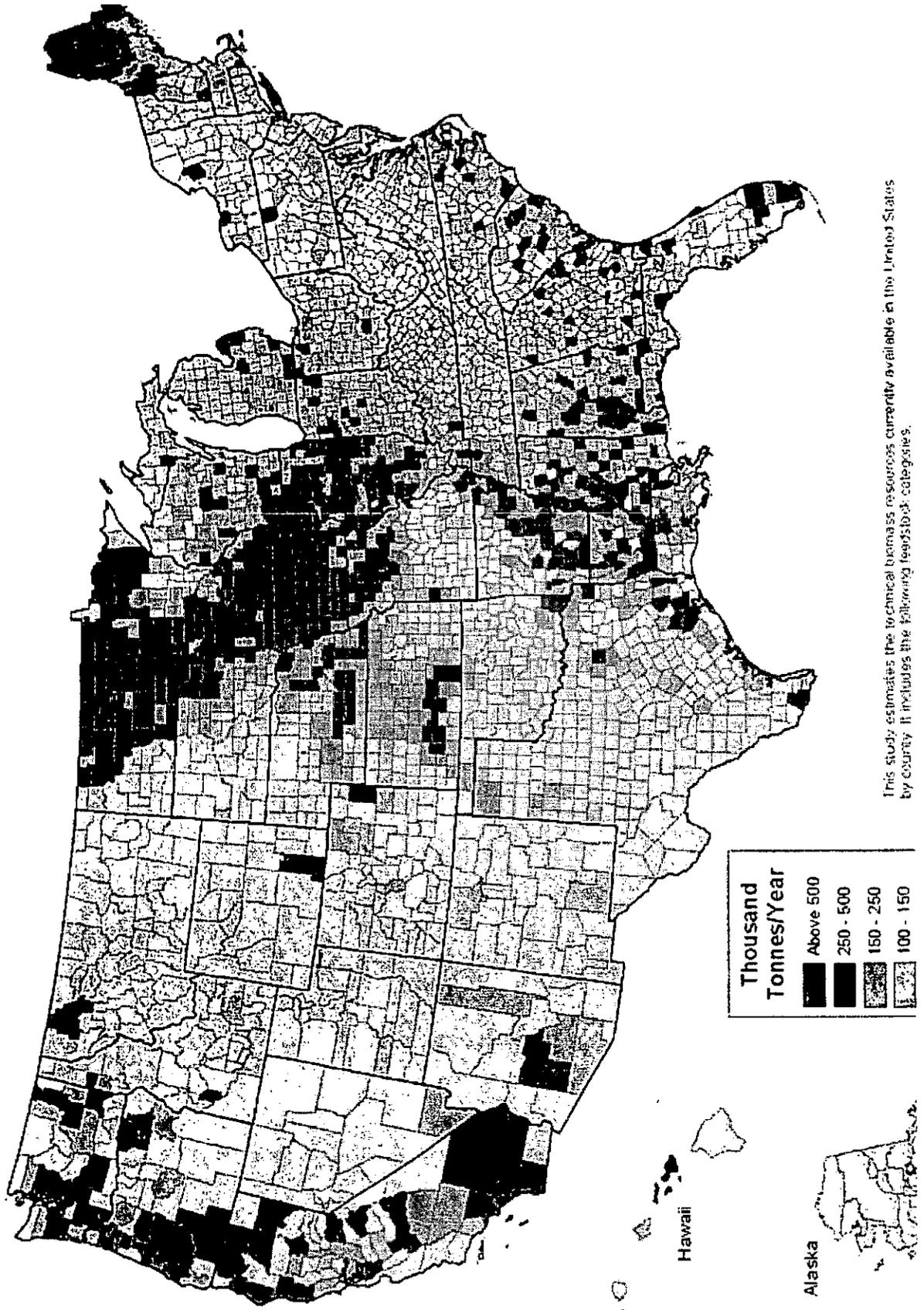
North Dakota Biomass Energy Task Force Participants

Terry Allbee, ND Natural Resources Trust
Kent Belland, ND Dept. of Health, Division of Waste Mgmt
Dan Bernhardson, American Crystal Sugar
Jackson Bird, ND Forest Service
Galen Bren, City of Bismarck
Al Christianson, Great River Energy
Kim Christianson, ND Dept. of Comm., Renewable Energy
Brad Crabtree, Great Plains Institute
Dan Delahoyde, ND Farm Bureau
Pat Downs, Dakota Enterprise Center-Cooperative Development
Tim Faller, NDSU Experiment Station Asst. Director
James Flaherty, Sr., Federal Machine
Mindi Grieve, ND Farmers Union
Bruce Grubb, Fargo Public Utilities
Cole Gustafson, NDSU
Mike Gustafson, Northern Great Plains Biofuel Systems
Tom Helland, ND Dept. of Health, Division of Waste Mgmt
Ken Hellevang, NDSU Extension Service, ABEN
Vern Hofman, NDSU Extension Service, ABEN
William Huether, ND Dept. of Comm., Renewable Energy
Richard Irish, ADM - Northern Sun
Keith Kelly, Ottertail Power Company
Karen Kreil, ND Natural Resources Trust
Arnold Kruse, ND Natural Resources Trust

Patrice Lahlum, ND Dept. of Ag.
Loren Laugtug, Ottertail Power Company
Larry Leistritz, North Dakota State University
Kerryanne Leroux, Energy & Environmental Research Center (EERC)
Jeremy Mahowald, Cass County Electric Co-op
Scott McLeod, Ducks Unlimited
Dwain Meyer, NDSU AES Plant Sciences
Kris Nichols, Northern Great Plains Research Lab
Paul Nyren, NDSU Streeter R/E Center
Richard Peterson, Xcel Energy
Scott Pryor, North Dakota State University
Ron Rebenitsch, Basin Electric Power Coop.
Mark Remer, Ottertail Power Company
Randy Renner, Ducks Unlimited
Jim Ringelman, Ducks Unlimited
Darren Schmidt, EERC
Dan Skolness, Biomass Products, LLC
Duane Steen, Montana Dakota Utilities
Steve Tillotson, Div. Waste Management, ND Dept of Health
Cal Thorson, USDA Northern Great Plains Research Laboratory
Keith Trego, ND Natural Resources Trust
Kathleen Tweeten, NDSU Ext. Service, Center for Community Vitality
Mark Wax, USDA Rural Development
Mike Williams, Fargo City Comm.
Christopher Zygarlicke, EERC



Biomass Resources Available in the United States



**House Bill 1515: Establishment of a Biomass Incentive and Research Program
Testimony to the House Natural Resources Committee**

January 25, 2007

**Brad Crabtree
Great Plains Institute
Ashley, ND
(701) 647-2041
bcrabtree@gpisd.net**

Item #3

Mr. Chairman and members of the committee, thank you for the opportunity to testify on behalf of HB 1515. I also want to thank the bill sponsors, Representative Monson, Chairman Porter and Senator Olafson, for their efforts to position North Dakota for leadership in the emerging bio-economy.

My name is Brad Crabtree. I am program director of the non-profit Great Plains Institute with offices in North Dakota and Minnesota. The Great Plains Institute staffs a Biomass Work Group with over 50 participants from industry, farm organizations, research institutions, state governments and conservation groups from six Upper Midwest states. We promote state policies and support projects that demonstrate the production of energy, chemicals and bio-products from biomass. The legislation before you today draws on recommendations from this regional Work Group and from the North Dakota Biomass Task Force, which recently issued its final report.

North Dakota is on the cusp of exciting bio-energy opportunities. Today, we produce ethanol from corn and biodiesel from soybeans and oilseeds, and the economic impact of those industries is growing rapidly. Tomorrow, we will use not only the starch and oils to produce liquid fuels, but the rest of the plant in the form of cellulose, whether from crop residues such as corn stover and wheat straw, or from dedicated energy crops such as perennial grasses. Everyone from President Bush to my fellow ranchers in Dickey County are talking about the promise of cellulosic ethanol. In reality, cellulosic biomass offers North Dakota agriculture and industry the opportunity to produce a wealth of valuable products: ethanol, bio-oils, bio-gas, specialty chemicals, and bio-products and materials.

In addition to opening the door to new markets, North Dakota's potential for cellulosic biomass production is extraordinary. According to recent analysis by the National Renewable Energy Laboratory, North Dakota has the potential to supply more than 17 million metric tonnes of biomass annually from crop residues, native grasses and other feedstocks. North Dakota ranks number one in potential switchgrass production from CRP acreage—more than 10 million tons annually.

A four-year regional research initiative coordinated by the Great Plains Institute shows that not just switchgrass, but other native grasses such as big bluestem, can become future energy crops for North Dakota farmers and ranchers, while providing hundreds of thousands of acres of permanent cover to the benefit of the state's sportsmen and our rural hunting and recreation economy.

The race is on to lead this next generation bio-economy. Some states are spending large sums to get the first commercial cellulosic plants. Iowa will invest \$20 million, for example, in a recently

announced facility, and New York is committing over \$25 million to two plants. HB 1515 helps North Dakota gain admission to this competition. Representatives from NDSU will explain how this legislation offers our state the opportunity to develop its own innovative pilot plant that will combine the production of cellulosic ethanol and bio-based composites from wheat straw.

This bill also helps North Dakota accomplish another critical step: to demonstrate to industry and the investment community that we can reliably grow, harvest and deliver a biomass feedstock at commercial scale. We know that we can do this with straw, for example. However, producing perennial grasses as a commercial biomass feedstock is a different enterprise than traditional forage production for livestock. Industry experts have told us repeatedly that generous financial incentives matter little, if a plant does not have access to adequate and reliable feedstock.

To build this case for industry investment, North Dakota Biomass Task Force participants from industry, agriculture, universities and conservation organizations worked together on key elements of the biomass production incentive program authorized by this bill. Briefly, it does the following:

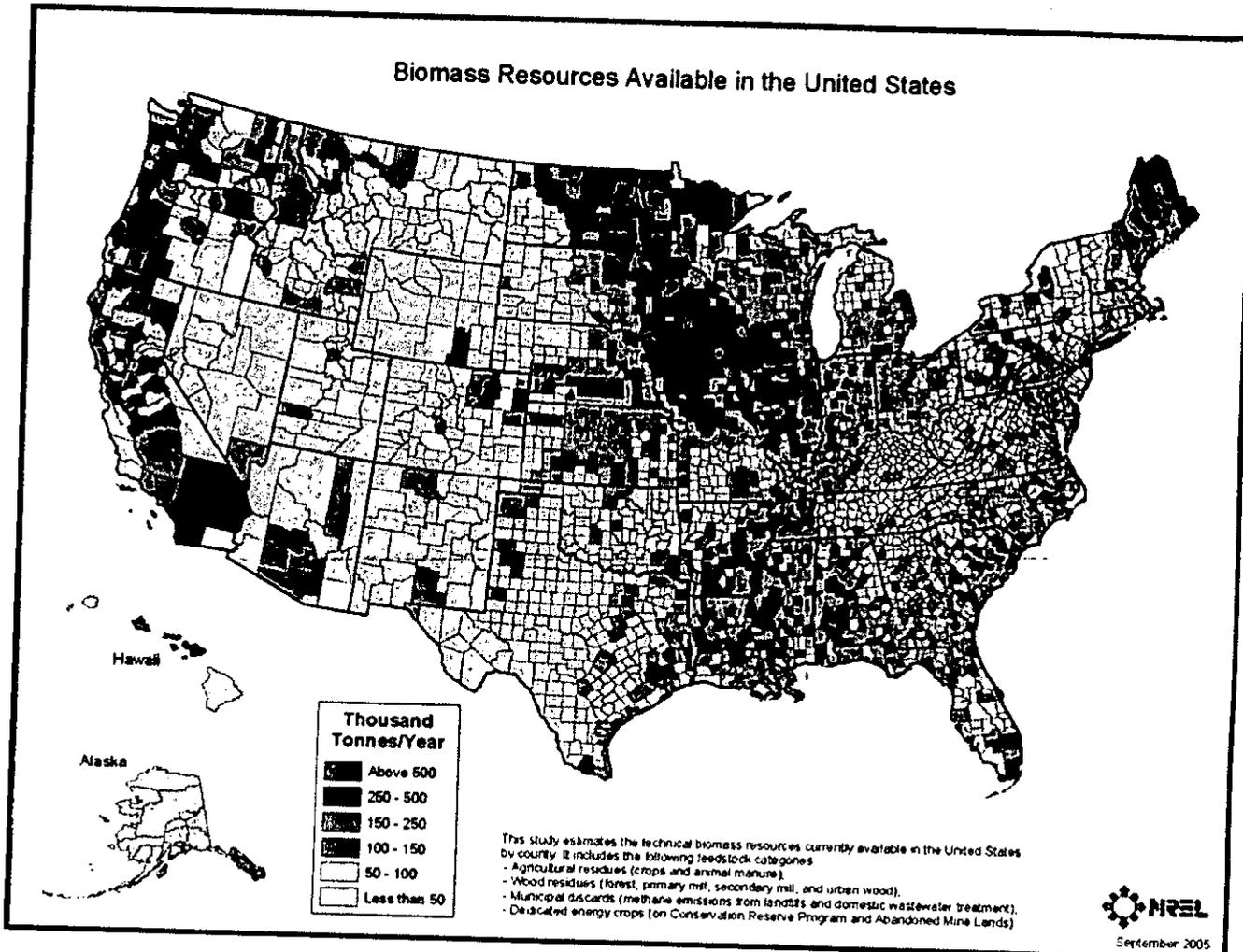
- Provides for incentives to be administered through the State Industrial Commission and competitively awarded to cooperating agricultural producers, while benefiting commercial energy users such as power companies or agricultural processing plants and ethanol plants seeking to offset high natural gas and other energy costs;
- Gives priority to perennial grass production, but with eligibility for other feedstocks;
- Requires commitment from a commercial purchaser of the biomass and expert technical assistance as a condition for receiving incentives;
- Provides interest buy-downs on equipment, producer payments for during the two-year stand establishment period prior to first commercial harvest (possibly in conjunction with the federal CRP program), and funds for technical assistance;
- Demonstrates compatibility of perennial grass energy crop production with wildlife habitat development and public access, potentially through PLOTS program participation in partnership with North Dakota Game and Fish; and
- Enables one 10,000-acre demonstration of biomass production, or two 5,000-acre demonstrations, producing a total of approximately 25,000 tons of biomass annually.

In sum, passage of HB 1515 will help North Dakota launch the bio-refining side of the cellulosic industry, help our farmers grow the feedstock needed to supply that industry, and provide a credible demonstration of North Dakota's resource potential and capabilities in order to attract far greater private investment dollars in the future.

Thank you for consideration of this important bill, and I respectfully urge a do-pass recommendation on HB 1515.

North Dakota is Top-Ranked in Biomass Resource Potential among the 50 U.S. States

Biomass Resources Available in the United States



Item # 4

The Potential Biorefinery Industry in North Dakota

Testimony in support of House Bill No. 1515

Dr. F. Larry Leistritz, Distinguished Professor, NDSU
and

Donald M. Senechal, Founding Principal, The Windmill Group, LLC

We're here today to testify in support of HB 1515. This bill provides the resources and incentives needed to accelerate the development of biomass-based industry in North Dakota and represents a strategic investment that will facilitate the development and expansion of the biofuels and biobased products industry in North Dakota.

The rapid expansion of corn ethanol production has clearly demonstrated the potential for biofuels development. As bioprocessing becomes less expensive, and petroleum feedstock prices increase, biobased products will continue to replace petroleum-based products. This applies not only to liquid fuels, but materials and specialty products as well. North Dakota has large potential supplies of agricultural biomass suitable for bioprocessing feedstock and is well positioned to be on the leading edge of the emerging bio-based economy.

Our project is an example of the kind of technology this bill would support. This project is the kind of project that can position North Dakota as a leader in the biomaterials industry. The NDSU/MBI Biomaterials Initiative was launched two years ago, with initial funding from USDA-CSREES. While progress to date has been good, our efforts have been hampered by lack of funding.

The aim of the project is development and commercialization of technologies to produce materials and ethanol from biomass feedstocks. Initial efforts have focused on commercializing technology to produce a biobased nanocomposite material that could substitute for fiberglass and petroleum-based composites. Wheat straw will initially be the feedstock, however other local raw materials (e.g. switchgrass, industrial hemp) may also make suitable feedstock as the enterprise grows. The technology will be integrated as part of a multi-product biorefinery, which will produce ethanol and electricity as well as cellulose nanofibers for the nanocomposite material. The NDSU/MBI team has completed the initial (*preliminary investigation*) phase of its work, with very encouraging results. These include:

- Wheat straw is a preferred feedstock for a biorefinery as it has a high content of both cellulose and lignin, and the wheat straw nanofibers display superior physical properties.
- Wheat straw can be supplied to a North Dakota biorefinery at costs lower than for alternative feedstocks (e.g., corn stover, switchgrass).
- A cellulose based biorefinery producing 50 million gallons of ethanol per year would use 900,000 tons of wheat straw annually, employ 77 workers, and result in more than \$50 million in annual payments to North Dakota entities. Multiplier effects were estimated to result in a total annual contribution to the North Dakota economy of \$183 million, supporting more than 2,000 additional jobs.

- Biobased composites could substitute for fiberglass in many applications and could be especially attractive to the automotive industry. Biobased products provide equal strength at one half the weight of fiberglass.
- At an ethanol price of \$1.80 per gallon (2005 average), the biorefinery would earn a positive net return (7 percent).
- Advances in process technology for biorefineries, primarily accomplished through biotechnology research, are feasible and likely in the near to medium term. As these advances are made, other raw materials (for example, switchgrass, industrial hemp) will likely become economical.

The potential economic impact of a commercial scale biorefinery is substantial. A large portion of this economic activity would be in rural areas of the state. Because of the bulk of the biomass feedstock, biorefineries and related processing facilities will likely be sited near the source of the feedstock, offering the prospect of substantial new investment and job opportunities in rural areas. Further, because the biomass feedstock represents a major portion of the operating costs for these facilities, a large portion of the operating costs will represent payments to in-state entities, including substantial payments to local farmers, custom baling operators, and truckers

North Dakota is well positioned to be a leader in the emerging biobased economy and as such we strongly support the passage of House Bill No. 1515. The provisions in this bill represent a strategic investment in the emerging bio-based economy that will facilitate the development and expansion of the biofuels and biobased products industry in North Dakota.

Contact information:

Dr. F. Larry Leistritz
Department of Agribusiness
Applied Economics
North Dakota State University
701-231-7455
lleistri@ndsuxext.nodak.edu

Donald M. Senechal
The Windmill Group, LLC
PO Box 141
Drake, ND 58736
701/465-3200
donald.senechal@verizon.net



North Dakota Chapter

THE WILDLIFE SOCIETY

P.O. BOX 1442 • BISMARCK, ND 58502



TESTIMONY OF MIKE McENROE
NORTH DAKOTA CHAPTER OF THE WILDLIFE SOCIETY
PRESENTED TO THE HOUSE NATURAL RESOURCES COMMITTEE
ON HB 1515, JANUARY 26, 2007

CHAIRMAN PORTER AND MEMBERS OF THE COMMITTEE:

I am Mike McEnroe speaking on behalf of the North Dakota Chapter of The Wildlife Society. The Chapter supports the concept of a Biomass Incentive and Research Program called for in HB 1515. We believe that cellulosic ethanol production has potential to provide energy for the Nation, agricultural markets for our producers, and habitat benefits for wildlife.

*Same
Swen to
Senate*

For this to happen, the Biomass Demonstration Program can not compromise the two major conservation programs in North Dakota; the Conservation reserve Program (CRP), and Private Lands Open to Sportsmen (PLOTS).

The conversion of existing CRP contracts to single species stands of switchgrass or other perennial grass would be a step backwards. Conversion of cropland to biomass production would be a habitat gain for wildlife and soil and water conservation, and reduce energy consumption.

Similarly, switchgrass production fields managed for stubble height, non-annual harvest, and conservation best practices could provide habitat values, especially when combined with adjacent wetlands, woodlands, and crop fields, and would be suitable for the Game and Fish Department's working lands PLOTS program for hunting access. However, it will not be feasible to make cellulosic ethanol production dependent on the PLOTS program or on the license fees from the State's sportsmen and women.

With proper communication and coordination, the biomass demonstration project can benefit all three of the State's major industries; agriculture, energy, and tourism/outdoor recreation. We must assure that none of the three are harmed.

Testimony on HB 1515
Rep. David Monson, Dist. 10

Mr. Chairman and members of the Senate Natural Resources Committee, I am here to urge your support of an energy bill that is part of a package of larger bills taking shape to expand ND's role in our nation's energy production. This bill actually has three components in it. It may need some tweaking, but I have no amendments to propose at this time.

Section I of the bill provides language which is permissive for ND Game and Fish to participate in incentives to help farmers and sportsmen alike. In essence, this section allows farmers to apply to Game and Fish for help in establishing perennial grass stands, probably switchgrass, although not limited to that species. This would be done through the PLOTS program. It would also have some evaluation of the compatibility of harvesting these perennial grasses, providing habitat for wildlife, and providing access for hunters. I want to stress that this is done by Game and Fish rules. They decide if it works for them. They decide if the habitat, program, and incentives are what work for them.

Section II of the bill is also permissive and says that the industrial commission may establish a biomass incentive and research program. The sum of the first eight parts of this section lay out the intent of the bill to encourage farmers to begin to produce biomass in enough quantity to ensure commercial processing industries would have enough biomass to support their industry. In other words, it is an attempt to get past the "chicken and egg" dilemma. Farmers won't grow a crop if they can't market it and make a profit or at least break even. Industry won't invest in factories and processing plants without a supply of raw materials.

Point number 9 in this section may or may not fit entirely with this section. Some people believe it is a good fit while others feel putting this in it's own section may be more appropriate. There is another bill, SB 2288, which deals with biomass among other things, over in the House. The nanowiskers project referred to in this bill actually uses wheat straw and is being researched at NDSU. The link between the perennial grasses and the wheat straw is the end product of the biomass, which is biofuels from cellulose.

There are many others here who, hopefully, can answer your questions better than I, but I will try to answer your questions the best I can if you have any.

Roger Johnson
Agriculture Commissioner
www.agdepartment.com



Attachment #3
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 1515
Senate Natural Resources Committee
Fort Lincoln Room
March 8, 2007**

Chairman Lyson and members of the Senate Natural Resources Committee, I am Agriculture Commissioner Roger Johnson. I'm here to offer testimony in favor of HB 1515, which would provide for a special demonstration project and incentives for biomass production in North Dakota.

The ideas contained in this bill are the work of a Biomass Energy Task Force that was convened earlier ^{last} this year to review biomass energy activities, development and potential in North Dakota, examine current state policies/programs related to biomass energy development and propose action items to promote using biomass as an energy source including possible legislation. My office was a task force participant. A copy of the task force report is attached for your review.

There is great potential to develop the biomass industry in North Dakota, ranging from the production of energy crops for delivery to an ethanol conversion facility to the utilization of crop

aftermath to produce cellulosic “nanowhiskers” to the utilization of wood waste or chips to feed boilers for energy production. According to a report from the Oak Ridge National Laboratory, North Dakota ranks first in the nation in potential to produce perennial energy crops. The biomass resource map attached to this testimony also shows that many areas in North Dakota have significant potential to produce biomass resources.

As the corn ethanol industry continues to mature, the market will continue to seek new feedstocks for the production of ethanol. As the cellulosic ethanol industry begins to commercialize, we need to ensure that our agricultural producers are able to efficiently produce and deliver the feedstock – whether an energy crop or crop aftermath – to the market.

According to Dr. Larry Leistritz at North Dakota State University, a cellulose based biorefinery producing 50 million gallons of ethanol per year would annually contribute \$183 million to North Dakota’s economy and would support more than 2,000 jobs.

HB 1515 provides for specific incentives and for a special demonstration project to meet that need. We have been told repeatedly by Iogen and other leading experts in cellulosic energy development that one of the most important things we can do to spur this development is to demonstrate our capability to grow the desired feedstock on a large enough scale and in a relative concentrated area.

In addition, the legislation directs the Industrial Commission to provide funding for a FEED study for the NDSU/MBI Biomaterials Initiative, which would commercialize technology to

produce bio-based “nanowhiskers” for use as a fiberglass replacement. That is what we hope to demonstrate with this provision.

HB 1515 will provide a “springboard” for the biomass industry in the state and foster production, storage, delivery and conversion of biomass. Chairman Lyson and committee members, I would like to recommend a “do pass” on HB 1515. Thank you for this opportunity to offer testimony. I would be happy to answer any questions you may have.

#4

**House Bill 1515: Establishment of a Biomass Incentive and Research Program
Testimony to the Senate Natural Resources Committee
March 8, 2007**

**Brad Crabtree
Great Plains Institute
Ashley, ND
(701) 647-2041
brabtree@gpisd.net**

Same given to Senate Appropriations

Mr. Chairman and members of the committee, thank you for the opportunity to testify on behalf of HB 1515. I also want to thank Representatives Monson and Porter and Senator Olafson for their sponsorship of this bill, which positions North Dakota for leadership in the emerging bio-economy.

My name is Brad Crabtree. I am program director of the non-profit Great Plains Institute with offices in North Dakota and Minnesota. The Great Plains Institute staffs a Biomass Work Group with over 50 participants from industry, farm organizations, research institutions, state governments and conservation groups from six Upper Midwest states. We promote state policies and support projects that demonstrate the production of energy, chemicals and bio-products from biomass. The legislation before you today draws on recommendations from this regional Work Group and from the North Dakota Biomass Task Force, which issued its final report in December.

North Dakota is on the cusp of exciting bio-energy opportunities. Today, we produce ethanol from corn and biodiesel from soybeans and oilseeds, and the economic impact of those industries is growing rapidly. Tomorrow, we will use not only the starch and oils to produce liquid fuels, but the rest of the plant in the form of cellulose, whether from crop residues such as corn stover and wheat straw, or from dedicated energy crops such as perennial grasses. Everyone from President Bush to my fellow ranchers in Dickey County are talking about cellulosic ethanol. In reality, cellulosic biomass offers North Dakota agriculture and industry the opportunity to produce a wealth of valuable products: ethanol to be sure, but also bio-oils, bio-gas, specialty chemicals, and bio-products and materials.

In addition to opening the door to new markets, North Dakota's potential for cellulosic biomass production is extraordinary. According to recent analysis by the National Renewable Energy Laboratory, North Dakota has the potential to supply more than 17 million tons of biomass annually from crop residues, native grasses and other feedstocks. North Dakota ranks number one in potential switchgrass production from CRP acreage—more than 10 million tons annually.

A four-year regional research initiative coordinated by the Great Plains Institute shows that not just switchgrass, but other native grasses such as big bluestem, could become future energy crops for North Dakota farmers and ranchers, while providing hundreds of thousands of acres of permanent cover to the benefit of the state's sportsmen and our rural hunting and recreation economy.

The race is on to lead this next generation bio-economy. Some states are spending large sums to get the first commercial cellulosic plants. Iowa will invest \$20 million, for example, in a recently

announced facility, and New York is committing over \$25 million to two plants. HB 1515 helps North Dakota gain admission to this competition with a much more modest first step of providing state funds for an engineering study of an innovative pilot plan that will combine the production of cellulosic ethanol and bio-based composites from wheat straw.

This bill also helps North Dakota accomplish another critical step: to demonstrate to industry and the investment community that we can reliably grow, harvest and deliver a biomass feedstock at commercial scale. We know that we can do this with straw, for example. However, producing perennial grasses as a commercial biomass feedstock is a different enterprise than traditional forage production for livestock. Industry experts have told us repeatedly that generous financial incentives matter little, if a plant does not have access to adequate and reliable feedstock.

To build this case for industry investment, North Dakota Biomass Task Force participants from industry, agriculture, universities and conservation organizations worked together on key elements of the biomass production incentive program authorized by this bill. Briefly, it does the following:

- Provides for incentives to be administered through the State Industrial Commission and competitively awarded to cooperating agricultural producers, while benefiting commercial energy users such as power companies or agricultural processing plants and ethanol plants seeking to offset high natural gas and other energy costs;
- Gives priority to perennial grass production, but with eligibility for other feedstocks;
- Requires commitment from a commercial purchaser of the biomass and expert technical assistance as a condition for receiving incentives;
- Provides interest buy-downs on equipment, producer payments for during the two-year stand establishment period prior to first commercial harvest (possibly in conjunction with pending changes to the federal CRP program proposed by Senator Kent Conrad with input from the Great Plains Institute and other interests), and funds for technical assistance;
- Demonstrates compatibility of perennial grass energy crop production with wildlife habitat development and public access, potentially through PLOTS program participation in partnership with North Dakota Game and Fish; and
- Enables one 5,000-acre demonstration, producing a total of approximately 12,500 tons of biomass annually.

In sum, passage of HB 1515 will help North Dakota launch the bio-refining side of the cellulosic industry, help our farmers grow the feedstock needed to supply that industry, and provide a credible demonstration of North Dakota's resource potential and capabilities in order to attract far greater private investment dollars in the future.

Thank you for consideration of this important bill, and I respectfully urge a do-pass recommendation on HB 1515.

Capital Cost Estimates for Capital Required for Biomass Projects

	Acres			
	10,000	20,000	30,000	40,000
Size of Project (acres)	10,000	20,000	30,000	40,000
Size of Project (tons)	25,000	50,000	75,000	100,000
Storage	\$62,500	\$125,000	\$187,500	\$250,000
Seeding	\$50,000	\$100,000	\$150,000	\$200,000
Haying	\$225,000	\$450,000	\$675,000	\$900,000
Baling	\$240,000	\$480,000	\$720,000	\$960,000
Tractor	\$150,000	\$300,000	\$450,000	\$600,000
Semi	\$125,000	\$250,000	\$375,000	\$500,000
Trailer	\$100,000	\$200,000	\$300,000	\$400,000
Total	\$952,500	\$1,905,000	\$2,857,500	\$3,810,000
Amount Debt	\$952,500	\$1,905,000	\$2,857,500	\$3,810,000
Years Repayment	10			
Interest Rate on Debt	0.10			
Annual Payment on Debt	155,015	310,030	465,045	620,060
2% Buy-down				
Percentage Point Buy-Down	0.02			
Effective Rate on Debt	0.08			
Annual Payment on Debt	\$141,950.59	\$283,901.18	\$425,851.76	\$567,802.35
Annual Program Cost	\$13,064.40	\$26,128.80	\$39,193.20	\$52,257.60
10 year Program Cost	\$130,644.01	\$261,288.01	\$391,932.02	\$522,576.03
4% Buy-down				
Percentage Point Buy-Down	0.04			
Effective Rate on Debt	0.06			
Annual Payment on Debt	\$129,414.23	\$258,828.46	\$388,242.69	\$517,656.92
Annual Program Cost	\$25,600.76	\$51,201.52	\$76,802.28	\$102,403.03
10 year Program Cost	\$256,007.58	\$512,015.17	\$768,022.75	\$1,024,030.34
6% Buy-down				
Percentage Point Buy-Down	0.06			
Effective Rate on Debt	0.04			
Annual Payment on Debt	\$117,434.62	\$234,869.25	\$352,303.87	\$469,738.50
Annual Program Cost	\$37,580.36	\$75,160.73	\$112,741.09	\$150,321.46
10 Year Program Cost	\$375,803.64	\$751,607.28	\$1,127,410.92	\$1,503,214.57
8% Buy-down				
Percentage Point Buy-Down	0.08			
Effective Rate on Debt	0.02			
Annual Payment on Debt	\$106,038.52	\$212,077.04	\$318,115.55	\$424,154.07
Annual Program Cost	\$48,976.47	\$97,952.94	\$146,929.41	\$195,905.88
10 Year Program Cost	\$489,764.71	\$979,529.42	\$1,469,294.13	\$1,959,058.83
10% Buy-down				
Percentage Point Buy-Down	0.1			
Effective Rate on Debt	0.00			
Annual Payment on Debt	\$95,250.00	\$190,500.00	\$285,750.00	\$381,000.00
Annual Program Cost	\$59,764.99	\$119,529.98	\$179,294.97	\$239,059.95
10 Year Program Cost	\$597,649.89	\$1,195,299.77	\$1,792,949.66	\$2,390,599.55
Total Budget				
Equipment Costs with full interest buy-down (spreadsheet above)	597,650			
Technical Assistance (tab 2 bottom left for spreadsheet)	300,000			
Establishment Costs and Producer Payments for first two years (tab 3 bottom left for spreadsheet)	1,850,000			
	2,747,650			

Establishment costs and producer payments summary

Per acre \$85

Program Cost Establishment)

Acres	10,000	20,000	30,000	40,000
Total Cost	\$850,000	\$1,700,000	\$2,550,000	\$3,400,000

Program Cost (Land rental)

Number of years	2			
Payment per acre	50			
Acres	10,000	20,000	30,000	40,000
Annual Cost	\$500,000	\$1,000,000	\$1,500,000	\$2,000,000
Total Cost (over 3 years)	\$1,000,000	\$2,000,000	\$3,000,000	\$4,000,000

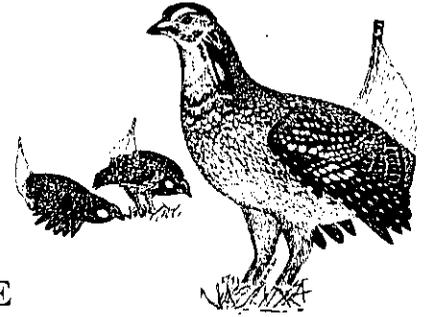
Total Annual Cost	\$1,350,000	\$2,700,000	\$4,050,000	\$5,400,000
Total Cost (over 3 years)	\$1,850,000	\$3,700,000	\$5,550,000	\$7,400,000



North Dakota Chapter

THE WILDLIFE SOCIETY

P.O. BOX 1442 • BISMARCK, ND 58502



**TESTIMONY OF MIKE McENROE
NORTH DAKOTA CHAPTER OF THE WILDLIFE SOCIETY
PRESENTED TO THE SENATE NATURAL RESOURCES COMMITTEE
ON HB 1515, MARCH 8, 2007**

CHAIRMAN LYSON AND MEMBERS OF THE COMMITTEE:

I am Mike McEnroe speaking on behalf of the North Dakota Chapter of The Wildlife Society. The Chapter supports the concept of a Biomass Incentive and Research Program called for in HB 1515. We believe that cellulosic ethanol production has potential to provide energy for the Nation, agricultural markets for our producers, and habitat benefits for wildlife.

For this to happen, the Biomass Demonstration Program can not compromise the two major conservation programs in North Dakota; the Conservation reserve Program (CRP), and Private Lands Open to Sportsmen (PLOTS).

Conversion of cropland to biomass production would be a habitat gain for wildlife and soil and water conservation, and reduce energy consumption. The conversion of existing CRP contracts to single species stands of switchgrass or other perennial grass would be a step backwards.

Similarly, switchgrass production fields managed for stubble height, non-annual harvest, and conservation best practices could provide habitat values, especially when combined with adjacent wetlands, woodlands, and crop fields, and may be suitable for the Game and Fish Department's working lands PLOTS program. However, it will not be feasible to make cellulosic ethanol production dependent on the PLOTS program for seeding costs or for land retirement costs while the switchgrass stand is established.

With proper communication and coordination, the biomass demonstration project can benefit all three of the State's major industries; agriculture, energy, and tourism/outdoor recreation. We must assure that none of the three are harmed.

1)

Testimony on HB 1515
Rep. David Monson, Dist. 10

Mr. Chairman and members of the Senate Appropriations Committee, I am here to urge your support of an energy bill that is part of a package of larger bills taking shape to expand ND's role in our nation's energy production. This bill actually has three components in it.

Section I of the bill provides language which is permissive for ND Game and Fish to participate in incentives to help farmers and sportsmen alike. In essence, this section allows farmers to apply to Game and Fish for help in establishing perennial grass stands, probably switch grass, although not limited to that species. This would be done through the PLOTS program. It would also have some evaluation of the compatibility of harvesting these perennial grasses, providing habitat for wildlife, and providing access for hunters. I want to stress that this is done by Game and Fish rules. They decide if it works for them. They decide if the habitat, program, and incentives are what work for them.

Section II of the bill is also permissive and says that the industrial commission may establish a biomass incentive and research program. The sum of the first eight parts of this section lay out the intent of the bill to encourage farmers to begin to producing biomass in enough quantity to ensure that commercial processing industries would have enough biomass to support their industry. In other words, it is an attempt to get past the "chicken and egg" dilemma. Farmers won't grow a crop if they can't market it and make a profit or at least break even. Industry won't invest in factories and processing plants without a supply of raw materials.

Point number 9 in this section may or may not fit entirely with this section. Some people believe it is a good fit while others feel putting this in it's own section may be more appropriate. There is another bill, SB 2288, which deals with biomass among other things, over in the House. The nano-whiskers project referred to in this bill actually uses wheat straw and is being researched at NDSU and NDSCS. The link between the perennial grasses and the wheat straw is the end product of the biomass, which is biofuels from cellulose. The biofuels can be ethanol, biodiesel, or others.

I also have a press release from the Governor's office dealing with the biomass issue in ND as well as across the nation. The last paragraph on page one and what is on page two are the parts relative to this bill.

I know as the Senate Appropriations Committee you are most concerned with the money in the bill in section 3. \$2.5 Million is not a small amount of money. I do want to stress that in the big picture of ethanol and biodiesel production, the use of corn or starch is not nearly as efficient as the use of cellulose from biomass. The number of ethanol plants in ND on line or soon to come on line which use corn is pushing the cost of corn to record levels. This is good on the one hand for our corn and grain farmers, but it is putting added expense on our livestock producers. If we are going to grow our livestock industry in this state, I believe we need to move to the next level of ethanol production using lower cost feed stock (biomass). This bill provides the funding for the industrial commission to try to establish a biomass supply large enough to attract a biofuels plant to be built in ND. It is a small amount of money compared to what we've done to subsidize ethanol plants to this point. This money goes to subsidize the farmers.

If you have any questions I'd be happy to try to answer them.

Monson, David C.

2

From: Canton, Donald R.
Sent: Wednesday, March 14, 2007 2:24 PM
Subject: DALRYMPLE, GRAIN GROWERS MEETS WITH JOHANNNS ON DISASTER AID, FARM BILL, RENEWABLE ENERGY

Attachments: 0314 Dalrymple D.C. Release.pdf

NEWS

FOR IMMEDIATE RELEASE

March 14, 2007

Contact: Don Canton or Don Larson
(701) 328-2200

DALRYMPLE, GRAIN GROWERS MEETS WITH JOHANNNS ON DISASTER AID, FARM BILL, RENEWABLE ENERGY

BISMARCK, N.D. – Lt. Gov. Jack Dalrymple and N.D. Grain Growers President Mike Martin today met with U.S. Sec. of Agriculture Mike Johanns to press for immediate disaster assistance for farmers and ranchers hard-hit by drought in the upper Midwest, as well as for improved crop insurance in the upcoming Farm Bill. The Lt. Governor also met with Sen. Charles Grassley of Iowa, who serves on the Senate Agriculture Committee.

Dalrymple told Johanns that either a disaster title or improved crop insurance in the upcoming Farm Bill are essential to maintaining a healthy agriculture economy in North Dakota and other states that have been suffering from a severe drought in the past few years.

“I impressed on both the Secretary and the Senator the importance of helping farmers recover from severe losses in the past two years,” Dalrymple said. “To get things back on track, we need to provide short-term relief to producers now, but we also need to make sure we have a solid safety net in the new Farm Bill to break the cycle of repeated emergency disaster aid legislation.”

The U.S. House of Representatives is reportedly considering a \$4.3 billion disaster aid amendment as part of the military supplemental funding bill on Thursday. It’s success will depend on how much other non-military related spending is attached to the bill, Dalrymple said.

Also important, Dalrymple said, was drafting a Farm Bill that encourages productive partnerships between agriculture and renewable energy, particularly in the area of biofuels, not only to help the farm economy, but also to help reduce the nation’s dependence on foreign petroleum.

Johanns described a concept to make Conservation Reserve Program lands available as a feedstock for cellulosic ethanol pilot projects and up to \$3.6 billion in loan guarantees and research and development of biomass projects. Dalrymple said the North Dakota Legislature is currently reviewing legislation as part of the state’s comprehensive renewable energy plan that would create a biomass energy pilot project, which could be a prime candidate for USDA and Department of Energy programs, Dalrymple said.

"Policies that promote agriculture-based renewable energy technologies are not just desirable, they're essential," Dalrymple said. "We have a thriving renewable fuels industry in North Dakota, nurtured by enlightened state policies, but we also need a strong commitment from Congress and the Administration to make the most of our opportunities."

"I addressed the initiative of cellulosic ethanol today with the Secretary, something that could bring a new profitable option for North Dakota producers," said Martin. I felt the Secretary was very receptive on creating a way to move forward with pilot testing of technologies required for future development of the dedicated biomass crop industry. There appears to be adequate funding for these types of research efforts from the forthcoming energy title."

-###-



0314

ple D.C. Relea: