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2288

2007 SENATE AGRICULTURE

SB 2288

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Hearing Date: January 25, 2007

Recorder Job Number: 1964

Committee Clerk Signature Cassie Kroh

Minutes:

Sen. Flakoll opened hearing on SB 2288, a bill relating to ethanol and renewable fuels incentives, expansion of the biodiesel partnership in assisting community expansion program, and the distribution of motor vehicle registration fees and the agricultural business investment tax credit. (6) members were present, (1) absent- **Sen. Erbele**.

Sen. Nething, district 12, testified in favor of the bill.

Sen. Nething- I want to give you an overview as to why I think this bill is important. I would like to think that we are here to take advantage of what the organizations have done. Points I want to make to you is that first of all I think that this renewable energy idea is one whose time has come. Maybe it has been here a long time and we haven't recognized it, but we are now ready to that through this bill. A lot of people have come together who normally may have not come together because of legislation like this. I would ask that you approach this with a open mind that has a degree of excitement implanted, I think as it unfolds you will catch the same fever that this bill will generate.

Sen. Heitkamp, district 26, testified in favor of the bill. He walked the committee through the bill and his proposed amendments.

Sen. Flakoll- do you know that just on the compensation of the research council it appears that it only takes four members out of nine to constitute a quorum, is that just a over sight? It seems like you should have three of the nine members to pass something?

Sen. Heitkamp- I am sure that is something your committee can work on and the people behind me can explain.

Rep. Gulleson, sponsor and member of the renewable energy partnership, testified in favor of the bill.

Rep. Gulleson- I think that we sit on the verge of one of the most exciting times in ND. We know we have all the potential, we have all of the capability. Our producers will be able to come up to the task to meet the needs and all we need to do id to put enforce a set of policies and some resources to support that. The whole concept of renewable energy has taken on a very different and heightened meaning in the event of the war in Iraq. We recognize that we are in a position that we don't want to be as a nation and that is being dependent on foreign countries for our energy supply. We also know that we have the capability in changing that, this is part of that effort. You will see that the extended participation in the renewable energy partnership is very board based. I look forward to working with you as you put this whole bill together.

Roger Johnson, Ag Commissioner, testified in favor of the bill. See attached testimony.

Sen. Taylor- how will the renewable energy council work and operate?

Roger Johnson- I am not sure how to answer that, someone better experienced will have to.

Sen. Flakoll- why should we have a comprehensive energy?

Roger Johnson- there is someone who should be able to answer that to.

Rep. DeKrey, testified in favor of the bill.

Rep. DeKrey- Just wanted to lend my support to the bill, renewable energy definitely looks like the future. I think there are some tremendous opportunities that are going to be coming available as this moves along. We have to start somewhere and I think this bill with some incentives is a good place to start.

John Gwyer, president of Lignite energy council, testified in favor of the bill.

John Gwyer- To answer the question about the renewable council, this council has been in existence for 19 years. It is a partnership of private individuals, private companies as well as public entities such as all the regulating interest involved in the lignite industry, the health department, the geological survey, the public service commission and others. The point I want to make is this, that a partnership between the state interests and private interests works well. It has worked very well in the lignite research council, oil and gas research council.

Sen. Klein- how many general fund dollars do you get to run the lignite energy council?

John Gwyer- we don't receive any general fund dollars, we receive money from the severance tax.

Mike Clemens, chairman of the renewable Energy Partnership, testified in favor of the bill. See attached testimony.

Sen. Wanzek- have you or your group done anything to help educate the public on the importance and value of animal agriculture involved with these projects?

Mike Clemens- one thing we have done was we did a DDG's for drought program within the state, it helped bring education to the producers and the general public on the value of the distillers grain in animal agriculture in the state of ND. It was very successful program.

Woody Barth, lobbyist 286 for ND Farmers Union, testified in favor of the bill, see attached testimony.

Todd Sando, assistant State Engineer and director of the Water Development Division, testified in favor of the bill, see attached testimony.

Larry Leistritz, distinguished Professor at NDSU, testified in favor of the bill. See attached testimony.

Sen. Klein- years ago we were trying to start a straw board facility, we cant get a commitment from producers to give up that straw that they feel is necessary in the next years crop. What has changed that you would be able to buy 900 thousand tons of wheat straw annually and that producers now would give that up?

Larry Leistritz- one of the things that is changing in the state and effects the availability of agricultural residues like wheat straw would be a movement towards reduced pillage by many of our producers. With a less amount of pillage then the crop residue that needs to be retained to maintain or increase is also reduced.

Sen. Klein- we have heard a lot about corn and the amount of corn that is going to be raised in ND and the amount of acres that we need, is there a point when all of a sudden we kind of loss that market and change gears and start adopting your technology?

Larry Leistritz- certainly the question is what is going to be the impact of escalating corn prices on cropping patterns and on prices for other crops is a major question. We have thought about it but have not begun to address.

Sen. Flakoll- do you know how much it costs to get like 1 ton of wheat straw to a refinery?

Larry Leistritz- the cost or price that we came up with was $40 a ton delivered to the plant. That would cover bailing costs, transportation costs and give the producer about a $18-$20 payment for there straw.

Sen. Behm- have you thought of the problem of transporting this much straw?

Larry Leistritz- this is indeed a major issue with almost any biomass based product or energy development. This is also one of the reasons why it is such a strong economic development potential for rural areas.

Sen. Behm- have you ever experimented with barley straw or any other types of straw?

Larry Leistritz- it is believed that wheat straw has some very desirable properties as a feed stock, both because of its compostion and because of the nature of the fibers that they would extract. They are almost certain that attention will be given to other sources of feed stock.

Connie Ova, from Cleveland and Jamestown ND, testified in favor of the bill. See attached testimony.

Harold Newman, president of Spirit Ethanol, testified in favor of the bill.

Harold Newman- I will be happy to answer any questions to the industry generally. The ethanol plant in Grafton, ND is in their 24th year, so it works. It has produced alcohol that is mostly sold in the state of ND. We feel confident that we will be doing our share and enjoying the benefits at Spiritwood which is about 11 times larger then Grafton. It works, we know how it works and we anticipate good things.

Sen. Behm- with experimenting with potatoes has that worked very well or not?

Harold Newman- for 6 months we tried potatoes, we could never get rid of the sludge that potatoes created in the process. So we have used barley which is somewhat hard on the equipment. Corn seems to be the best right now.

Sen. Klein- is there anything in particular in this bill that would help push you or the next company over the top, is there anything that would make someone else come to ND?

Harold Newman- practically everything in there is going to help somebody.

Sen. Wanzek- have you personally given much thought or have you looked into the animal agriculture portion of this? How do you personally feel if some of the pace dollars could be used in that fashion to maybe add some sort of a feed lot or feeding operation?

Harold Newman- so far most of the DDG goes to the dairy industry not so much to beef cattle. As to the future, there is a lot of experimenting going on with hogs, chickens and other combinations of the DDG for beef cattle.

Sen. Wanzek- if you could have a large enough dairy or whatever put in a location in close proximity to a plant and they are able to take the DDG's wet, that does help you be a lot more competitive in the production on ethanol does it no?

Harold Newman- I believe the cost of going from dry to wet is about 35% savings.

Sen. Flakoll- where do you see our potential 10 or 20 years down the road in terms of biofuels and biodiesel in ND?

Harold Newman- I think the future is great, water is a prime issue and always will be. Transportation is going to be a major factor, getting the alcohol out of the state and mainly east of the Mississippi river.

Dennis Hill, from the ND Assoc of RECs, submitted testimony on behalf of Doug Mork. See attached testimony.

Sen. Klein- it looks like about a $15,000 price tag is all?

Dennis Hill- price for that year would have been about $36,000 of lost revenues to the state and the efficiency gains are just very large.

Barry Coleman, from NCGA, testified in favor of the bill.

Barry Coleman- We are here in support of this bill. We think things have a good chance of being very successful here in the next 10 years, growers will get good prices for their commodities.

Mike Williams, from NDREP, testified in favor of the bill.

Mike Williams- At the landfill in Fargo there was complaints about the smell so we started to suck the methane out of the pits and we were going to fire it off. A town said they would help build a pipeline, so they have been burning methane from the methane since 2002. When we signed the contract we told them we would sell it to them for 6 years for $1. Even at that $1 the city of Fargo has been netting $83,000 a year. We are in support of this bill.

Randy Schneider, lobbyist 512 for ND Ethanol Producers Assoc., testified in favor of the bill.

Randy Schneider- We are here to lend support to this bill. In particular the changes and provisions under section 2. For each ten dollars of a ton that we save in the delivery of animal feed that leaves the state that leaves $3.2 millions to our bottom line. We are in support of growing animal agriculture in ND, especially the dairy industry.

Sen. Taylor- do you know how much of the DDG's is leaving the state right now?

Randy Schneider- don't know.

Tim Horner, from NDDOT, testified in favor of the bill.

Tim Horner- We are monitoring the bill, we wish to point out is the impact of the highway tax distribution fund. We see the impact to be about $800,000 per biennium of which the ND DOT impact would be about $500,000 of that.

Mary Mithchell, represent Dakota Resource Council, testified in favor of the bill. See attached testimony.

Wade Moser, ND Stockmens Assoc., testified in favor of the bill.

Wade Moser- I do want to raise a couple of issues, we do support finding a consistent energy source for this country. But we do have some concerns when it comes to the cattle industry. We have been told that we are very close to taking this by product through engineering and using it as an energy source to make it a complete cycle within a plant. So then there would

not be any by product for industry to use. I think we need to listen to them and what direction this whole thing has taken.

Sen. Wanzek- do you feel that if this is done right we can achieve a win, win deal?

Wade Moser- that is what I am hoping for, maybe our fears are unfounded and I am hoping that will be part of the debate.

Chad Obar, **Mindi Grieve**, **Bill Kalanek**, **Phill Mueller**, **Scott Handy**, **Michael Gustafson**, **Claire Vigesaa**, **Philip Boudjouk**, **Ken Tupa**, **Brian Walters**, **Joel Gilbertson**, **D.G. Coutou**, **Larry Kotchman**, **Duane Hauch**, **Dave Laschkewitsch**, **Kim Christianson**, **Kenneth Hellevang**, **Sandy Clark**, **Ken Grafton**, **Bernard Vculek**, **Marlene Vculek**, **Rick Newman**, **Russ Newman**, **Lee Husfloen**, **Greg Link**, **Dave Blair**, **Mike Seifert** were also present and in favor of the bill.

No opposition to the bill.

Sen. Flakoll closed the hearing.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Hearing Date: January 26, 2007

Recorder Job Number: 2081

Committee Clerk Signature Missie Kopp

Minutes:

Sen. Flakoll opened discussion on SB 2288.

Sen. Flakoll- I have an amendment, others may have that they may wish to provide. We are not going to get this bill out today. Maybe it will help to have some discussion on it.

Sen. Klein- this morning we were talking about $ 300,038 and the concerns that we have that that may be to much. I believe the fiscal note here is pushing almost close to 30 million and we haven't even put the bio program in. Personally I would like to strip that first section out of there that deals with bio fuels, cause we just voted that out this morning. That has the money and that would reduce the fiscal note. I am wondering if we shouldn't have included the lignite council, this should be very comprehensive in energy research or energy.

Sen. Wanzek- you said strip section one? You mean to strip put for the bio pay program?

Sen. Klein- yes.

Sen. Klein- I guess I am skipping around a bit but I think and I don't know if it is up to us but I would like to strip out that 3 million dollars from the water resources trust fund. I think that without water these projects wouldn't be very liable anyway. I want to make sure that there is every opportunity to provide as much money as we can to those areas of water as we need to.

Sen. Wanzek- I would share that concern. I think that water is vital in the development of these kind of projects. It seems like by taking away from water we are kind of shooting ourselves in the foot. I think the development of water is critical.

Sen. Behm- I agree, I think that the ability to recycle this water from the ethanol plants is there so that dairy operations can use this again.

Sen. Taylor- are we looking at replacing that 3 million dollars with funds from a different source? I agree with leaving the resources alone.

Sen. Klein- I think that is going to be an issue.

Sen. Taylor- we are going to pull 5 million out of it when we take the bio pace stuff out of it.

Sen. Wanzek- we need to look at and trim it down to make sure we have really what we need in the next biennium. If we give it some more serious thought maybe we can get it down to a price tag where we can do some things and get the appropriations to agree. I know that it has been brought to my attention that we are like a billion dollars over the governors budget.

Sen. Taylor- maybe an extended effective date is something to do add for the future. It seems to mean that the most important thing we have in the bill is the renewable energy research council and this ability to pick research and innovate and generate new ways of refining fuels and new ways of powering cars. I think that is probably the mantel of the bill and maybe some of the other things can be pushed about a bit. Maybe adding lignite and oil and gas and calling it an energy or flat out energy council or something.

Sen. Wanzek- can any of you tell me with the lignite council how they fund it again?

Sen. Klein- it comes off the coal conversion tax.

Sen. Wanzek- I think to that if we are going to look at alternative fuels of renewable fuels that are a very exciting part of our industry.

Sen. Klein- everyone should take a look at it and find the ideas that they want to do, I think one of the other things that I am going to do is see what programs we have going in the house just to see if we are doubling up on anything.

Sen. Heckaman- I know this is bio mass, I know what the focus of it is, but when I heard a presentation from the energy and environmental research station in grand forks, the focus on there was be careful of ethanol go to bio mass but don't forget lignite. So I don't know if lignite is included along the line some place else.

Sen. Taylor- lignite energy is pretty well taken care of with there research council and the coal conversion taxes going into it.

Sen. Klein- they are taking care of themselves but is with our money, they are providing the dollars to the state fund, but can we scrape some money off and throw it renewables way, they are not paying for themselves.

Sen. Heckaman- I just think that we need to look at what is going on in the house, I think that is important when we are looking at funding this.

Sen. Klein- I have heard that there is a massive urban initiative that covers everything, if this would fail there is others that would continue to move forward they are not going to be without anything.

Sen. Wanzek- I don't dislike the thought of a council I just want to be careful that we are not pumping all of our money into bureaucracy and we are getting more of our money into the hands of the developers, investors and the people that are really going to make this happen. We want to make sure that whatever we set up is ultimately designed to assist and help those private sector people who are going to make the investments, who are really going to develop this industry for us.

Sen. Taylor-I did get a thing from lignite so we can see how they are doing this. I think that it will be good to see what is going on in the house but we are the senate and this is our bill and we need to put forward what we think is important and it will come out in the end. I think that we still need to make a statement as the senate that renewable energy is important to us and this is our bill.

Sen. Flakoll- one of the carriers came to me after our hearing today and had a concern of section 3 found on page 2. The comment was that that should be taken out of there because production facility does not blend, and also the concern from those folks was that anything over 5% damages trucks.

Sen. Taylor- I think that is up for debate, that is existing language. There is potential that they may blend also.

Sen. Behm- they have done testing on this, and had tractors that have run for hours and hours and had no problems.

Sen. Flakoll- he also referenced SB 2085 in reference to the facilities comment. That is a transportation bill. I have an amendment to add one member from the petroleum industry and one member from the lignite industry to that counsel and put in an appropriation of a quarter of a million dollars to conduct bio mass research.

Sen. Taylor- I have mixed feelings cause like I said before I think that it is important that we consider all the industries and bio diesel has to be blended, It seems like the petroleum guys don't want to give up that 5 % to ethanol or bio diesel and the lignite guys don't want to give up some loads to wind or hydrogen, maybe putting them on there will break down some of those barriers but I also do want to hinder the expansion of the renewable industry by having a couple of people working against it b putting it in the system.

Sen. Flakoll- it could be on there now and is just not specified. I also thought that maybe it would be possible to combine and have one big group, I am not sure if that can take place in the limited time we have. Does anyone have any opposition in putting an overstrike over two additional members appointed by the governor and then designating these two?

Sen. Klein- I am just not sold yet on the fact that we need this council, I am just trying to struggle with if the dollars are going where they need to go and I think that we have a very bloated bill here that is going to have opposition. If you start adding non elected I think you are going to have some issues.

Sen. Wanzek- if we do a council I would much rather see one that is going to address energy including alternative energy and such.

Sen. Heckaman- if there is not a council how do you approach this in being organized?

Sen. Klein- we have made money and made good investments without us having to have this council.

Sen. Taylor- I think that we could look at some of the examples form the past, we had lignite in the ground we pulled it out of the ground and we still decided to do the lignite research council to find out how to meet tomorrows energy needs. This is ND one chance to really capitalize on a bright future with renewables.

Sen. Wanzek- we already have a lot of these entities in place and maybe there is a need to pull it together but do we really need to establish such an expansive group.

Sen. Wanzek- could it be possible that if this council was established that we wouldn't have to give them 20 million dollars couldn't they possibly have some appropriation to actually function and work in conjunction with all the entities that are already out there and the programs that are in place.

Sen. Klein- and is it up to us to make that decision?

Sen. Flakoll closed discussion.

Sen. Klein motioned for a do pass to adopt amendment **Sen. Wanzek** seconded the motion.

Roll call vote 1: 4 yeas, 2 nays, 1 absent (**Sen. Erbele**)

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Hearing Date: February 1, 2007

Recorder Job Number: 2636

Committee Clerk Signature Cassie Ickes

Minutes:

Sen. Flakoll opened discussion on SB 2288.

Sen. Klein walks the committee through amendments that he has brought before the committee. Time 01:15-11:02.

Sen. Taylor- the special funds are in no way appropriated then these are private funds?

Sen. Klein- correct.

Sen. Taylor- but you still need to make mention of them?

Sen. Wanzek- if you do not mention it it would not give authority to this council to be able to spend any dollars, you have to put it in law that they have the authority. I visited with some individuals and they feel there is the ability to secure private money, but we need some decent seed money to be able to implement this council to get it going.

Sen. Behm- has this money been appropriated?

Sen. Klein- no. What happens even if we should decide to adopt the amendments it would still go down to appropriations where they would still have to determine that the one million dollars is a good way to spend the money or they could decide that it should be 17 million dollars.

Sen. Heckaman- I am understanding that this renewable partnership has spent a lot of time on this bill right? And this is what they came up with and now we are trying to change what they spent a long time developing?

Sen Klein- I think this is just a copy of the same bill we heard 2 years ago, so it wasn't a tremendous amount but there is always changes that need to be made. (Finishes going through amendments 15:04-15:25)

Sen. Taylor- as a person is coming up with these ideas, do we know that lignite and oil want to be on this council and would there be consideration that as all these things come together does that mean that some on the renewable side would also want to be place on the lignite council or the oil and petroleum council? I think it is alright to maybe invite them in to this group but I think there is going to be an expectation that we should have renewable folks on the other side and are they prepared to open their doors to that. What is the conversation with the two groups?

Sen. Klein- there was a lot of conversation with the fact that we need to have a seat at the table, we have only created those two spots and it is still pretty heavy to the renewable side. You are going to have to have the oil people there as you start to discuss ethanol and bio diesel and we are going to have to have the coal guys there as we begin to discuss hydrogen issues that are coming about, coal people are working together with the ethanol plants. So the idea there is to make it an all inclusive so that they all seem comfortable with things.

Sen. Behm- Did you guys talk with corn growers and soybean council and all those about this?

Sen. Klein- no, the bill is before the committee and the discussion we had was an attempt to try to make this thing workable. We can leave it the way you want it and see if we can get it

passed, my job was to go out and see if we could make it workable to get it through. I would like to see it go through all the way on our side and the House side.

Sen. Taylor- it seems like a million dollars might be some seed money granted to get this thing off the ground and then have some authority for the other 16 million. Why not take a bigger goal and look at matching funds with private funds and go about it that way.

Sen. Wanzek- a comment I have often heard is that there are a number of things that have been done over the past few years, as I hear is that we are trying to create a more focused state or policy to how we move forward with this alternative energy and with an energy policy. I am hearing that probably the most important part of this bill is having the ability to pull those thoughts together. I think it comes back to trying to get things together to get this bill passed.

Sen. Taylor- on page one line 16 the incentives and the definition of facility was for those constructed after July 31, 2003 in the original bill and now we are moving to 2007 and we have always have a good revolving argument in the past about weather it is the two existing ethanol plants whenever we have had an incentive in the past and they have had to rally up and get back in on this deal and say not to forget about us because we are here creating jobs and doing all kinds of things. We are probably going to hear about this that we are leaving 4 years worth of plant constructions that maybe are still doing some good for the state, this definition what incentives are we giving them or not giving them?

Sen. Wanzek- I think there is a problem or concern that it appears that the plant that would most likely receive an incentive in the next biennium would maybe be the Archer Daniels Woodland plant and there is some concern whether we subsidize. To me they are making a major contribution to the state and investing in the state, some want this to focus more on local investor type plants.

Sen. Taylor- Is this a direct grant from the council that is set up that they would not be able to get if they were built before 2007?

Sen. Wanzek- as I understand it, you have to understand that there are two funds the pace filled through the pace and then the production incentive fund. This essentially would exclude them from the production incentive fund. I don't believe this would exclude them from utilizing the bio pace. The biggest thing that this bill does is it does hold on to the bio mass center, the bio mass research and also references the dollars and what are there acts so that people can understand where the money is coming from to do that and it keeps this council in place and creates a more broad based comprehensive council with a heavy slant to alternative fuels. It is a work in progress but I think it works toward something that has a good shot of passing. This would allow a bio diesel plant to access the ethanol production.

Sen. Erbele- my name is also on the bill and I have talked to Sen. Nething that the frame work is the most important thing at this stage everything else that needs to go into it is a work in progress, we need to get this to the house and they will do work on it and then we will come back to conference and all the other bills dealing with it are all going to be put into a comprehensive program. I am not afraid of what we are doing here.

Sen. Wanzek- the original bill empowered the industrial commission, the counsel was not necessarily empowered to vote or expend money they can only recommend they are more of an advisory role. Really all that we have done is add a couple more people to it and kind of defined it more as an comprehensive energy, it seems what mostly everyone is worried about is being independent of foreign oil and I think alternatives play a huge roll in that. This is one way to move this forward.

Sen. Klein- when you see things removed in the bill already it is because there are sections that we have already passed. We passed bills that are the exact same language so there is no

reason to keep stuff in here that will just clutter it, we want to be precise. It is just a matter of getting it down to what it actually is.

Sen. Klein- it would be interesting to get everybody together who has a bio renewable bill on both sides of the legislator.

Sen. Heckaman- I am looking at the money part in section 17, if we take that money out and say it is going to come from special funds, are we going to lose any matching federal funds? Is this an opportunity in section 17 to get more matching funds federal if we leave part of that 17,000 in there?

Sen. Klein- I don't believe that would be the case.

Sen. Wanzek- if you read section 12 it says that we are going to up the amount of contribution to the fund and transfers the money into the fund. It is basically putting the money in the ethanol production incentive fund, but there is no money in it. If we are going to say a bio diesel plant can access the funds in the production incentive fund we should have a way to accomplish that.

Sen. Heckaman- on page 5 line 10 of the amendment that you wanted to put in, house bill 1020 has already passed?

Sen. Klein- what we have done is referenced house bill 1020 so we understand that there is something out there that we are not totally abandoning that particular section.

Sen. Heckaman- well we could be abandoning it if it doesn't get funded?

Sen. Klein- I believe it is on the priorities.

Sen. Wanzek- it is included in the governors budget. With talking to the prime sponsor he said to be sure to put special funds in there if the money is going to be the issue.

Sen. Klein- whatever we decide here if there is only a million it still would go out we would adopt the amendments it goes to appropriations, they say to find middle ground and they will work on it from there. This might not be middle but it might be near the lower end.

Sen. Wanzek- if I didn't care about this bill we wouldn't be passing it but I didn't want to do that.

Sen. Klein- you said get amendments, I don't see anybody else's amendments here. We have sponsors here, this is probably the most that I have worked on a bill.

Sen. Taylor- there was Sen. Heitkamp's amendments. I would work with Sen. Wanzek on that just to make it read right if nothing else. We either have a program for eligible facilities or we don't. The other facility could be fairly simple on the one million dollar, we can cross out one number and insert another. I would just challenge ourselves to be a little more bold. This id our chance to say that this is enough of a priority for us that we would want five or ten million dollars tied to a match.

Sen. Heckaman- did you talk to appropriations, they said it wouldn't go with 17 million on it?

Sen. Klein- we are over budget so we are trying to get that down, we will have to see what happens in the process this is only the first half.

Sen. Wanzek- I think that animal agriculture is a big part of this, I am trying to get the grain growers a little bit of money to build bins and grow their corn. I think we are being fairly bold. I think if we can find some other private funds, a state entity can not go out and spend money that they haven't been given authority to spend, we are trying to get them more money to spend. It comes down to priorities.

Sen. Flakoll closed discussion.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Hearing Date: February 2, 2007

Recorder Job Number: 2742

Committee Clerk Signature Missi Krol

Minutes:

Sen. Flakoll opened discussion on SB 2288.

Sen. Klein- (presents committee with proposed amendments) I had some amendments drafted to cover some previous issues.

Sen. Wanzek- I have no objections to this, do we cut three million out of the resource fund and raise the special funds to 20 if they are able to raise it or so it equals 20?

Sen. Klein- I don't have anything for that.

Sen. Flakoll closed discussion.

Roll call vote 2: **Sen. Klein** motioned for a do pass to adopt amendments 70802.0104 and seconded by **Sen. Erbele**, 7 yeas 0 nays 0 absent.

Roll call vote 3: **Sen. Taylor** motioned to further amend amendments on page 1 line 10, page 11 line 11 and was seconded by **Sen. Klein**, 7 yeas 0 nays 0 absent.

Roll call vote 4: **Sen. Klein** motioned for a do pass to adopt amendments and was seconded by **Sen. Wanzek**, 7 yeas 0 nays 0 absent.

Roll call vote 5: **Sen. Klein** motioned for a do pass to adopt amendments 70802.0105 and was seconded by **Sen. Wanzek**, 7 yeas 0 nays 0 absent.

Roll call vote 6: **Sen. Klein** motioned for a do pass as amended and rerefered to appropriations and seconded by **Sen. Erbele**, 7 yeas 0 nays 0 absent. **Sen. Klein** was designated to carry the bill to the floor.

Sen. Flakoll closed hearing.

Sen. Flakoll called the committee back to order.

Roll call vote 7: **Sen. Klein** motioned to reconsider action and was seconded by **Sen. Wanzek**, 7 yeas 0 nays 0 absent.

Roll call vote 8: **Sen. Klein** motioned to reconsider action of amendments 70802.0102 and was seconded by **Sen. Erbele**, 7 yeas 0 nays 0 absent.

Roll call vote 9: **Sen. Klein** motioned for a do pass as amended and to be rerefered to appropriations and was seconded by **Sen. Taylor**, 7 yeas 0 nays 0 absent. **Sen. Klein** was designated to carry the bill to the floor.

FISCAL NOTE

Requested by Legislative Council
04/23/2007

Amendment to: Engrossed SB 2288

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				$4,000,000		$400,000
Appropriations			$3,000,000	$17,000,000		

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).*

The First Engrossment with Conference Committee Amendments to SB 2288 makes changes to the ethanol subsidy limitations, creates a renewable energy council, and appropriates $3,000,000 in general funds to a renewable energy development fund.

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.*

Section 1 amends the subsidy limitations for the ethanol production incentive to allow up to $1,600,000 per year per eligible facility in subsidy payments for up to 10 years. It also clarifies that obligations may not be carried forward from quarter to quarter.

The fiscal effect of this change is dependent upon the number and size of additional ethanol plants and the price of corn and ethanol. Using current information, it is estimated that there would be three ethanol plants that would be eligible to receive this incentive the first year of the 2007-2009 biennium and an additional two ethanol plants the second year of the biennium. If the price of ethanol and corn is such that each plant would receive the maximum $1,600,000 per year, the plants would be eligible for a total of $12.8 million in payments. The fund is estimated to have a total of $7.2 million available for the 2007-2009 biennium, which would be the maximum amount that could be paid out. This amount is based upon an anticipated fund balance of approximately $3.6 million at the end of the 2005-2007 biennium, and payments of approximately $1.8 million per year to the fund. Without the changes in this bill, the maximum paid out would be $3.2 million per biennium, so the additional fiscal impact is $4 million for the 2007-2009 biennium.

If the $7.2 million available during the 2007-2009 biennium is paid out, there would be an estimated $3.6 million available in the fund for the 2009-2011 biennium. This would be an additional fiscal impact of $400,000 over the present maximum of $3.2 million per biennium.

Section 7 creates a renewable energy council which would make recommendations to the Industrial Commission concerning the renewable energy development fund.

Section 8 appropriates $3 million in state general fund revenues and $17 million in special funds for the purposes of carrying out the functions under Section 7.

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 expenditures shown are potential amounts that could be expended from the ethanol production fund relative to Section 1 of the bill over and above what could be expended under current limits.

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.*

The appropriations are contained in Section 8 and include $3 million in general funds and $17,000,000 in special funds.

Name:	Justin Dever	**Agency:**	Department of Commerce
Phone Number:	328-7258	**Date Prepared:**	04/23/2007

FISCAL NOTE

Requested by Legislative Council
03/13/2007

Amendment to: Engrossed SB 2288

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				$4,000,000		$400,000
Appropriations			$3,000,000	$17,000,000		

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).*

The First Engrossment with House Amendments to SB 2288 makes changes to the ethanol subsidy limitations, creates a renewable energy council, and appropriates $3,000,000 in general funds to a renewable energy development fund.

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.*

Section 1 amends the subsidy limitations for the ethanol production incentive to allow up to $1,600,000 per year per eligible facility in subsidy payments for up to 10 years. It also clarifies that obligations may not be carried forward from quarter to quarter.

The fiscal effect of this change is dependent upon the number and size of additional ethanol plants and the price of corn and ethanol. Using current information, it is estimated that there would be three ethanol plants that would be eligible to receive this incentive the first year of the 2007-2009 biennium and an additional two ethanol plants the second year of the biennium. If the price of ethanol and corn is such that each plant would receive the maximum $1,600,000 per year, the plants would be eligible for a total of $12.8 million in payments. The fund is estimated to have a total of $7.2 million available for the 2007-2009 biennium, which would be the maximum amount that could be paid out. This amount is based upon an anticipated fund balance of approximately $3.6 million at the end of the 2005-2007 biennium, and payments of approximately $1.8 million per year to the fund. Without this bill, the maximum paid out would be $3.2 million per biennium, so the additional fiscal impact is $4 million for the 2007-2009 biennium.

If the $7.2 million available during the 2007-2009 biennium is paid out, there would be an estimated $3.6 million available in the fund for the 2009-2011 biennium. This would be an additional fiscal impact of $400,000 over the present maximum of $3.2 million per biennium.

Section 2 creates a renewable energy council which would make recommendations concerning a renewable energy grant program created by Section 3.

Section 5 appropriates $3 million in state general fund revenues and $17 million in special funds for the purposes of carrying out the functions under Sections 2 and 3.

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 expenditures shown are potential amounts that would be expended from the ethanol production fund relative to Section 1 of the bill over and above what could be expended under current limits.

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.*

The appropriations are contained in Section 5 and include $3 million in general funds and $17,000,000 in special funds.

Name:	Justin Dever	**Agency:**	Department of Commerce
Phone Number:	328-7258	**Date Prepared:**	03/16/2007

FISCAL NOTE

Requested by Legislative Council
02/05/2007

Amendment to: SB 2288

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				$0		
Expenditures				$9,600,000		$16,000,000
Appropriations			$3,000,000	$17,000,000		

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).*

SB 2288 addresses renewable energy issues, including a Biomass Energy Center, establishes a renewable energy policy, an energy independence research council and an energy independence development fund.

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.*

Section 1 amends the subsidy limitations for the ethanol production incentive to allow up to $1,600,000 per eligible facility in annual payments for up to 10 years.

The fiscal effect of this change is entirely dependent upon the number and size of additional ethanol plants and the price of corn and ethanol. Using current information, it is estimated that there would be three additional ethanol plants that would be eligible to receive this incentive the first year of the 2007-2009 biennium and an additional two ethanol plants the second year of the biennium. Assuming the worst case scenario that the price of ethanol and corn is such that these plants would receive the maximum $1,600,000 per year, this could have a total potential fiscal impact of $12.8 million for the 2007-2009 biennium. This is an additional fiscal impact of $9,600,000 over the current potential impact of $3,200,000 per biennium under the current statute.

There is one additional ethanol plant under consideration that may be eligible for incentives during the 2009-2011 biennium; which would bring the total to six. Thus the total potential fiscal impact would be $19,200,000 for the 2009-2011 biennium, which is an additional fiscal impact of $16,000,000 over the current potential impact of $3,200,000 per biennium under the current statute.

Sections 2, 3, 4, and 5 deal with the Biomass Energy Center.

Section 6 deals with the balance in the ethanol production incentive fund.

Section 7 sets forth a renewable energy policy and creates a council.

Section 8 appropriates $3 million in state general fund revenues and $17 million in special funds.

Justin Dever, DOC (ph: 328-7258) contributed to this fiscal note.

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 expenditures shown are potential amounts that would be expended from the ethanol production fund relative to Section 1 of the bill. Revenues in the fund would not be sufficient to cover these expenditures.

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.*

The appropriations are contained in Section 8.

Name:	Karlene K. Fine	**Agency:**	Industrial Commission
Phone Number:	328-3722	**Date Prepared:**	02/05/2007

FISCAL NOTE

Requested by Legislative Council
01/17/2007

Bill/Resolution No.: SB 2288

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				$0		
Expenditures				$12,800,000		$22,400,000
Appropriations			$22,000,000	$3,000,000		$3,000,000

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).*

SB 2288 addresses renewable energy issues, including creating a biofuels PACE program and a Biomass Energy Center. The bill also establishes a renewable energy policy.

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.*

Sections 1 expands the definition of an eligible facility for the ethanol production incentive to include biodiesel production facilities. Section 2 amends the subsidy limitations for the ethanol production incentive to allow up to $1,600,000 per eligible facility in annual payments.

The fiscal effect of this change is entirely dependent upon the number and size of additional ethanol and biodiesel plants and the price of corn and ethanol. Using current information, it is estimated that there would be four plants – three ethanol and one biodiesel – that would be eligible to receive this incentive the first year of the 2007-2009 biennium and an additional two ethanol plants the second year of the biennium. Assuming the worst case scenario that the price of ethanol and corn is such that these plants would receive the maximum $1,600,000 per year, this could have a total potential fiscal impact of $16 million for the 2007-2009 biennium. This is an additional fiscal impact of $12,800,000 over the current potential impact of $3,200,000 per biennium under the current statute.

There are two additional plants under consideration that may be eligible for incentives during the 2009-2011 biennium; which would bring the total to eight. Thus the total potential fiscal impact would be $25,600,000 for the 2009-2011 biennium, which is an additional fiscal impact of $22,400,000 over the current potential impact of $3,200,000 per biennium under the current statute.

Sections 3, 4, 5, and 6 deal with biofuels PACE; Section 18 appropriates $5 million in state general fund revenues to the biofuels PACE program.

Sections 7, 8, 9, 10, and 11 deal the Biomass Energy Center.

Section 12 is expected to reduce revenues in the highway distribution fund by $800,000 in the 2007-09 biennium. These funds will be transferred to the ethanol production incentive fund. (Because these are both "other funds", above, they net out to zero.)

Section 13 sets forth a renewable energy policy and creates a council. Section 17 appropriates $17 million in state general fund revenues.

Section 14 enables the income tax credit for installation of geothermal, solar, or wind energy devices to be claimed on the "short-form", Form ND-1. A typical household geothermal heating/cooling unit can sell for a price between $5000 and $15,000, which would translate to tax credits of $750 to $2250 each over five years. We do not know how many of these types of units will be installed during the biennium. This section will result in a reduction in state general fund revenues of an unknown amount.

Section 15 authorizes the "clawback" of agricultural business investment tax credits if the investment is held for less than five years. The fiscal impact of this section is unknown. This provision may conflict with other statutes regarding the period of time investments must be held at risk.

Justin Dever, DOC (ph: 328-7258) and Patty Schock, DOT (ph: 328-1933) contributed to this fiscal note.

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 expenditures shown are potential amounts that would be expended from the ethanol production fund relative to Sections 1 and 2 of the bill. Revenues in the fund would not be sufficient to cover these expenditures.

   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.*

The appropriations are contained in Sections 16, 17, and 18.

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	01/25/2007

70802.0101
Title.

Prepared by the Legislative Council staff for
Senator Heitkamp
January 24, 2007

PROPOSED AMENDMENTS TO SENATE BILL NO. 2288

Page 1, line 1, after "enact" insert "three new sections to chapter 4-14.1,"

Page 1, line 2, after "54" insert a comma

Page 1, line 3, after "to" insert "biodiesel production incentives," and after "fund" insert ", and a tax credit"

Page 1, line 20, after "more" insert "funds", overstrike "one million six hundred thousand dollars", and remove "per eligible facility"

Page 1, line 21, overstrike "annually in payments" and insert immediately thereafter "are available"

Page 2, after line 2, insert:

"**SECTION 3.** A new section to chapter 4-14.1 of the North Dakota Century Code is created and enacted as follows:

Biodisel production incentive - Calculation - Payment.

1. The office of renewable energy and energy efficiency shall provide quarterly to each eligible facility a production incentive based on the average Chicago board of trade price per pound of soybean oil during the quarter and the average North Dakota rack price per gallon [3.79 liters] of B100 biodiesel during the quarter, as compiled by AXXIS petroleum. The amount payable as a production incentive must be calculated by including the sum arrived at under subsection 2 with the sum arrived at under subsection 3.

2. a. If the average quarterly price per pound of soybean oil is above twenty-five cents, for each one cent by which the quarterly price is above twenty-five cents, the office of renewable energy and energy efficiency shall add to the amount payable under this section two-tenths of one cent times the number of gallons of biodiesel produced by the eligible facility during the quarter.

   b. If the average quarterly price per pound of soybean oil is twenty-five cents, the office of renewable energy and energy efficiency shall add zero to any amount payable under this section.

   c. If the average quarterly price per pound of soybean oil is below twenty-five cents, for each one cent by which the quarterly price is below twenty-five cents, the office of renewable energy and energy efficiency shall subtract from the amount payable under this section two-tenths of one cent times the number of gallons of biodiesel produced by the eligible facility during the quarter.

3. a. If the average quarterly rack price per gallon [3.79 liters] of biodiesel is above two dollars and sixty-three cents, for each one cent by which the average quarterly rack price is above two dollars and sixty-three

cents, the office of renewable energy and energy efficiency shall subtract from the amount payable under this section two-tenths of one cent times the number of gallons of biodiesel produced by the eligible facility during the quarter.

b. If the average quarterly rack price per gallon [3.79 liters] of biodiesel is two dollars and sixty-three cents, the office of renewable energy and energy efficiency shall subtract zero from any amount payable under this section.

c. If the average quarterly rack price per gallon [3.79 liters] of biodiesel is below two dollars and sixty-three cents, for each one cent by which the average quarterly rack price is below two dollars and sixty-three cents, the office of renewable energy and energy efficiency shall add to the amount payable under this section two-tenths of one cent times the number of gallons of biodiesel produced by the eligible facility during the quarter.

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

Subsidy limitations. The office of renewable energy and energy efficiency may not distribute more than one million six hundred thousand dollars annually in payments under section 3 of this Act. No eligible facility may receive state biodiesel payments that exceed a cumulative total of ten million dollars. Change in ownership of an eligible facility does not affect the ten million dollar cumulative total allowed to be paid to that eligible facility under this section.

SECTION 5. A new section to chapter 4-14.1 of the North Dakota Century Code is created and enacted as follows:

Biodiesel production incentive fund - Continuing appropriation. There is created in the state treasury a special fund known as the biodiesel production incentive fund. The fund consists of transfers made in accordance with section 39-04-39 and deposits made in accordance with section 57-43.1-03.1. All moneys in the fund are appropriated on a continuing basis to the office of renewable energy and energy efficiency for use in paying biodiesel production incentives under sections 3 and 4 of this Act."

Page 2, line 16, replace "a soybean or canola" with "an oilseed"

Page 4, line 13, replace "**energy center**" with "**research**" and remove "biomass energy center consists of a"

Page 4, line 14, remove "multidisciplinary group led by"

Page 4, line 15, replace "to" with "shall"

Page 4, line 28, replace "biomass energy center" with "North Dakota state university extension service"

Page 5, line 3, replace "biomass energy center" with "North Dakota state university extension service"

Page 5, line 5, replace "center" with "North Dakota state university extension service"

Page 5, line 28, replace "farmers" with "North Dakota"

Page 5, line 29, remove "and other"

Page 7, line 8, remove ", are not public records subject to section 44-04-18 and section 6"

Page 7, line 9, remove "of article XI of the Constitution of North Dakota, and"

Page 7, line 12, after the underscored period insert "The fact that a request has been made is exempt."

Page 7, line 23, replace "A request under" with "The information submitted pursuant to"

Page 7, line 31, replace the underscored comma with "and"

Page 8, line 1, remove ", and are not public records subject to section"

Page 8, line 2, remove "44-04-18 or section 6 of article XI of the Constitution of North Dakota"

Page 8, after line 26, insert:

"9. Provide incentives for energy efficiency and conservation."

Page 9, line 8, replace "nonharvest" with "appropriate harvest"

Page 11, line 7, replace "13" with "16"

Page 11, line 12, replace "13" with "16"

Page 11, remove lines 14 through 18

Page 11, line 19, replace "14" with "17" and replace "15" with "18"

Renumber accordingly

Date: Jan 26, 07
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass to adopt amendment

Motion Made By Klein Seconded By Wanzek

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman		X
Robert S. Erbele			Ryan M. Taylor		X
Jerry Klein	X				

Total (Yes) 4 No 2

Absent 1 – (Sen. Erbele)

Floor Assignment

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

Date: Feb 2, 2007
Roll Call Vote #: 2

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass and adopt amendments

Motion Made By Klein Seconded By Erbele

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman	X	
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment

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

Date: Feb 2, 2007
Roll Call Vote #: 3

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken further amend amendments

Motion Made By Taylor Seconded By Klein

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman	X	
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment

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

Date: Feb 2, 2007
Roll Call Vote #: 4

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken do pass to adopt amendments

Motion Made By Klein Seconded By Wanzek

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman	X	
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment

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

Date: Feb 2, 2007
Roll Call Vote #: 5

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass to adopt amendments

Motion Made By Klein Seconded By Wanzek

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman	X	
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment

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

Date: Feb 2, 2007
Roll Call Vote #: 6

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass as amended to be rereferred to Appropriations

Motion Made By Klein Seconded By Erbele

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman	X	
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Klein

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

Date: Feb 2, 2007
Roll Call Vote #: 7

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Reconsider Action

Motion Made By Klein Seconded By Wanzek

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman	X	
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment

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

Date: Feb 2, 2007
Roll Call Vote #: 8

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Reconsider 7080.0102 and remove

Motion Made By Klein Seconded By Erbele

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman	X	
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment

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

Date: Feb 2, 2007
Roll Call Vote #: 9.

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass as amended rerefered to Appropriation

Motion Made By Klein Seconded By Taylor

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman	X	
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Klein

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

REPORT OF STANDING COMMITTEE

SB 2288: Agriculture Committee (Sen. Flakoll, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2288 was placed on the Sixth order on the calendar.

Page 1, line 2, remove "and a new subsection to section 57-38-30.3"

Page 1, line 3, replace "a renewable" with "an", replace "policy," with "independence research", remove the second comma, and remove "for installation of geothermal,"

Page 1, line 4, remove "solar, or wind energy devices under the simplified method of computing income tax"

Page 1, line 5, remove "4-14.1-01.1," and replace ", 6-09.17-01, 6-09.17-02, 6-09.17-03, 6-09.17-04," with "and"

Page 1, line 6, remove ", and 57-38.6-03"

Page 1, line 7, remove ", expansion of the biodiesel partnership in assisting community expansion"

Page 1, line 8, remove "program," and remove "and the agricultural business"

Page 1, line 9, remove "investment tax credit", after the second semicolon insert "and", and remove "; and to"

Page 1, line 10, remove "provide an effective date"

Page 1, remove lines 12 through 16

Page 2, remove lines 3 through 30

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 12

Page 4, remove lines 28 through 30

Page 5, remove lines 1 and 2

Page 5, line 10, after the underscored period insert "House Bill No. 1020 (2007) includes four hundred thousand dollars for the agricultural experiment station and three hundred thousand dollars for the extension service to support the activities of the perennial biomass production initiative at the biomass energy center."

Page 5, line 19, remove the overstrike over "~~forty~~" and remove "fifty"

Page 5, line 26, after "renewable" insert "and traditional fossil-based"

Page 5, line 27, remove "renewable" and after "supplies" insert "that can be produced and secured within the state to assist the nation in reducing its dependence on foreign energy sources"

Page 5, line 28, remove "for farmers"

Page 5, line 29, remove "and other residents" and replace "rural" with "economic"

Page 5, line 30, after the first underscored comma insert "and" and replace ", improves the environment" with ". Growth of the renewable energy industry in this state improves the environment and encourages the state's competitiveness"

Page 5, line 31, remove "and encourages a renewable energy industry within this state that is competitive"

Page 6, line 2, replace "renewable" with "North Dakota-produced" and after "sources" insert ", including biodiesel, biomass, coal, ethanol, geothermal, hydroelectric, hydrogen, natural gas, oil, solar, and wind,"

Page 6, line 4, replace "Renewable energy" with "Energy independence"

Page 6, line 5, remove "renewable" and after "energy" insert "independence"

Page 6, line 6, remove "renewable" and after "energy" insert "independence"

Page 6, line 7, remove "renewable" and after "energy" insert "independence"

Page 6, remove line 9

Page 6, line 10, replace "c." with "b."

Page 6, line 11, replace "d." with "c."

Page 6, line 13, replace "e." with "d."

Page 6, line 15, replace "f." with "e."

Page 6, line 17, replace "g." with "f."

Page 6, after line 18, insert:

"g. A member with a substantial interest in the lignite industry recommended by the lignite energy council and appointed by the governor representing lignite interests.

h. A member with a substantial interest in the petroleum industry recommended by the North Dakota petroleum council and appointed by the governor representing petroleum interests."

Page 6, line 19, replace "h." with "i.", replace "Two" with "One", and replace "members" with "member"

Page 6, line 23, replace "council shall select its" with "commissioner of commerce shall serve as" and remove "from among its members"

Page 6, line 27, replace "Four" with "Five"

Page 8, line 27, replace "Renewable energy" with "Energy independence" and remove "renewable"

Page 8, line 28, after "energy" insert "independence" and remove "renewable"

Page 8, line 29, after "energy" insert "independence"

Page 8, line 31, remove "Five million dollars of the initial twenty million dollars placed in the"

Page 9, remove lines 1 through 30

Page 10, remove lines 1 through 31

Page 11, remove lines 1 through 8

Page 11, line 10, replace "$17,000,000" with "$3,000,000"

Page 11, line 11, after the comma insert "and $17,000,000 in special funds, or so much of the sum as may be necessary,"

Page 11, line 12, remove "renewable", after "energy" insert "independence", and replace "13" with "7"

Page 11, remove lines 14 through 20

Renumber accordingly

70703.0102
Title.0200

Prepared by the Legislative Council staff for
Senator Klein
February 8, 2007

2-8-7

PROPOSED AMENDMENTS TO SENATE BILL NO. 2228

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 4-35 of the North Dakota Century Code, relating to notification of alleged pesticide damage; to repeal sections 4-35-21, 4-35-21.1, and 4-35-21.2 of the North Dakota Century Code, relating to reports of loss resulting from pesticide application; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 4-35 of the North Dakota Century Code is created and enacted as follows:

Pesticide application - Alleged property damage - Notification of applicator.

1. a. Before a person may file a civil action seeking reimbursement for property damage allegedly stemming from the application of a pesticide, the person shall notify by certified mail the pesticide applicator of the alleged damage within the earlier of:

   (1) Twenty-eight days from the date the person first knew or should have known of the alleged damage; or

   (2) Before twenty percent of the crop or field allegedly damaged is harvested or destroyed.

   b. Subdivision a does not apply if the person seeking reimbursement for property damage was the applicator of the pesticide.

2. Upon notifying the applicator as required under subsection 1, the person seeking reimbursement for the alleged property damage shall permit the applicator and up to four representatives of the applicator to enter the person's property for the purpose of observing and examining the alleged damage. If the person fails to allow entry, the person is barred from asserting a claim against the applicator.

SECTION 2. REPEAL. Sections 4-35-21, 4-35-21.1, and 4-35-21.2 of the North Dakota Century Code are repealed.

SECTION 3. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

Date: Feb 8, 2007
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2228

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass adopt amendments 70703.0102

Motion Made By Klein Seconded By Taylor

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm	X	
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman		
Robert S. Erbele	X		Ryan M. Taylor	X	
Jerry Klein	X				

Total (Yes) 6 No 0

Absent 1

Floor Assignment _____

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

Date: Feb 8, 2007
Roll Call Vote #: 2

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2228

Senate Agriculture Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass as Amended

Motion Made By Klein Seconded By Erbele

Senators	Yes	No	Senators	Yes	No
Tim Flakoll-Chairman	X		Arthur H. Behm		
Terry M. Wanzek-Vice Chairman	X		Joan Heckaman		
Robert S. Erbele	X		Ryan M. Taylor		
Jerry Klein	X				

Total (Yes) 6 No 0

Absent 1

Floor Assignment Sen. Klein

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

REPORT OF STANDING COMMITTEE

SB 2228: Agriculture Committee (Sen. Flakoll, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2228 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 4-35 of the North Dakota Century Code, relating to notification of alleged pesticide damage; to repeal sections 4-35-21, 4-35-21.1, and 4-35-21.2 of the North Dakota Century Code, relating to reports of loss resulting from pesticide application; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 4-35 of the North Dakota Century Code is created and enacted as follows:

Pesticide application - Alleged property damage - Notification of applicator.

1. a. Before a person may file a civil action seeking reimbursement for property damage allegedly stemming from the application of a pesticide, the person shall notify by certified mail the pesticide applicator of the alleged damage within the earlier of:

   (1) Twenty-eight days from the date the person first knew or should have known of the alleged damage; or

   (2) Before twenty percent of the crop or field allegedly damaged is harvested or destroyed.

   b. Subdivision a does not apply if the person seeking reimbursement for property damage was the applicator of the pesticide.

2. Upon notifying the applicator as required under subsection 1, the person seeking reimbursement for the alleged property damage shall permit the applicator and up to four representatives of the applicator to enter the person's property for the purpose of observing and examining the alleged damage. If the person fails to allow entry, the person is barred from asserting a claim against the applicator.

SECTION 2. REPEAL. Sections 4-35-21, 4-35-21.1, and 4-35-21.2 of the North Dakota Century Code are repealed.

SECTION 3. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

2007 SENATE APPROPRIATIONS

SB 2288

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 02-13-07

Recorder Job Number: 3456

Committee Clerk Signature

Minutes:

Chairman Holmberg opened the hearing on HB 2288.

Senator Dave Nething, District 12, Jamestown, introduced and urged support of SB 2288 indicating this has a tremendous impact in North Dakota on Renewable Fuels. He discussed some changes made in the Ag Committee and he was not asking any changes to those because they are realistic changes.

Senator Joel Heitkamp, District 26, Hankinson, testified in support of SB 2288, urging to keep this bill alive. He distributed written testimony (1) from Duane Hauck, Director, NDSU Extension Service indicating this document is a realistic cost analysis. He indicated we can't let this industry get behind us and other states are advancing at a greater pace. He indicated he hoped more money could be put back into the bill, but if not, he urged passing it out.

Senator Mathern indicated if more money was put back in, where would he suggest putting it. The response was there are several areas.

Senator Terry Wanzek, District 29, Jamestown, testified on SB 2288, bringing attention to Section 1, the Ethinol Production and Center Fund and the language relating to each eligible facility payments. It is important to make the committee aware of the dollars that will come out of that fund. It is the intent the fund will only be utilized up to the extent of the money in the fund. He indicated he had a proposed amendment that could make reference to that.

Harlan Fuglesten, lobbyist, ND Association of Rural Electric Cooperatives, presented written testimony (2) in support of SB 2288 indicating the cooperative utilities has worked through a partnership to advance renewable energy development. He indicated their interest in the bill is their interest is in developing wind power and other renewable sources of electric generation and as they have a strong rural base the member-owners produce products to make biofuels.

Chairman Holmberg closed the hearing on SB 2288.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 02/13/07

Recorder Job Number: 3471

Committee Clerk Signature

Minutes:

Chairman Holmberg opened the hearing on SB 2288 describing the bill.

Senator Grindberg moved a DO PASS on SB 2288, Senator Christmann seconded. A roll call vote was taken resulting in 14 yes, 0 no 0 absent. The motion carried and Senator Klein of the Ag Committee will carry the bill.

Chairman Holmberg closed the hearing on SB 2288.

Date: 2/13/07
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP

Motion Made By Grindberg Seconded By Christmann

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) 14 No 0

Absent 0

Floor Assignment AJ

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

REPORT OF STANDING COMMITTEE

SB 2288, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2288 was placed on the Eleventh order on the calendar.

2007 HOUSE NATURAL RESOURCES

HB 2288

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2288

House Natural Resources Committee

☐ Check here for Conference Committee

Hearing Date: March 1, 2007

Recorder Job Number: 4203

Committee Clerk Signature Shirley K Olmsted

Minutes:

Chairman Porter opened the hearing on SB 2288 and asked the clerk to read the title.

Senator Dave Nething of District #12 came forward as a sponsor of SB 2288. This is a bill of tremendous importance to the state of North Dakota and the region that we live in. There have been other tremendously important pieces of legislation in the past. I compare this bill to previous important legislation but this bill has the magnitude that I think is extremely critical for North Dakota. I got involved in this bill a little later after all the legwork had been done in putting this together. You will hear from people with varied interests and you will get the feeling of how this legislation is because of the different groups that have become involved with this bill. This is a nonpartisan opportunity where you must keep the big picture in front of you. This bill comes with over a three million appropriation from general fund money and I think initially this bill was in the area of twenty five or twenty six million dollars. There is also some other legislation that has passed before that has a five million dollar appropriation with it relating to some of the same subject matter. I am not sure where that is in the mix here. There is also seventeen million dollars provided for special funds. Those special funds would be funds which would be raised by other sources other than General Fund monies to be utilized. That is always a concern to the appropriation committee and it is a concern to all of

us. I hope you are able to keep the big picture in mind as the story unfolds about the importance of renewable fuels in this state. It is an exciting opportunity to be part of this legislation.

Representative Pam Gulleson from District #26 came forward in support of SB 2288. She is a long term support of renewable energy and alternative energy. I think this bill is one of those bills that is really going to create new and diverse opportunities. As a farmer and rancher, it is a part of this whole effort to make sure that we can move our commodities and what we grow right here in North Dakota into an entirely new part of the industry. It is very exciting. I am part of the renewable energy partnership. I have been a member since the development of the partnership about four or five years ago. It is a cross section of many different people who have an interest in all energy. This includes the commodity folks as well, the utilities, developers of renewable projects and plants, chambers of commerce and it has grown. Mike Williams is going to speak on behalf of this group. This bill is part of their effort to move North Dakota forward in all energy development and especially the renewable energies. We want to be partners across the board with our friends in lignite and oil. ND is uniquely positioned to lead the nation in efforts to ensure that we are not dependent on foreign oil and we have tremendous resources to be able to do it. This bill has been scaled down but we are still very interested in moving it forward. Section 1 addresses the ethanol incentive fund and places a limit on it to ten years per eligible facility. Section 2 thru 5 directs NDSU to conduct research on the production, harvest and delivery of biomass. This is one of the most emerging areas in the renewable area. It ties really well with ND capacity to grow and support the switch grass and CRP and a whole variety of grasses. We have been in some conversations with some of the big companies that are interested in this. This particular bill is really going to enhance the research and the information that we can provide to companies to help sell them why they

ought to be placing their plants right here. Section 6 increases the cap on the ethanol production incentive from five million to ten million. Section 7 creates what is now called the energy independence research council and Representative DeKrey is going to be offering some amendments on this to return it to the original language of a renewable energy council. We think it is appropriate that we have a council that has a real focus on this particular area. It also creates what we hope to be called the Renewable Energy Development Fund. I have handed out a sheet of all the potential projects and there are so many more. See written list marked as Item #1. Section 8 provides the appropriation and allows the authority to get the additional seventeen million in special funds. Basically the total authority in this bill would be twenty million. We think this is a really sound basis for research and development.

Chairman Porter asked that if in the research council component of this bill, the dollars that are appropriated, is there any requirements in this bill that talks about dollar for dollar matches and what types of projects would be eligible or would that all be taken care of the council setting up their own rules.

Representative Gulleson said that is right. The council would be asked to set up the types of rules and what they are going to look at in terms of projects and the guidelines for those projects just as lignite and oil have. The language in this bill mirrors the exact language for the other two councils.

Representative DeKrey said he likes the direction of the bill and supports it. It asks us to look at the big picture in the components of this bill. He has an amendment that he will hand out when they start doing committee work on this bill.

Commissioner Roger Johnson, State Agriculture Commissioner for the State of ND came forward in support of SB 2288. See written testimony marked as Item #2. This is intended to provide a variety of tools to develop the renewable energy in North Dakota. It is a big idea kind

of bill as you hear Senator Nething describe. This bill was extensively amended in the Senate. It is my humble opinion that it is not as good as it was when it started but it is still a very good bill. The amendments that Representative DeKrey talked about will make it better. As it is currently written in the engrossed version it establishes and provides funding for an energy independence development fund and an energy independence research council. The amendments have changed both of those names back to renewable energy which is really the focus of this bill. In answer to your question Chairman Porter about how the requirements for matches and so forth would be established; the way that would happen is first through the council but ultimately through the Industrial Commission. We would have the final say if you will for each project that would be funded as we currently do with lignite and with oil. That is a really good check and balance. We make sure that the projects that get funded are good and justifiable projects. I would urge you to restore the council to the way it was originally introduced with one change and the amendments offered by Representative DeKrey will offer and make that change. Originally the Ag Commissioner was to be a member of that Council and that was removed. We are asking that the Ag Commissioner be replaced and that it would be a replacement named by the Ag Commissioner. This whole issue of renewable energy is really a big deal in this state. It is going to be a large part of our future. We need to spend some time on what comes after corn based ethanol. Cellulosic ethanol is the thing that everyone is heading towards. We have chanced to do some of those plants here in this state. Yesterday USDA announced a series of grants in the area of about two hundred million dollars. They went to six different places around the country. These were all cellulose ethanol based and we did not get one because we were not to that same point. Establishing this fund will get us to a place where we can play in those kinds of opportunities. That is the future and this is really about those kinds of future projects. We rank number one in the nation in wind

energy potential. We also rank number one in the production of canola which is looked to be as one of the sources of biodiesel. We are a major producer of soy beans and we also rank first in the nation in biomass production from dedicated energy crops like switch grass. We have to get working on the next generation of stuff besides corn as it is impossible to reach our goals with just corn. He reviewed the different sections of the bill as per his written testimony. We have already missed some opportunities. The hydrogen and fertilizer production using wind energy was one of those. The biggest challenge with wind energy is that it doesn't blow all the time. If you are going to generate the electricity and you can't store the electricity, you have that issue in terms of when the demand is there whether you can produce the electricity. One of the big future hopes is that you can take the intermittent energy generated by wind and you can generate hydrogen and make fertilizer out of this. You don't have to have the wind blowing every day. Your production would go up and down with the wind. That kind of research was just sited in Minnesota and we missed that because we are not positioned with the kind of tools that this bill provides to try to get that kind of research and development. I think you can tell I believe very strongly about this bill.

Chairman Porter asked in the biomass area and in HB 1515 we put an appropriation on that and moved it forward. This is pretty much a direct duplication of that.

Commissioner Johnson said he was right to a degree. A portion of this bill was moved into 1515 and you are moving that forward. I think two and one half million dollars was put on that. That is very specific only to biomass. We are talking about all renewable energy in this bill. HB 1515 is specifically looking to do two things. One is to fund a project at NDSU that is an exciting project. Secondly, it is to build a biomass production pilot area of two 5,000 acres areas or one 10,000 acre area to try to work with federal agencies and do matching dollars.

We have to prove that we can produce enough biomass in a small area to make it economically feasible for these companies to come here.

Chairman Porter asked if with some of the grants and some of the projects and things that you had mentioned that we had missed out on because we lack this council and the funds going with this. How dos this directly compete with EERC and the money that we have put forth for the Centers of Excellence? I have always looked at that location as being our research along with NDSU Centers of Excellence and looked at it that they are the ones picking and choosing the projects and have the ability to match those federal grants and do the research.

Commissioner Johnson said the distinction is that EERC behaves by attracting grants to do projects. They don't give grants or do projects without being funded. This fund is about putting money together so that we can help buy some of that work that the EERC does. This is the other end of it. We have to have money available to buy the kind of research and development that the EERC does. It is not that much different with the stuff that goes into NDSU. What you are doing at NDSU is putting together some research capabilities, experts and some professionals and some staff but you are not putting a bunch of money that can be taken out to invest in a project. That is what this funds poses to do. We may look to EERC and NDSU to do that research but we would put this money in other private industries that also put money in to match it. That is way the lignite and oil council work.

Vice Chairman Damschen took over the hearing at this point as Chairman Porter left the room for another hearing.

Representative Drovdal said we keep hearing that we are going to have to replace gasoline with ethanol. It always seems like we have to subsidize. What price per gallons would ethanol have to be if we were not subsidizing it?

Commissioner Johnson said that on the state level the price it has been at for the past two or three years is the price that it doesn't have to be subsidized. We have in state law right now that has a countercyclical mechanism for ethanol. When the price of ethanol goes down, the price of corn goes up so it becomes upper economically and then that fund kicks in and subsidizes. It hasn't kicked in for the last two years because oil went high and corn was cheap. Now corn is moving up back up and so we may get to that point again and the price of oil has come from seventy down to in the fifty dollar range. It is likely not here yet.

Representative Drovdal said he thought we had provided a lot of subsidies to plants and production and other ways.

Commissioner Johnson said those kinds of things that you are talking about are sort of economic development things that we do for any kind of business that comes into this state. If we have the ability to attract an oil refinery we are probably going to do those same kinds of things. He referred again to General Wald's comment on his written testimony. Another way you can measure this is the amount of resources that we are committing to protect the foreign flows of oil into this country.

Representative Drovdal asked what was the total cost of subsidies to the some of the biofuels per gallon if we used the same criteria that General Wald used.

Commissioner Johnson said there may be someone in the audience that could answer that. I will guarantee that it will be under six and one half dollars. Where should these limited public resources really be spent? What is the most appropriate place to spend these tax dollars? I would argue that the next place you ought to be focusing on would be that next generation of renewables. Celluloses ethanol is that next step but it is the first plant syndrome. Everyone wants to put second or the third or tenth cellulosic ethanol plant into production. No one wants to do the first one because the cost is so big and you learn things as you do it. That is what

corn based ethanol is today. Those large subsidies that were there in the early years largely have moved away in terms of state policy because it has become much more main stream. Cellulosic ethanol is in its infancy. This is an example of where this bill would put its resources.

Representative Drovdal said when you talk about the subsidies for oil and gas as you just mentioned, generally that so called subsidy is lowering the tax burden that we made so high where this type of subsidy is actually taking the tax that comes from oil and gas and using it for other projects.

Commissioner Johnson said most of what you said is right. Anyone who looks at this energy picture has got to come to some fundamental understandings. The first is that we are enormously dependent on foreign oil. That is not healthy for this country. Secondly, there is no way that renewable energy is going to replace oil and gas. It is not going to happen. No one who is thinking rationally that will argue that we should do all of this renewable energy and quit drilling for oil and quit mining for coal. Actually the exact opposite is what is true. We have to figure out how to get more efficient and how to get more modern technology for oil. Some of the policies you are working on are doing just that. We have to figure out how to dig coal and turn it into liquid fuels. We have to figure out how to make it more carbon neutral in the environment. We cannot deal with this energy addiction if you will that we have in this country without all of the energy sources. This is just focused on renewables.

Mr. Mike Williams of the ND Renewable Energy Partnership came forward in support of this bill. This is a partnership of very wide ranging industries. He listed some of the groups involved with this. See attached list and testimony marked as Item #3. This is a wide ranging partnership with areas of interests to determine how we put our best efforts in to move our resources in a uniform manner so our residents can invest and benefit from the development

of these renewable energies. I think we have finally broken down some of these barriers. It used to be that some of these resources were working against each other. We have the best resources in the country. We have 800 years of proven coal reserves, we have 350 million barrels of oil, and we have the best identified biomass resource in North American and we have the best wind resources in North America. We also have the best farmers in North America. We put these resources together and there is no one that can stop us. We need to be sure that we invest in them because the returns is so great. When you mix our renewables with our fossil fuels, it makes them both better. He referenced his handout about the city of Fargo and the clean renewable energy bonds that were put in by Dorgan, Conrad and Pomeroy which is similar to what they have suggested in some of these energy bills. Municipalities and schools can qualify for some of these low interest loans to get into these types of projects that avoid costs. Sometimes they avoid cost and generate revenue. He went over the methane collection system which was the example of his handout. They capture all the methane in the Fargo landfill to the collection station and they have a methane generator. They take the methane and produce electricity with it. Originally they were just going to offset their cost of electricity and use it and then sell it. They told Cass County Electric that they wanted them to purchase the extra power that they had. They were already selling methane to Cargill so they decided to sell them electricity too. They made a deal with Cass County for three years. Just on that one million dollar investment of capturing that methane the return on this one project has been three hundred ninety thousand dollars per year. There has been a 39% return. This bill will help farmers, and cities and schools have the same opportunity that Fargo had. This is a way for us to leverage our best industry, that being agriculture, and take that money that they have invested in this state and give them an opportunity to grow their business. Our farmers are going to grow their own energy on a regional scale in biofuels

development. The idea is that we can put all our resources together and leverage this. We are in a prime position in North Dakota to grow this state.

Mr. Wade Moser of the ND Stockman's Association came forward. He wanted to address Section 3, lines 5 thru 7. We think this is very important but we have a concern in our industry. We are the largest users of biomass and we call it hay. We want to have the impact of this study and we also want to know what impact that will have on us in a positive way or in a negative way. At the end of line 7 we would like you to consider including the "impacts on other industries". The corn prices had an impact on our industry. I think we will see our way through it and find some positives. Several years we had a dairy buyout in this country. It focused in on a concern and a need by the dairy industry and it was good for them but it impacted the beef industry as there was too much beef put on the market at one time and if you had cattle to sell over a six month period you took a big hit. We think that whenever we move forward on these issues, study the impacts that may affect all industries. We are hearing about the Canadian border these days allowing Canadian cattle in this country. There is an economic study that was done on that. It is a positive impact on the United States to open that border. It is about a six hundred million dollar impact however it is a one point three billion dollar positive impact to the consumers of the United States and a negative of seven hundred million dollars to the beef cattle industry in lower prices. We just please ask you to take a look at the impact that any of this will have on the entire picture. We don't want to get trampled in all the excitement of renewable energy. We want to be a part of it as we are a big user of energy and we need to find a solution to the high energy costs.

Representative Nottestad said he could certainly agree with their analogy and we need to look at it. The changes with the entire agriculture industry are going to come. We can look at the food industry as an example in the production of wheat. I have heard people say that if we

continue with the farms going from food production into energy production within ten years we will be importing food from the rest of the world. I agree with you that if we are going to look at the impacts we need to look at the impacts on agriculture because they are absolutely tremendous. They need to be looked at and I am assuming they will be looked at.

Mr. Harlan Fuglesten of the ND Association of Rural Electric Cooperatives came forward in support of SB 2288. See written testimony marked as Item #4.

Mr. Kim Christianson, Manager of the Office of Renewable Energy and Energy Efficiency came forward in support of SB 2288. See written testimony marked as Item #5. He said this office was capable and more than willing to carry out the task. He discussed the suggested language that is on the last page of his testimony. They cannot issue funds that are not there and they would not go negative in this fund. They would suggest that the committee consider adopting this language in the bill.

Mr. Randy Schneider, President of the ND Ethanol Producers Association came forward in support of SB 2288. This is a newly formed organization that is for all producers of ethanol. I think it is a bill that allows us to move forward with renewable energy. He also wanted to indicate that Kim Christianson mentioned the subsidy limits and they as an industry would support that. They were also in support of the comments by the ND Stockmen's association as they are part of the supply chain of people that we need to work with. If this is a concern of theirs, they would certainly want to make sure that particular issue gets addressed. As an industry they are very proud of what they have done. Almost every kernel of corn that is being grown has value added. This is an exciting time for North Dakota.

Mr. Lance Gaebe of the Governor's office came forward in support of SB 2288. The Governor has very strong goals to grow renewables and the Governor has been very much involved in this along with the Bank of ND and the Department of Commerce. There are several bills

along with this one that have been highlighted and they look forward to working with the Natural Resources Committee on these bills. Any efforts to consolidate any of these bills we should work together to make sure these concepts stay alive and are coordinated. The Governor supports the funding and the concepts.

Vice Chairman Damschen asked for further testimony in support of SB 2288. Hearing none, he asked for testimony in opposition to SB 2288. Hearing none, the hearing was closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2288

House Natural Resources Committee

☐ Check here for Conference Committee

Hearing Date: March 8, 2007

Recorder Job Number: 4724

Committee Clerk Signature Shirley K Olmsted

Minutes:

Chairman Porter asked the committee to consider SB 2288.

Representative Craig Headland came forward with an amendment (.201). This amendment would allow the treasurer to deposit 20% of the fees to a new fund called the biofuels road infrastructure fund. There are a couple of reasons that this amendment is important. We all know that there are problems with roads in rural America where some of these facilities will be located. The reason he brought this bill forward is because one of the largest projects ever seen in North Dakota is happening behind the Garrison Dam that is called the Spiritwood Energy Park. There is a road that leads directly into this part that is in terrible condition. The county just isn't able to fix the road. I thought this would be a creative way to divert a few dollars for roads or to a specific road. The bill is not specific but as we grow our renewable industry in this state, there are going to be other areas when this particular fund may improve the infrastructure. With that, I would try to answer any questions.

Representative Hanson asked what the total dollars this would bring in.

Representative Headland said he tried to get a fiscal note on this and so has Jeff Nelson. He is not sure what the total number of farm registrations is. As far as the fiscal impact of this particular amendment, I have been told it will be around the 1.6 million a biennium.

Representative Hanson asked if they had checked with the DOT on this.

Representative Headland said he thought DOT conferred with Jeff Nelson on this.

Representative DeKrey made a motion to accept the first amendment.

Representative Hofstad seconded the motion.

Chairman Porter asked for discussion.

Representative Drovdal asked if by moving this to the fund does this still qualify for matching funds.

Representative Headland said he could answer that and that it still would qualify.

Representative Nottestad said he would object to this because as these economics things come into the community it is a great boom to these communities and normally the infrastructure to the plants should be built into it or should be done by the community prior to these plans being made and not after the fact like this is. I cannot support this.

Representative Charging said that perhaps the oil impact money would work.

Representative Hofstad asked if this was a corporation or a LLC.

Representative Headland said he thought it was a corporation.

Representative Solberg asked if only the plant that was using these funds for their infrastructure.

Representative Headland said that was not the case. Any bios fuels facility could have access to these dollars by request to the DOT. If I could clarify, this is not new money to roads. This is just setting aside monies that are currently collect from farm vehicle registrations and only setting aside a small portion of that money.

Chairman Porter said we are already at 40% so this will say 60% of the registration is already spoken for outside of the normal vehicle registration process. We have already doubled the size of the fund and now you are saying they cannot afford a road.

Representative Headland said the way he understands it is that the political subdivision doesn't collect the money from the fund. They collect it from the usual highway funds. Are you asking that the developers should repair the road?

Representative Keiser said this is not an unusual problem with developments like this. I am sure there are a lot of taxes such as property taxes that have been exempt and you are putting a lot of pressure on the system that had minimal use and now you have trucks that are coming and going night and day and there is no property tax base for five or ten years to support this kind of development. When we did the Pro Gold Project it wasn't long and we had Richland County in here talking about all the problems that they were having. The answer is that there is a way any corporation can make a contribution to fix the roads. It is a huge problem.

Chairman Porter said even with the property tax exemption, if it is needed the political subdivision can certainly do a special assessment.

Representative Keiser said that is absolutely right except that 50% of the adjacent land owners are not going to want to pay for this.

Representative Hunskor said does this in fact take funds away from other roads in North Dakota.

Representative Headland said yes it would.

Representative Drovdal asked if this was a state road or a county road.

Representative Headland said it doesn't specific in the language so it could be a state or a county road or it could be a township road.

Representative Hunskor asked if there are any other avenues of getting dollars for this specific area. It is certainly a very needy thing. Is this the last resort?

Representative Headland said this is his last resort at this time.

Representative Hanson asked if they were talking about old Highway 10 both in Barnes County and Stutsman County.

Representative Headland said he was not talking about any specific roads. I am talking about a road that leads to a biodiesel facility. It could be anywhere in the state.

Representative Charging said how can be assured that the money would go where it is supposed to go.

Representative Headland said this would specifically have to be used for roads that lead to a facility. There are other funds that political subdivisions use for matching funds from the federal and I don't know how every different political subdivision works and categorizes the importance of each road.

Chairman Porter asked for further discussion. Hearing none, he asked for a voice vote. The motion failed. The second amendment number 0202 and 0206 were handed out. This was prepared by Representative Gulleson. This was brought to us by the Commerce Department that wanted to make sure that the funds out of the subsidiary fund for an ethanol facility off of the registration fees we were just talking about the ethanol production incentive fund there would be no payment if a negative balance was produced. If the incentive fund was insufficient to pay out valid incentive requests received in any quarter, the funds available must be paid out on a prorated basis and cannot be carried forward. The biomass information in this bill and this amendment is already moved so Sections 2, 3, 4, 5, and then up through page 6. The biomass was handled was handled in HB 1515 which is over in the senate with 2.5 million dollars. Then getting back to Section 2 on the amendment that creates the Renewable Energy Council which fits in with Representative DeKrey's amendment and it talks about the membership of that council. Because we created a policy commission in HB 1462 the Department of Commerce asked that we tie the two together so that same members of the

Renewable are also this Renewable Energy Council. If you go to Section 3 on the amendment it talks about the grants and that the grants shall be recommended to the Department of Commerce for the approval of grants, loans, or other financial assistance necessary or appropriate for funding, research and development. Grants made pursuant to this section must be matched on a dollar-for-dollar basis by the entity receiving the grant. Section 4 renames from the Energy Independence with Renewable energy and takes away from the Industrial Commission and gives it to the Department of Commerce. That ties in with the other things that we have done also. The rest of it is the language that allows them to receive any other grants, gifts or federal funds into the renewable energy development fund. The appropriation stays the same. The fiscal note remains at three million dollars.

Representative Nottestad made a motion to accept the amendments.

Representative DeKrey seconded the motion.

Representative Meyer said basically we are giving three million dollars to create a council. You are taking out everything.

Chairman Porter said they were not doing that. We are giving three million dollars to the Renewable Energy Council which is made up of wind, biomass and the list that you can read for the purpose of grants, loans or other financial assistance necessary in the funding or research development of projects.

Representative Hanson asked if this was in the governor's budget.

Chairman Porter said this is not in the budget. The BIO PACE bill is in the governor's budget. This bill started out on the senate side as 22 million and came to us with 3 million.

Chairman Porter took a voice vote. The motion carried.

Representative DeKrey made a motion for a do pass as amended and refer to appropriations on SB 2288.

Representative Damschen seconded the motion.

Chairman Porter asked for discussion.

Representative Solberg asked Representative DeKrey if he had talked to Representative Gulleson.

Representative DeKrey said he had talked to her just before session today.

Chairman Porter asked the clerk to call the roll. Let the record show 10 yes, 4 no with all present on a **do pass as amended on SB 2288 with a referral to appropriations**.

Chairman Porter will carry the bill to the floor.

Headland

70802.0201
Title.

Prepared by the Legislative Council staff for
Representative Headland and Senator
Wanzek
February 26, 2007

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2288

Page 1, line 3, after "4-14.1-09" insert ", 24-02-37,"

Page 1, line 4, after "incentives" insert ", priorities of state highway fund expenditures,"

Page 2, after line 18, insert:

"**SECTION 6. AMENDMENT.** Section 24-02-37 of the North Dakota Century Code is amended and reenacted as follows:

24-02-37. State highway fund - Priorities for expenditure - Use of investment income. The state highway fund, created by law and not otherwise appropriated and allocated, must be applied and used for the purposes named in this section, as follows:

1. Except for investment income as provided in subsection 3 and except as otherwise provided in subsection 4, the fund must be applied in the following order of priority:

   a. The cost of maintaining the state highway system.

   b. The cost of construction and reconstruction of highways in the amount necessary to match, in whatever proportion may be required, federal aid granted to this state by the United States government for road purposes in North Dakota.

   c. Any portion of the highway fund not allocated as provided in subdivisions a and b may be expended for the construction of state highways without federal aid or may be expended in the construction, improvement, or maintenance of such state highways.

2. All funds heretofore appropriated or hereafter appropriated or transferred to the department, whether earmarked or designated for special projects or special purposes or not, must be placed or transferred into a single state highway fund in the office of the state treasurer and any claims for money expended by the department upon warrants prepared and issued by the office of management and budget and signed by the state auditor under this title must be paid out of the state highway fund by the state treasurer; provided, however, that the commissioner shall keep and maintain complete and accurate records showing that all expenditures have been made in accordance with legislative appropriations and authorizations.

3. The state treasurer shall deposit the moneys in the state highway fund in an interest-bearing account at the Bank of North Dakota. The state treasurer shall deposit forty percent of the income derived from the interest-bearing account in a special interest-bearing account in the state treasury known as the special road fund. The special road fund may be used, within the limits of legislative appropriation, exclusively for the construction and maintenance of access roads to and roads within recreational, tourist, and historical areas as designated by the special road

committee. A political subdivision or state agency may request funds from the special road fund by applying to the committee on forms designated by the committee. The committee may require the political subdivision or state agency to contribute to the cost of the project as a condition of any expenditure authorized from the special road fund. Any moneys in the fund not obligated by the special road committee on June thirtieth of each odd-numbered year must revert to the state highway fund.

4. The state treasurer shall deposit twenty percent of all sums collected from the registration of farm vehicles under subsection 5 of section 39-04-19 in a special interest-bearing account in the state treasury known as the biofuels road infrastructure fund. The biofuels road infrastructure fund may be used, within the limits of legislative appropriation, exclusively for the construction and maintenance of access roads to ethanol, biodiesel, biofuel, and other renewable fuel production facilities. A political subdivision or state agency may request funds from the biofuels road infrastructure fund by applying to the director on forms designated by the director. The director may require the political subdivision or state agency to contribute to the cost of the project as a condition of any expenditure authorized from the biofuels road infrastructure fund."

Page 2, line 25, after "treasurer" insert "shall transfer annually from the highway tax distribution fund to the biofuels road infrastructure fund an amount equal to twenty percent of all sums collected for the registration of farm vehicles under subsection 5 of section 39-04-19 and"

Page 6, line 24, replace "7" with "8"

Renumber accordingly

Date: 3-8-07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2288

House **Natural Resources** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Mr Amend 0201

Motion Made By DeKrey Seconded By Hofstad

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 No

Absent

Floor Assignment

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

Voice

70802.0202
Title.

Prepared by the Legislative Council staff for
Representative Gulleson
February 28, 2007

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2288

Page 1, line 2, replace "an" with "a renewable" and remove "independence research"

Page 3, line 14, replace "**Energy Independence research**" with "**Renewable energy**"

Page 3, line 15, after the first "the" insert "renewable" and remove "independence research"

Page 3, line 16, after "the" insert "renewable" and remove "independence"

Page 3, line 17, after "The" insert "renewable" and remove "independence research"

Page 3, line 19, replace "A member" with "Two members"

Page 3, line 28, remove "A member with a substantial interest in the lignite industry recommended by"

Page 3, remove lines 29 and 30

Page 4, remove lines 1 through 3

Page 4, line 4, remove "i.", replace "One" with "Two", and replace "member" with "members"

Page 6, line 15, replace "**Energy Independence**" with "**Renewable energy**" and after "The" insert "renewable"

Page 6, line 16, remove "independence" and after the second underscored "the" insert "renewable"

Page 6, line 17, remove "independence"

Page 6, line 23, after the third "the" insert "renewable"

Page 6, line 24, remove "independence"

Renumber accordingly

Prepared by the Legislative Council staff for
House Natural Resources
March 8, 2007

House Amendments to Engrossed SB 2288 (70802.0206) - Natural Resources Committee 03/09/2007

Page 1, line 1, remove "to provide for a biomass energy center;", replace the second "a" with "three", and replace "chapter" with "sections"

Page 1, line 2, replace "title 54" with "chapter 54-60", replace "an" with "renewable", remove "independence research", and after "council" insert "grants"

Page 1, line 3, after the first "and" insert "the renewable energy", replace "sections" with "section", and remove "and 39-04-39"

Page 1, line 4, remove "and distribution of"

Page 1, line 5, remove "motor vehicle registration fees"

Page 1, line 12, after "4-14.1-08" insert "and may not distribute any payment that would create a negative ethanol production incentive fund balance. If the incentive fund balance is insufficient to pay all valid incentive requests received in any quarter, the funds available must be paid out on a pro rata basis and obligations may not be carried forward"

Page 1, remove lines 17 through 24

House Amendments to Engrossed SB 2288 (70802.0206) - Natural Resources Committee 03/09/2007

Page 2, remove lines 1 through 31

House Amendments to Engrossed SB 2288 (70802.0206) - Natural Resources Committee 03/09/2007

Page 3, remove lines 1 through 30

House Amendments to Engrossed SB 2288 (70802.0206) - Natural Resources Committee 03/09/2007

Page 4, remove lines 1 through 30

House Amendments to Engrossed SB 2288 (70802.0206) - Natural Resources Committee 03/09/2007

Page 5, remove lines 1 through 30

House Amendments to Engrossed SB 2288 (70802.0206) - Natural Resources Committee 03/09/2007

Page 6, replace lines 1 through 14 with:

"**SECTION 2.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Renewable energy council. The renewable energy council consists of a representative of the agriculture community appointed by the governor, a member from the biodiesel industry appointed by the governor, a member from the biomass industry appointed by the governor, a member from the wind industry appointed by the governor, a member from the ethanol industry appointed by the governor, and the commissioner of commerce who shall serve as chairman of the renewable energy council. Members of the renewable energy council shall represent the same interest on the energy policy commission.

SECTION 3. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Renewable energy council - Grants. The renewable energy council shall recommend to the department of commerce the approval of grants, loans, or other financial assistance necessary or appropriate for funding, research, and development. Grants made pursuant to this section must be matched on a dollar-for-dollar basis by the entity receiving the grant.

SECTION 4. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:"

Page 6, line 15, replace "**Energy Independence**" with "**Renewable energy**" and after "The" insert "renewable"

Page 6, line 16, remove "independence" and after the second "the" insert "renewable"

Page 6, line 17, remove "independence" and replace "industrial commission" with "department of commerce"

Page 6, line 18, replace "this chapter" with "sections 2 and 3 of this Act"

Page 6, line 23, after the comma insert "and any gifts, grants, or federal funds received,", replace "industrial commission" with "renewable energy development fund", and after the third "the" insert "renewable"

Page 6, line 24, remove "independence" and replace "section 7" with "sections 2 and 3"

Renumber accordingly

Date: 3-8-07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2288

House **Natural Resources** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken mv amend .0206

Motion Made By Nottestad 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 No

Absent

Floor Assignment

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

Voice vote

Date: 3-8-07
Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2288

House Natural Resources Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken DP as Amended & Refer to Approp

Motion Made By DeKrey Seconded By Damschen

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 10 No 4

Absent

Floor Assignment Porter

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

REPORT OF STANDING COMMITTEE

SB 2288, as engrossed: Natural Resources Committee (Rep. Porter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2288 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "to provide for a biomass energy center;", replace the second "a" with "three", and replace "chapter" with "sections"

Page 1, line 2, replace "title 54" with "chapter 54-60", replace "an" with "renewable", remove "independence research", and after "council" insert "grants"

Page 1, line 3, after the first "and" insert "the renewable energy", replace "sections" with "section", and remove "and 39-04-39"

Page 1, line 4, remove "and distribution of"

Page 1, line 5, remove "motor vehicle registration fees"

Page 1, line 12, after "4-14.1-08" insert "and may not distribute any payment that would create a negative ethanol production incentive fund balance. If the incentive fund balance is insufficient to pay all valid incentive requests received in any quarter, the funds available must be paid out on a pro rata basis and obligations may not be carried forward"

Page 1, remove lines 17 through 24

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 30

Page 4, remove lines 1 through 30

Page 5, remove lines 1 through 30

Page 6, replace lines 1 through 14 with:

"**SECTION 2.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Renewable energy council. The renewable energy council consists of a representative of the agriculture community appointed by the governor, a member from the biodiesel industry appointed by the governor, a member from the biomass industry appointed by the governor, a member from the wind industry appointed by the governor, a member from the ethanol industry appointed by the governor, and the commissioner of commerce who shall serve as chairman of the renewable energy council. Members of the renewable energy council shall represent the same interest on the energy policy commission.

SECTION 3. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Renewable energy council - Grants. The renewable energy council shall recommend to the department of commerce the approval of grants, loans, or other financial assistance necessary or appropriate for funding, research, and development.

Grants made pursuant to this section must be matched on a dollar-for-dollar basis by the entity receiving the grant.

SECTION 4. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:"

Page 6, line 15, replace "**Energy independence**" with "**Renewable energy**" and after "The" insert "renewable"

Page 6, line 16, remove "independence" and after the second "the" insert "renewable"

Page 6, line 17, remove "independence" and replace "industrial commission" with "department of commerce"

Page 6, line 18, replace "this chapter" with "sections 2 and 3 of this Act"

Page 6, line 23, after the comma insert "and any gifts, grants, or federal funds received,", replace "industrial commission" with "renewable energy development fund", and after the third "the" insert "renewable"

Page 6, line 24, remove "independence" and replace "section 7" with "sections 2 and 3"

Renumber accordingly

2007 HOUSE APPROPRIATIONS

SB 2288

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

House Appropriations Committee
Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 3/19/07

Recorder Job Number: 5300

Committee Clerk Signature Tonya J Voegele

Minutes:

2288

Chairman Carlson opened the hearing on Senate Bill 2288.

Representative Porter explained the bill.

Chairman Carlson: What creates the Ethanol Incentive Fund?

Representative Porter: It is 40% of the farm vehicle registration.

Chairman Carlson: This is new language?

Representative Porter: Yes.

Chairman Carlson: What was the make up of the council before?

Representative Porter: It was an Industrial Commission committee.

Chairman Carlson: Are any of the plants now started still eligible?

Representative Porter: Yes. Some are already receiving grants.

Chairman Carlson: What if they wanted to convert to a different fuel?

Representative Porter: Yes they could apply.

Chairman Carlson: Where do the $17 million in special funds come from?

Representative Porter: Those funds were Department of Energy dollars.

Chairman Carlson: The total is $20 million in the pool in the Dept of Commerce?

Representative Porter: Correct.

Chairman Carlson: So the one in Spiritwood that is already under way, are they eligible for any of this?

Representative Porter: They would be eligible for the subsidy portion in section one. Because they are existing and the Renewable Energy Council grants are new, they would not be eligible for those grants.

Chairman Carlson: Section one is existing money that we get every biennium from the Farm Vehicle License. The other sections deal with the new money up to $20million for the grants.

Representative Porter: That is correct.

Senator Nething spoke in support of the bill.

Chairman Carlson: What is the status of the $17 million?

Senator Nething: To my knowledge they have not filled out the application.

Scott Handy spoke in support of the bill. See testimony 2288.3.19.07 A

Representative Williams: Where is the other money coming from?

Scott Handy: It has been said that $17 million is already committed.

Kim Christianson, Department of Commerce, spoke in support of the bill.

Chairman Carlson: How much money is in there for the biennium?

Kim Christianson: We have not provided any incentives to any new facilities. The last time we spoke you requested that we provide production incentives to the plant in Grafton.

Chairman Carlson: Is that part of the reason for the ten year language?

Kim Christianson: It may be I am not sure.

Representative Skarphol: I think that language was that unless they increase their capacity by 50% they are ineligible.

Kim Christianson: That may be.

Representative Skarphol: Becky, are you familiar with this fund?

Becky Keller: Not entirely.

Representative Skarphol: The reason I asked is that I am wondering last time we said that if they increased their capacity by 50%. Lets say they don't have that accomplished for this biennium and they do for next biennium are they eligible then?

Becky Keller: I will check on that.

Kim Christianson: I believe that is the case for the countercitrical instances.

Chairman Carlson: Is it first come first serve basis?

Kim Christianson: yes

Lance Gaebe, Governor's office, spoke in support of the bill.

Chairman Carlson: What did the Governor have in his budget for renewables and where is that money found in the budget?

Lance Gaebe: This specific item is not in the Governor's Budget. There is a bill that has already been passed that would put $4.2million in the Bank of ND for the biofuels PACE program.

Chairman Carlson: The reason I asked this question because we talk about the importance of the renewables to our state so I think it is important to this committee before we make a decision on anymore renewables that we understand all of the package that we put together on dollars and renewables up until now. Someone needs to put that together for us because if we are making a commitment to that I am sure there must have been some of it sprinkled throughout the budget and I don't remember them all.

Lance Gaebe: I will get that for you. It is very specifically $5million in the BioPACE.

Chairman Carlson: What is your position on this bill?

Lance Gaebe: The Governor supports this bill.

Vice Chairman Carlisle: Isn't there any duplication in the Extension Service budget?

Lance Gaebe: The only thing I can think of off the top of my head is the experiment station in the Extension Service budget there is about $700,000 specifically for biomass projects.

Chairman Carlson: That is a legitimate question because there is funding research and development are the three financial assistance necessary or appropriate for funding research and development. The question when we have $100million in research in our Ag Extension is a legitimate question are we duplicating that as far as funding and development goes in my opinion are two separate issues that this would be probably very appropriate for. The question is lets not duplicate up on the research here.

Lance Gaebe: I would refer you back to the policy committee that brought that here. This was their conversation.

Representative Skarphol: In-kind. Is it the dollar for dollar match cash matches and not In-kind.

Shane Goettle: I read it as a cash match.

Chairman Carlson: You are going to run this through your office of renewable energy resources?

Shane Goettle: We have just begun talking about this.

Representative Skarphol: How comfortable are you that the $12 million is out there?

Shane Goettle: I believe the $17million is there.

Representative Glassheim: Do you see this as more research?

Shane Goettle: The way it is written, it is for research and development.

Chairman Carlson: Development could mean actual construction of the building?

Shane Goettle: I have not given that much thought.

Representative Skarphol: How many projects are you expecting?

Shane Goettle: I am only guessing but maybe three or four.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2288

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 3-22-07

Recorder Job Number: 5470

Committee Clerk Signature

Minutes:

Chairman Svedjan opened the hearing on SB 2288.

Rep Kempenich: There are no amendments. In section 1 this is language that we set up about 7 years ago. It is an incentive program for renewable fuels. The new language spells out more of the incentive fund balance. It explains the payout basis. Then it goes on to say that there are caps on what they can receive over the period and puts some language on years in it. Then it sets up a council. Then Section 3 gets into the parameters of what the money would be used for. Line 8, section 3, is research and development. There's a $3M appropriation on this with a $17M other funds. These other funds are mainly coming out of USDA money. It all fits with the renewable energy initiative that the state of ND is headed down.

Rep Kempenich moved a Do Pass on SB 2288

Rep Gulleson seconded the motion

Rep Klein: The $17M in special funds - Where does it come from?

Rep Kempenich: It's USDA - it's from a national initiative.

Chairman Svedjan: The language in Section 4 says the funds will be appropriated on a continuing basis, yet this has a straight up appropriation in it. Is that because of the potential receipt of the $17M from other sources?

Rep Kempenich: That was the understanding.

Chairman Svedjan: Is there any potential for duplication with anything else?

Rep Kempenich: We do have the bio fuels initiative coming. There could be some, but what awe put in bio pace, they couldn't go after. If they go after one they couldn't go after the other. This is basically for research and development.

Rep Nelson: Originally this bill was meant to mirror the lignite research council. There needs to be continuation on developing new industries and new methods of renewable fuels. It brings it into the same realm that oil and lignite has.

Roll call vote on the motion

(yes) 22 (no) 1 (absent) 1

Carrier: Rep Porter

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

House Appropriations Committee

Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 3/22/07

Recorder Job Number: 5494

Committee Clerk Signature Tonya Voegele

Minutes:

Chairman Carlson opened discussion on Senate Bill 2288.

Representative Glassheim: You asked what the potential is for federal money. I went on line and all this packet speaks to the potential for federal money. Out of the $1.6billion ND will probably get 1%.

Representative Kroeber: I think we need to understand that even though it has been drastically reduced from when this first started out, there were like 57 different entities that met for the last two years on this renewable energy process. This is pretty much what is left of the whole process. If we don't take and at least put the $3million in I think the chances of them attracting the $17million which may well come from the federal government because of its dedication to this renewable energy problem. I think we would put the funding in jeopardy.

A motion was made by Representative Kempenich, seconded by Representative Glassheim for a DO PASS recommendation to the full committee. The committee vote was 8 Yeas, 0 Nays and 0 Absent and Not Voting. The bill will be carried by Representative Kempenich.

Date: 3/22/07

Roll Call Vote #:

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

House Appropriations- Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken DO PASS

Motion Made By Kempenich Seconded By Glassheim

Representatives	Yes	No	Representatives	Yes	No
Chairman Al Carlson	✓		Vice Chairman Ron Carlisle	✓	
Rep Keith Kempenich	✓		Rep Bob Skarphol	✓	
Rep Blair Thoreson	✓		Rep Eliot Glassheim	✓	
Rep Joe Kroeber	✓		Rep Clark Williams	✓	

Total Yes 8 No 0

Absent 0

Floor Assignment [redacted] Kempenich

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

Date: 3/22/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2288

House Appropriations Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number —

Action Taken Do Pass (1st engrossed w/ House Amendments) SB 2288

Motion Made By Kempenich Seconded By Gulleson

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) 22 No 1

Absent 1

Floor Assignment Porter

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

REPORT OF STANDING COMMITTEE

SB 2288, as engrossed and amended: Appropriations Committee (Rep. Svedjan, Chairman) recommends **DO PASS** (22 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). Engrossed SB 2288, as amended, was placed on the Fourteenth order on the calendar.

2007 SENATE AGRICULTURE

CONFERENCE COMMITTEE

SB 2288

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Agriculture Committee

☒ Check here for Conference Committee

Hearing Date: April 3, 2007

Recorder Job Number: 5703

Committee Clerk Signature

Minutes:

Sen. Wanzek opened the conference committee on SB 2288, members present **Sen. Wanzek, Sen. Erbele, Sen. Taylor, Rep. Porter, Rep. Damschen, Rep. Kelsh.**

Sen. Wanzek asked **Rep. Porter** to explain what the house did to the bill, 00:35-6:05.

Sen. Wanzek- as a chair it is not my intention to try to solve anything today. I think that this will open the door for many opportunities.

Rep. Porter- from the bio-mass point when we looked at the language to create a bio mass energy center that the research is already completed. There are actually bio mass plants coming online. We had a hard time understanding the need for a bio mass energy center and bio mass research when all of that has already been completed and that NDSU has been doing a lot of it through the extension center inside of NDSU. The house is not sure if we need to add another bio mass energy center if it is already being done or is done.

Sen. Taylor- I think that the importance here is itself as a designation and the importance and the weight that that carries with it. I think there is a lot of work to be done and we have made progress on certain bio mass projects but I think that the future is going to be producing a lot more then we can see today. When the bill left the senate that is where I was because I thought this was more about the future and the projects to come.

Sen. Wanzek- that is kind of what I was thinking, that is why there is not intent to rush what we do here. I am trying to remember how this fits into that NDSU budget and how it will add value to that.

Sen. Erbele- I believe that having that title and designation was necessary for NDSU in order to get some of those grants. That would be the only reason I would like to keep that language in there.

Sen. Wanzek- are those the only issues that I am hearing?

Rep. Porter- I don't know if anyone had discussion on section 1 and what we did there, that was the language that we had added from the commerce department so it wouldn't create a negative fund balance. With what was going on in the industry and what is coming up in this next biennium they feel that there is a potential with everyone coming online that it could end up in a negative quarter and they want to make sure that everyone is clear from the industry stand point on how that kind of a situation would be handled.

Sen. Wanzek- as far as section 1 I don't think that is what we intended.

Sen. Taylor- in the house discussions a lot was deleted in terms of access to counsel records and we had a list of powers that relates more to the industrial commission but was that determined not to be needed in the way that the counsel was set up? Or were we not concerned about trade secrets and record access issues?

Rep. Porter- when we looked at the makeup that was under the industrial commission it was working, I think that language is similar to the oil and gas research and when we looked at it we looked at it more from the stand point of being under the commerce department and just fitting into their existing programs that they do grants and projects into the private sector with. In our discussion their was nothing brought to our attention by moving it under commerce that there would be any kind of open records problems that happened because of that move.

Sen. Erbele- was there any discussion as far as that there would be a conflict as far as the section where if the chairman is the head of the commerce department and then the council reports him?

Rep. Porter- we did talk about the flow and how it would work and since it was flowing out as a dollar for dollar type of grants and through the application process that it was still felt that it would work having the commerce department basically run the program. I understand where you would think that the commerce department having both the chairman ship and then having the money that there could be a conflict, but there are a lot of other functions that we put into the commerce department so that they have the same authority.

Sen. Wanzek- you talked about the matching dollars one for one, can you tell me what is the match?

Rep. Porter- I don't have those answers.

Sen. Wanzek- I am not ready to make a motion, I understand what the 2 issues were but I think that we need to take time to think about this and decide what we want to do with it.

Sen. Wanzek closed the discussion.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Agriculture Committee

☒ Check here for Conference Committee

Hearing Date: April 5, 2007

Recorder Job Number: 5772

Committee Clerk Signature

Minutes:

Sen. Wanzek opened the conference committee on SB 2288. All members were present.

Sen. Wanzek- I think the discussion is the newly created energy council as it left the senate it was under the industrial commission and now it is under the department of commerce. The bio mass energy center as it left the senate is out in the house bill and one other issue that was brought to my attention is the ethanol production incentive fund, the senate asked to allow that cap to go from $5 million to $10 million I believe and that is out in the house bill.

Rep. Porter- I was looking through the engrossed bill with house amendments and in section 1 where were you at with that 10 million.

Sen. Wanzek- I believe that the 10 million that you are referring to is the total accumulative subsidy that should go to one facility or no longer then 10 years is what you amended in, but if you go to the first engrossed bill from the senate section 6 the way that you would fund the ethanol production incentive fund is through the 40% question of the farm registered vehicles. We left it at 40% and we allowed the deduction of senate fund to accumulate up to 10 million instead of 5 million. I would like to see that go back to 10 million. I know that some of us have received notices from NDSU concerned about the bio mass center. I don't know if any of you want to comment on that.

Rep. Damschen- my question on that is there guarantied additional funding?

Sen. Taylor- I have emailed a little bit with Dr. Costin and everything is up in the air but his feeling is that they would be more competitive for DOE with the designation and they got that work from the DOE.

Rep. Porter- I guess the thing that we also looked at is with the name bio mass energy center and what they were doing we viewed it as a likeness to a center of excellence program and thinking if it truly is a center of excellence then it needs to stand alone and hold its own merit then it should go through that program. I guess I would like to know if we do in fact leave it the way that it is where there is funding in the NDSU budget and there is funding in the AG experiment station budget what would they be missing by not having the title and if the title is so important then why cant they go through the same hoops as the energy center in Bismarck and all other centers of excellence that are out there as part of the university system.

Sen. Wanzek- who do we present that question to?

Rep. Porter- I would think there would be a few places that we could go to, NDSU and the Ag experiment station if without this title they are guaranteed to not get the money even though we have set in place a mechanism for them to petition the department of energy and I guess commerce would be able to answer the question if they truly are seeking to be the bio mass energy center. We need someone to explain what we are missing in this whole process.

Sen. Taylor- here we have the funding that is mentioned in the experiment budget, for them to go through a center of excellence application you don't go through that just to get a title if that is of some value to you. So I don't know if that would be productive for them to go through that process if it is something that we could designate here to tie into the funding that has been fastened in bill 1020.

Sen. Wanzek- I would have to agree I don't know if I am prepared or well enough informed to disagree or agree with Rep. Porter. I don't know if anyone in this room can provide that information to us but I sense that we are going to be meeting a few more times before this is all over. If there is a potential to secure federal funds I think that we want to assure that we address that whether it is through the process or whether it is through this bill.

Sen. Taylor- I know that I received a email and maybe some of you did to about questions about dollar to dollar match, I know as we look at it here we are going to require dollar for dollar cash in at both entities and I don't know if there would be some thought to the flexibility to being something besides cash dollars. In the email they wanted to see that removed completely but was there any discussion that it could be something besides cash?

Rep. Porter- there was actually quite a bit of discussion on that in the house appropriations committee where this bill was rerefered it went to the government opps section where I had to stand up and defend the 3 million in the program and the committee members were very clear in house appropriations that they still were not very happy with what had happened during the last biennium with the counting of some of those exact type of funds, so I think that they even made a couple people state it into the tape and one them was the commerce department that said give us your definition of dollar for dollar match and we want it on the tape. So I think that when it says that it means it. I don't know if there is going to be a whole lot of loop wholes this next biennium.

Sen. Wanzek- I guess that we have a few questions about the bio mass center, I want to find out the process. We will try to get to the bottom of the bio mass issue, I guess I would be interested to hear from the house the issue of the 10 million of the fund to rise to that.

Rep. Porter- we looked at that, when we did the 5 million wasn't being used and then to double it when we weren't using the first we didn't see the reason. If it gets to the point next

session that it is full and there is money turned back to DOT or wherever it goes when it is done here then it is worthy of looking at.

Sen. Wanzek- I guess one of the concerns is that up until now there has only been one that has capped it and in next biennium there is a number of others that could be online and I guess what you are saying is that it is unlikely that it is going to reach 5 million before the next session anyway. I would like to call **Lance Gabe** to the podium. It is my understanding that the percentage that is from the registration fees come to around 8 million or so dollars?

Lance Gabe- I think that is correct.

Sen. Wanzek- is it possible that 4 million dollars could go into this fund?

Lance Gabe- I think that it has been around 3.2 million dollars per biennium. June 30th of this fiscal year 1.6 million will be transferred from DOT to this fund.

Justin Ever, ND department of Commerce, passed out a chart for the committee and explained it 21:53-22:10.

Rep. Porter- I think that there are other draws of this fund and chances of it hitting 5 million before we are back in session is rather slim. That is where we are coming from with leaving it at the 5 million mark.

Sen. Wanzek- we will move on to the next issue with the department of commerce, I guess a question is that when we addressed this council in the senate it was our thought there were a few members from the industrial commission on the council and we removed them considering that council is going to make recommendations to the industrial commission. I know we passed bill 1515 and there is no funding in it but it is my understanding that is something that the industrial commission is interested in and I am trying to understand why we shouldn't move this back to the industrial commission.

Rep. Porter- as we were looking at the whole picture and where things fit in the government process that currently the department of commerce to all of the other programs that we fund, but this particular program is going back to demonstration projects and dollar for dollar match grants back into the industry fit more with what they are doing with all of our other programs and we just felt that it was the right fit, now as far as the structure if it is thought that the director of the department of commerce should just serve as the executive secretary of the board and then the recommendations come back to the department so that individual doesn't have a vote I don't have a problem with that but as far as the best fit inside of government this felt to be in the department of commerce because of all the other programs they are currently running.

Sen. Wanzek- I think that we have a little ways to go on this.

Rep. Porter- maybe at the next meeting also we could have the commerce department explains some of the other granting programs and someone about bio mass and the center of excellence.

Sen. Wanzek closed the discussion.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Agriculture Committee

☒ Check here for Conference Committee

Hearing Date: April 10, 2007

Recorder Job Number: 5867

Committee Clerk Signature

Minutes:

Sen. Wanzek opened the conference committee on SB 2288, all members were present.

Sen. Wanzek prepared amendments 70802.0208 and went over with the committee 00:35-7:18.

Rep. Porter- the bio mass language it doesn't appear that it really does any harm the question that comes up what good does it do and when you look at the work that they are going to be doing, EERC is also doing the same work they don't have any of this language in place it is almost like it is a competitive thing between our 2 universities and by us picking one over the other they are both doing the same work right now I just still have a problem with giving one a designation when they are both doing it. The other area of concern is by putting back in the renewable energy policy it conflicts with what both the house and the senate have done with HB 1462 and that bill has already passed both chambers and that bill talks about where we want to go it talks about the research and all of the renewables and everything else. I would have a problem putting that renewable energy possible components back into this bill and passing it. As far as the makeup of the renewable energy council and the industrial commission I don't have any problems with those changes and keeping in what commerce came in and talked to us about the countercyclical fund and then as far as the 5-7% I think that

is a reasonable move in a biennium where the chances are slim that it wont click. I still just have that problem with putting that bio mass back in. I think that with that we are setting one up for failure and promoting the other and I don't think it is our position to do that.

Sen. Wanzek- I guess as I read it I see it as more general.

Rep. Porter- it says that it is a public policy of this state to stimulate the development of renewable fossil energy in the state. And we said the similar thing in bill 1462.

Sen. Wanzek- you don't feel that they could compliment each other?

Rep. Porter- no I think that we need to pick one to pick our policy. I don't care if you think that you need to have a policy inside of this bill then we should further amend it to be the one that we already passed in bill 1462.

Sen. Wanzek- can I ask what section of the law 1462's policy is in?

Rep. Porter- inside of 1462 we gave legislative council the authority to move everything into a new section of law called the energy section.

Sen. Wanzek- can we go through the issues that we seem to be in agreement with and at least establish that for today?

Rep. Porter- the subdivision 2 is the new language necessary so that the commerce department can do that work as a contract basis.

Sen. Wanzek- we are not sure if it is necessary but we do think it is a good idea to make it clear.

Rep. Damschen- I am ok with that stuff so far.

Rep. Kelsh- so the commissioner of commerce is still serving as the chair of the council?

Sen. Wanzek- that is correct. He will serve as chair of the council and I imagine that the council will be contracted by the industrial commission to carry out a lot of the work with some of the programs.

Sen. Taylor- so the industrial commission is in charge and then they contract with the commerce so that they have the financial control/

Sen. Wanzek- that is right. That is the way I see it I guess.

Rep. Porter- I think the dollar for dollar is important in the bill.

Sen. Wanzek- from what I hear that is consistent with the way that others do this. So we are back to the bio mass and the renewable energy policy. I would like to call **D.C. Costin** to the podium.

D.C. Costin, vice president for Agriculture with NDSU came to the podium.

Sen. Wanzek- you heard some of the comments and I have had some concerns to, are we in conflict with other entities as far as in the direction of researching bio mass?

D.C. Costin explains to the committee about the program 21:16- 24:50.

Sen. Taylor- do you know in the past or foresee in the future that NDSU center and the EERC would be competing for the same department of energy grants that has been mentioned, would there be a direct competition?

D.C. Costin- we have had conversations with them, the technologies that they are working on and the ones that we are working on are not the same. We both had expertise on some particular project, I don't think that we would be competing but I see as that as this comes into being that we and they will be partners and we will see proposals. Most of these projects are very large in terms of the amount of dollars. You can get in trouble for asking for to little, we and they working together we could do some things that neither of us could do separately.

Sen. Taylor- couldn't you see your center forming a center between the two of you as a entity of your own whether or not it be this designation or going forward with the center of excellence application in the future?

D.C. Costin- I could see that, as far as I see the world it would be far larger then just the red river valley because most of these things that are going to occur are going to be outside the red river valley. All of the centers across the state engaged in this work.

Sen. Wanzek closed the discussion.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Agriculture Committee

☒ Check here for Conference Committee

Hearing Date: April 12, 2007

Recorder Job Number: 5955

Committee Clerk Signature Cassie Kraft

Minutes:

Sen. Wanzek opened the conference committee on SB 2288, all members were present.

Sen. Wanzek- I tried to meet with the two that I thought could help with this thing, I asked for amendments to be prepared and this is what they would do (he explains 00:57-1:40)

Rep. Porter- that moves us a little closer I still have trouble with naming names and universities in the century code to give them a leg up on other universities in site of the same century code for the same grant dollars. It seems to me that they should stand on the merit of the grant application and the merit of the process and no one is going to be denied grant dollars or given grant dollars based upon those sections of the bill. And no one has shown me that would in fact happen and no one has shown me where the necessity is to say that this is where the bio mass energy center is when they aren't the only institution inside of the state of ND performing that sort of research. I just don't think that this title needs to be offered by the legislator in order to get the job done.

Sen. Wanzek- so you are saying that your concerned that they are competing for the same dollars?

Rep. Porter- they are competing for the same dollars there are only so many department of energy dollars for this kind of research, so not only are they competing amongst themselves

they are competing across the country for the same dollars. The federal government has so much money in the department of energies budget for bio mass and the whole thing. Are we saying that by calling one a bio mass energy center and not the other does that give them the upper hand in receiving the same grant dollars as the other and back and forth. I just have not seen where anyone has shown us that this is necessary.

Sen. Wanzek- when I think of this I would like to know what is wrong with competition?

Rep. Porter- I think you are right but they should be on a level playing field I think that this creates an unlevel one.

Sen. Wanzek- if you use that logic aren't we then allowing UND to have the advantage or the EERC? Maybe before we go down that road I am wondering if the research wont be able to compliment each other.

Sen. Taylor- I am wondering if Rep. Porter can tell me if he has had conversations with the EERC and do they think this is going to be a problem?

Rep. Porter- the only conversation that I had in regards to this was with a Senator who is related to someone from EERC and the question that I asked her to find out for me was in the granting process what happens and the response back was there has never been any designation given to EERC from the legislator to do anything that they are doing.

Sen. Taylor- if as a state we want to move bio mass forward and we have the two entities maybe the leadership of the two entities wouldn't want to work together but do you have any thoughts on the idea that they would get together on this under the umbrella of a center if you were to not list just the experiment station but also the EERC or maybe we are overshooting this. There are probably more conversations that we need before we can propose something like that.

Sen. Wanzek- it does seem quite clear that this is the issue that we are down to. I haven't really found a middle ground. I guess personally I don't see the fear or the risk here or the down side to it. Is there any designation that they have now that allows the EERC to be on a equal level with that name designation?

Rep. Porter- I am not sure where in the century code we named the EERC.

Sen. Wanzek- I know I got a email with the history of the EERC have you seen that?

Rep. Porter- if NDSU wants to call themselves the bio mass energy center tomorrow what stops them from doing it in the name of competition? Why do we as a body have a right to put that stamp on it? If our reason for putting a stamp on it is to create a unlevel playing field then I have a problem with that. What stops them right now from calling themselves whatever they want and creating a committee?

Sen. Wanzek- from my reading into this email the EERC was actually created by the federal government.

Sen. Erbele- I guess I am having a hard time understanding why you think there is a unlevel playing field, when you look at the bill and we talk strictly about responsibilities it is taken strictly about stuff that really only NDSU can do and I don't really see that there is a difference. I see it as they are more into the ground part of this and the EERC is more dealing with the finished product end of it.

Sen. Wanzek- I think the wish of the senate is to try to accommodate NDSU and their pursue of some potential federal dollars. If there is some sort of other level ground I wouldn't object to that but no one has been able to tell me that is up to this point and I know that there is concern about undermining one or the other universities and I think that is a legitimate reason, I don't quite see it that way but I am looking on some help here on a middle ground.

Sen. Erbele- when I look at section 3 and the responsibilities I just think that it is very clear what they are.

Rep. Kelsh- as I understand it the EERC operates mainly on private grants, I know they pride themselves on the fact that they won't take a lot of government money and if they do its matching dollars. What is the harm in adding this into the century code if they need it to qualify for a grant, it is a separate mission as I see it.

Sen. Wanzek- I think that we know what the line is and we will meet again on this and if we can't come to a agreement we need to maybe dissolve this committee. Unless anyone has objections to that or wants to deliberate on this some more this is your opportunity.

Sen. Wanzek closed the discussion.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Agriculture Committee

☒ Check here for Conference Committee

Hearing Date: April 16, 2007

Recorder Job Number: 6044

Committee Clerk Signature

Minutes:

Sen. Wanzek opened the conference committee on SB 2288, all members were present.

Sen. Wanzek- we are back to the bio mass and the designation of NDSU as being the bio energy center. I have amendments prepared (goes over with committee 00:52-4:50)

Rep. Porter- I think that the amendments go along way towards the house position I think that we still have a problem on the bio mass side of things and I think that we are about 90% of the way to getting this resolved.

Rep. Damschen- was there any further research done as far as designation of them designating themselves?

Sen. Wanzek- there was not a lot of research into that, in visiting with some that are requesting the designation they are convinced that it is necessary for them to have it to have any chance of security with getting federal dollars.

Rep. Damschen- I was also wondering what specific dollar source are we referring to because I honestly don't know, I think that they still are as they are right now still eligible for grants but do you or does anyone know exactly what the other source of federal dollars is that we are discussing?

Sen. Taylor- not specifically but broadly it is in the department of energy with the communication that I had with NDSU they didn't say what particular title it would be under.

Sen. Wanzek- that is my understanding but I don't know any specific details, they have been advised that there chances of securing those funds would be greatly enhanced if we make some kind of indication that we recognize them as an entity for this.

Sen. Erbele- I think that by having the designation for the bio mass center it puts us on a level playing ground or at least gives us a competitive edge for other states who are also applying for the grants, I don't think that the competition is not necessarily within the state but with other states.

Sen. Erbele motioned to pass the amendments and was seconded by **Sen. Taylor,** roll call vote for amendments 0209-Senators 3 yeas, Representatives 1 yea 2 nay, motion fails.

Rep. Porter explains what he would want as amendments (11:16-11:37).

Rep. Porter motioned for a do pass of his amendments and was seconded by **Rep. Damschen,** roll call vote 2, Senators 3 nay, Representatives 2 yea, 1 nay, motion fails.

Sen. Wanzek closed the discussion.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Agriculture Committee

☒ Check here for Conference Committee

Hearing Date: April 17, 2007

Recorder Job Number: 6073

Committee Clerk Signature

Minutes:

Sen. Wanzek opened the conference committee on SB 2288, all members were present.

Sen. Taylor- I know there was a idea tossed around earlier which may or may not be workable or constitutional on whether or not the renewable energy council could choose the bio mass energy center as one of its first orders of business and as we read the bill in terms of what we have the bio mass energy center doing right now with NDSU it is rather agronomic it fits their scope of expertise in terms of the agricultural research that would go into bio mass and if they would have a title for that that would help them in their funding but theirs some heartburn on what we do or don't do with the EERC there could be a co-bio mass energy center that deals more with the fuel production and distribution resulting from bio mass, you have NDSU as a bio mass agronomic center and you could make a name and designation for EERC as a bio mass fuel production and distribution research center. I don't know details but that is what I see the two entities for the most part doing anyways and if it would be helpful to NDSU to have that designation but not wanting to leave EERC without we could consider what kind of language would accomplish that.

Rep. Porter- I think that Rep. Damschen has that language.

Sen. Wanzek- Rep. Damschen has presented it if you would like to discuss your amendments with us and hand them out.

Rep. Damschen- I will hand these out they are amendments (explains them to the committee 2:18-3:10)

Sen. Wanzek- along the lines of what Sen. Taylor said there is nothing in here that would allow the township to designate anybody.

Rep. Damschen- I think you are correct but it kind of puts them both on a level playing field as far as recognition of this body.

Sen. Taylor- it is certainly simple and it does direct them to do these portions of research in the area of bio fuels there is not necessarily a name or designation which is my only question as to what NDSU was hoping would be helpful to them would take a little more then the several lines that are here probably. I like it and like the idea of it but I think it might need to go a little further to accomplish what we had wanted earlier.

Rep. Porter- I still go back to that we haven't named anything else and after this bill would be signed and put into place if NDSU wants to call themselves the biomass energy center of the world they could do that and why it has to be n the century code is beyond me, to think that everytime someone thinks that they need to one up somebody else that they are going to come running to us. I think this split is fair.

Sen. Wanzek- I spent a lot of time on the phone with NDSU visiting about this, I think that this might be a start in the right direction there might need to be some additional things that need to be considered. Is it mostly the reference to being the bio mass energy center in the language of the bio mass?

Rep. Porter- well sections 2, 3 , 4, 5 already exists because it is in two other appropriation bills is totally unnecessary language, I think from our stand point that what is done here pretty much

gives them the open door to do everything that is in those sections without putting it in the century code. The way I view it is to put our stamp on it to give them the one up and if we are going to keep it on a level playing field then the amendment that is offered does that.

Sen. Taylor- I don't know the answer to this but its probably not completely unheard of to have research centers and like named in the century code, we have named universities in the code and such, we have had a long history of pointing our finger at something that we would like to see get done.

Sen. Wanzek- all that I have to go on is the information that has been presented to me and I have been told that the name is important.

Rep. Porter- where in the century code does it say EERC, that is just something they named themselves.

Sen. Wanzek- I can't speak with absolute knowledge on this. I think that we can all continue to work on this.

Sen. Wanzek closed the discussion.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2288

Senate Agriculture Committee

☒ Check here for Conference Committee

Hearing Date: April 19, 2007

Recorder Job Number: 6149

Committee Clerk Signature

Minutes:

Sen. Wanzek opened the conference committee on SB 2288, all members were present.

Sen. Wanzek- I have been in contact with a few people and I do have some amendments prepared that I will hand out and explain (explains amendments 00:41-4:50)

Sen. Erbele- the only in the difference in all with this from all the amendments that we have discussed up to this time is just on page 1 line 17, other then that everything else is the same?

Sen. Wanzek- that is correct, all the other changes that were laid on the table before are all in this amendments. My thought on this is that some authority should have some say with the bio mass, in a way we are taking it out of our hands and giving it to the state board of higher education and putting the universities on equal level playing fields and carrying out our intentions of bio mass research. I guess early on I heard that this could be a disadvantage or advantage and this at least puts them both in the position and the board of higher education to do something and at least we won't be designating either one. I also want to apologize to the house representatives I just got these and didn't have the chance to give them to you earlier so you could review them. I have done a lot of thinking in trying to come up with some middle ground on this and this is the best solution that I can come up with.

Sen. Erbele- I would move that the house recede from its amendments and that we further amend.

Sen. Taylor- I will second it.

Rep. Porter- I think that this amendment moves us in the direction from the public policy stand point, I think that through out the course of the discussion it is to bad that it became such a issue that individuals would even say things like there goes Mr. Anti-NDSU as your walking down the hallway. I think that it was always the intention of the house that there is no reason having competing facilities within the state of ND by passing the granting process and coming to the legislator, I think this takes care of this problem and puts them on a level playing field and puts the granting process where it needs to be with the best project forward. I don't think from the house stand point that it wasn't always one against the other, I think that in the examples that were given that it showed that it would do exactly that and it was never meant to be liking one facility over the other. We have great facilities in the state and there is no reason why we as a legislator should be picking one over the other just because they ask us to pick I don't appreciate that.

Sen. Wanzek- any other discussion on the motion?

Sen. Erbele motioned for a do pass and was seconded by **Sen. Taylor**, roll call vote Senators 3 yea 0 nay 0 absent, Representatives 3 yea 0 nay 0 absent. Motion passes.

A

70802.0208
Title.

Prepared by the Legislative Council staff for
Senator Wanzek
April 9, 2007

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2288

That the House recede from its amendments as printed on pages 1077 and 1078 of the Senate Journal and pages 954 and 955 of the House Journal and that Engrossed Senate Bill No. 2288 be amended as follows:

Page 1, line 12, after "4-14.1-08" insert "and may not distribute any payment that would create a negative ethanol production incentive fund balance. If the incentive fund balance is insufficient to pay all valid incentive requests received in any quarter, the funds available must be paid out on a pro rata basis and obligations may not be carried forward"

Page 2, line 29, replace "ten" with "seven" and after "million" insert "five hundred thousand"

Page 3, line 14, replace "**Energy Independence research**" with "**Renewable energy**"

Page 3, line 15, after the first "the" insert" renewable" and remove "independence research"

Page 3, line 16, after "the" insert "renewable" and remove "independence"

Page 3, line 17, after "The" insert "renewable" and remove "independence research"

Page 3, line 19, after "member" insert "with a substantial interest in the agriculture industry" and replace "agriculture commissioner" with "governor"

Page 3, remove lines 28 through 30

Page 4, remove lines 1 through 4

Page 4, line 12, replace "Five" with "Four"

Page 4, line 16, after the underscored period insert "Any grants, loans, or other financial assistance must be matched on a dollar-for-dollar basis."

Page 4, line 17, remove "appointed by the governor"

Page 4, line 21, after "council" insert "or industrial commission"

Page 4, line 23, replace the first "council" with "commission" and after the second "council" insert "or industrial commission"

Page 4, line 24, remove "are not public records subject to section 44-04-18 and section 6"

Page 4, line 25, remove "of article XI of the Constitution of North Dakota, and"

Page 4, line 29, after "contain" insert "any", after "council" insert "or industrial commission", and remove "the following"

Page 5, after line 8, insert "The fact that a request has been made is exempt."

Page 5, line 9, replace "A request under" with "The information submitted pursuant to" and after "council" insert "or the industrial commission"

Page 5, line 12, after "council" insert "or industrial commission"

Page 5, line 13, after "council" insert "or industrial commission"

Page 5, line 21, after the underscored boldfaced period insert:

"1."

Page 5, line 22, replace "1." with "a."

Page 5, line 28, replace "2." with "b."

Page 5, line 30, replace "3." with "c."

Page 6, line 1, replace "4." with "d."

Page 6, line 3, replace "5." with "e."

Page 6, line 5, replace "6." with "f."

Page 6, line 10, replace "7." with "g."

Page 6, line 13, replace "8." with "h."

Page 6, after line 14, insert:

"2. The industrial commission shall contract with the department of commerce to provide technical assistance to the renewable energy council and the industrial commission to carry out and effectuate the purposes of this chapter, including pursuit of aid, grants, or contributions of money or other things of value from any source for any purpose consistent with this chapter. The department may contract with a public or private third party to provide any or all of the technical assistance necessary to implement the purposes of this chapter."

Page 6, line 15, replace "**Energy Independence**" with "**Renewable energy**" and after "The" insert "renewable"

Page 6, line 16, remove "independence" and after the second "the" insert "renewable"

Page 6, line 17, remove "independence"

Page 6, line 23, after the third "the" insert "renewable"

Page 6, line 24, remove "independence"

Renumber accordingly

70802.0209
Title.

Prepared by the Legislative Council staff for
Senator Wanzek
April 12, 2007

A

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2288

That the House recede from its amendments as printed on pages 1077 and 1078 of the Senate Journal and pages 954 and 955 of the House Journal and that Engrossed Senate Bill No. 2288 be amended as follows:

Page 1, line 12, after "4-14.1-08" insert "and may not distribute any payment that would create a negative ethanol production incentive fund balance. If the incentive fund balance is insufficient to pay all valid incentive requests received in any quarter, the funds available must be paid out on a pro rata basis and obligations may not be carried forward"

Page 2, line 29, replace "ten" with "seven" and after "million" insert "five hundred thousand"

Page 3, remove lines 1 through 13

Page 3, line 14, replace "**Energy independence research**" with "**Renewable energy**"

Page 3, line 15, after the first "the" insert" renewable" and remove "independence research"

Page 3, line 16, after "the" insert "renewable" and remove "independence"

Page 3, line 17, after "The" insert "renewable" and remove "independence research"

Page 3, line 19, after "member" insert "with a substantial interest in the agriculture industry" and replace "agriculture commissioner" with "governor"

Page 3, remove lines 28 through 30

Page 4, remove lines 1 through 4

Page 4, line 12, replace "Five" with "Four"

Page 4, line 16, after the underscored period insert "Any grants, loans, or other financial assistance must be matched on a dollar-for-dollar basis."

Page 4, line 17, remove "appointed by the governor"

Page 4, line 21, after "council" insert "or industrial commission"

Page 4, line 23, replace the first "council" with "commission" and after the second "council" insert "or industrial commission"

Page 4, line 24, remove "are not public records subject to section 44-04-18 and section 6"

Page 4, line 25, remove "of article XI of the Constitution of North Dakota, and"

Page 4, line 29, after "contain" insert "any", after "council" insert "or industrial commission", and remove "the following"

Page 5, after line 8, insert "The fact that a request has been made is exempt."

Page 5, line 9, replace "A request under" with "The information submitted pursuant to" and after "council" insert "or the industrial commission"

Page 5, line 12, after "council" insert "or industrial commission"

Page 5, line 13, after "council" insert "or industrial commission"

Page 5, line 21, after the underscored boldfaced period insert:

"1."

Page 5, line 22, replace "1." with "a."

Page 5, line 28, replace "2." with "b."

Page 5, line 30, replace "3." with "c."

Page 6, line 1, replace "4." with "d."

Page 6, line 3, replace "5." with "e."

Page 6, line 5, replace "6." with "f."

Page 6, line 10, replace "7." with "g."

Page 6, line 13, replace "8." with "h."

Page 6, after line 14, insert:

"2. The industrial commission shall contract with the department of commerce to provide technical assistance to the renewable energy council and the industrial commission to carry out and effectuate the purposes of this chapter, including pursuit of aid, grants, or contributions of money or other things of value from any source for any purpose consistent with this chapter. The department may contract with a public or private third party to provide any or all of the technical assistance necessary to implement the purposes of this chapter."

Page 6, line 15, replace "**Energy Independence**" with "**Renewable energy**" and after "The" insert "renewable"

Page 6, line 16, remove "independence" and after the second "the" insert "renewable"

Page 6, line 17, remove "independence"

Page 6, line 23, after the third "the" insert "renewable"

Page 6, line 24, remove "independence"

Renumber accordingly

D

70802.0211
Title.

Prepared by the Legislative Council staff for
Conference Committee
April 16, 2007

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2288

That the House recede from its amendments as printed on pages 1077 and 1078 of the Senate Journal and pages 954 and 955 of the House Journal and that Engrossed Senate Bill No. 2288 be amended as follows:

Page 1, line 1, remove "to provide for a biomass energy center;"

Page 1, line 2, replace "an" with "a renewable" and remove "independence research"

Page 1, line 12, after "4-14.1-08" insert "and may not distribute any payment that would create a negative ethanol production incentive fund balance. If the incentive fund balance is insufficient to pay all valid incentive requests received in any quarter, the funds available must be paid out on a pro rata basis and obligations may not be carried forward"

Page 1, remove lines 17 through 24

Page 2, remove lines 1 through 18

Page 2, line 29, replace "ten" with "seven" and after "million" insert "five hundred thousand"

Page 3, remove lines 1 through 13

Page 3, line 14, replace "**Energy Independence research**" with "**Renewable energy**"

Page 3, line 15, after the first "the" insert" renewable" and remove "independence research"

Page 3, line 16, after "the" insert "renewable" and remove "independence"

Page 3, line 17, after "The" insert "renewable" and remove "independence research"

Page 3, line 19, after "member" insert "with a substantial interest in the agriculture industry" and replace "agriculture commissioner" with "governor"

Page 3, remove lines 28 through 30

Page 4, remove lines 1 through 4

Page 4, line 12, replace "Five" with "Four"

Page 4, line 16, after the underscored period insert "Any grants, loans, or other financial assistance must be matched on a dollar-for-dollar basis."

Page 4, line 17, remove "appointed by the governor"

Page 4, line 21, after "council" insert "or industrial commission"

Page 4, line 23, replace the first "council" with "commission" and after the second "council" insert "or industrial commission"

Page 4, line 24, remove "are not public records subject to section 44-04-18 and section 6"

Page 4, line 25, remove "of article XI of the Constitution of North Dakota, and"

Page 4, line 29, after "contain" insert "any", after "council" insert "or industrial commission", and remove "the following"

Page 5, after line 8, insert "The fact that a request has been made is exempt."

Page 5, line 9, replace "A request under" with "The information submitted pursuant to" and after "council" insert "or the industrial commission"

Page 5, line 12, after "council" insert "or industrial commission"

Page 5, line 13, after "council" insert "or industrial commission"

Page 5, line 21, after the underscored boldfaced period insert:

"1."

Page 5, line 22, replace "1." with "a."

Page 5, line 28, replace "2." with "b."

Page 5, line 30, replace "3." with "c."

Page 6, line 1, replace "4." with "d."

Page 6, line 3, replace "5." with "e."

Page 6, line 5, replace "6." with "f."

Page 6, line 10, replace "7." with "g."

Page 6, line 13, replace "8." with "h."

Page 6, after line 14, insert:

"2. The industrial commission shall contract with the department of commerce to provide technical assistance to the renewable energy council and the industrial commission to carry out and effectuate the purposes of this chapter, including pursuit of aid, grants, or contributions of money or other things of value from any source for any purpose consistent with this chapter. The department may contract with a public or private third party to provide any or all of the technical assistance necessary to implement the purposes of this chapter."

Page 6, line 15, replace "**Energy Independence**" with "**Renewable energy**" and after "The" insert "renewable"

Page 6, line 16, remove "independence" and after the second "the" insert "renewable"

Page 6, line 17, remove "independence"

Page 6, after line 19, insert:

"**Renewable energy research - Energy and environmental research center and North Dakota state university.** The energy and environmental research center and North Dakota state university shall conduct research in the field of biofuels. In conducting these research activities, the energy and environmental research center has primacy for biofuels processing and North Dakota state university has primacy for the agronomic aspects of biofuels development."

Page 6, line 23, after the third "the" insert "renewable"

Page 6, line 24, remove "independence" and replace "7" with "3"

Renumber accordingly

70802.0212
Title.

Prepared by the Legislative Council staff for
Senator Wanzek
April 18, 2007

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2288

That the House recede from its amendments as printed on pages 1077 and 1078 of the Senate Journal and pages 954 and 955 of the House Journal and that Engrossed Senate Bill No. 2288 be amended as follows:

Page 1, line 12, after "4-14.1-08" insert "and may not distribute any payment that would create a negative ethanol production incentive fund balance. If the incentive fund balance is insufficient to pay all valid incentive requests received in any quarter, the funds available must be paid out on a pro rata basis and obligations may not be carried forward"

Page 1, line 17, after the first boldfaced period insert "**State board of higher education -**", after "The" insert "state board of higher education is encouraged to establish or name a", and replace "consists of a" with "or centers at an institution or institutions under the control of the board"

Page 1, remove line 18

Page 1, line 19, remove "state university extension service faculty"

Page 1, line 21, after the underscored boldfaced period insert "If established or named by the state board of higher education, the biomass energy center or centers shall:"

Page 1, line 22, replace "The North Dakota agricultural experiment station shall complete" with "Complete"

Page 2, line 1, replace "The North Dakota agricultural experiment station shall conduct" with "Conduct"

Page 2, line 3, replace "The North Dakota agricultural experiment station shall determine" with "Determine"

Page 2, line 5, replace "The North Dakota agricultural experiment station and North Dakota state university" with "Complete"

Page 2, line 6, remove "extension service shall complete"

Page 2, line 8, replace "The" with "If established or named by the state board of higher education, the" and after "center" insert "or centers"

Page 2, line 10, after "center" insert "or centers"

Page 2, line 13, replace "North Dakota agricultural experiment station and North" with "biomass energy center or centers"

Page 2, line 14, remove "Dakota state university extension service"

Page 2, line 15, remove "House Bill No. 1020 (2007) includes four hundred"

Page 2, remove lines 16 through 18

Page 2, line 29, replace "ten" with "seven" and after "million" insert "five hundred thousand"

Page 3, remove lines 1 through 13

Page 3, line 14, replace "**Energy independence research**" with "**Renewable energy**"

Page 3, line 15, after the first "the" insert "renewable" and remove "independence research"

Page 3, line 16, after "the" insert "renewable" and remove "independence"

Page 3, line 17, after "The" insert "renewable" and remove "independence research"

Page 3, line 19, after "member" insert "with a substantial interest in the agriculture industry" and replace "agriculture commissioner" with "governor"

Page 3, remove lines 28 through 30

Page 4, remove lines 1 through 4

Page 4, line 12, replace "Five" with "Four"

Page 4, line 16, after the underscored period insert "Any grants, loans, or other financial assistance must be matched on a dollar-for-dollar basis."

Page 4, line 17, remove "appointed by the governor"

Page 4, line 21, after "council" insert "or industrial commission"

Page 4, line 23, replace the first "council" with "commission" and after the second "council" insert "or industrial commission"

Page 4, line 24, remove "are not public records subject to section 44-04-18 and section 6"

Page 4, line 25, remove "of article XI of the Constitution of North Dakota, and"

Page 4, line 29, after "contain" insert "any", after "council" insert "or industrial commission", and remove "the following"

Page 5, after line 8, insert "The fact that a request has been made is exempt."

Page 5, line 9, replace "A request under" with "The information submitted pursuant to" and after "council" insert "or the industrial commission"

Page 5, line 12, after "council" insert "or industrial commission"

Page 5, line 13, after "council" insert "or industrial commission"

Page 5, line 21, after the underscored boldfaced period insert:

"1."

Page 5, line 22, replace "1." with "a."

Page 5, line 28, replace "2." with "b."

Page 5, line 30, replace "3." with "c."

Page 6, line 1, replace "4." with "d."

Page 6, line 3, replace "5." with "e."

Page 6, line 5, replace "6." with "f."

Page 6, line 10, replace "7." with "g."

Page 6, line 13, replace "8." with "h."

Page 6, after line 14, insert:

"2. The industrial commission shall contract with the department of commerce to provide technical assistance to the renewable energy council and the industrial commission to carry out and effectuate the purposes of this chapter, including pursuit of aid, grants, or contributions of money or other things of value from any source for any purpose consistent with this chapter. The department may contract with a public or private third party to provide any or all of the technical assistance necessary to implement the purposes of this chapter."

Page 6, line 15, replace "**Energy independence**" with "**Renewable energy**" and after "The" insert "renewable"

Page 6, line 16, remove "independence" and after the second "the" insert "renewable"

Page 6, line 17, remove "independence"

Page 6, line 23, after the third "the" insert "renewable"

Page 6, line 24, remove "independence"

Renumber accordingly

70802.0213
Title.0400

Prepared by the Legislative Council staff for
Senator Wanzek
April 18, 2007

4-19-07
1 of 3

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2288

That the House recede from its amendments as printed on pages 1077 and 1078 of the Senate Journal and pages 954 and 955 of the House Journal and that Engrossed Senate Bill No. 2288 be amended as follows:

Page 1, line 2, replace "an" with "a renewable" and remove "independence research"

Page 1, line 12, after "4-14.1-08" insert "and may not distribute any payment that would create a negative ethanol production incentive fund balance. If the incentive fund balance is insufficient to pay all valid incentive requests received in any quarter, the funds available must be paid out on a pro rata basis and obligations may not be carried forward"

Page 1, line 17, after the boldfaced period insert "**State board of higher education -**", after "The" insert "state board of higher education is encouraged to establish or name a", and replace "consists of a" with "or centers at an institution or institutions under the control of the board"

Page 1, remove line 18

Page 1, line 19, remove "state university extension service faculty"

Page 1, line 21, after the underscored boldfaced period insert "If established or named by the state board of higher education, the biomass energy center or centers shall:"

Page 1, line 22, replace "The North Dakota agricultural experiment station shall complete" with "Complete"

Page 2, line 1, replace "The North Dakota agricultural experiment station shall conduct" with "Conduct"

Page 2, line 3, replace "The North Dakota agricultural experiment station shall determine" with "Determine"

Page 2, line 5, replace "The North Dakota agricultural experiment station and North Dakota state university" with "Complete"

Page 2, line 6, remove "extension service shall complete"

Page 2, line 8, replace "The" with "If established or named by the state board of higher education, the" and after "center" insert "or centers"

Page 2, line 10, after "center" insert "or centers"

Page 2, line 13, replace "North Dakota agricultural experiment station and North" with "biomass energy center or centers"

Page 2, line 14, remove "Dakota state university extension service"

Page 2, line 15, remove "House Bill No. 1020 (2007) includes four hundred"

Page 2, remove lines 16 through 18

Page 2, line 29, replace "ten" with "seven" and after "million" insert "five hundred thousand"

Page 3, remove lines 1 through 13

Page 3, line 14, replace "**Energy Independence research**" with "**Renewable energy**"

Page 3, line 15, after the first "the" insert "renewable" and remove "independence research"

Page 3, line 16, after "the" insert "renewable" and remove "independence"

Page 3, line 17, after "The" insert "renewable" and remove "independence research"

Page 3, line 19, after "member" insert "with a substantial interest in the agriculture industry" and replace "agriculture commissioner" with "governor"

Page 3, remove lines 28 through 30

Page 4, remove lines 1 through 4

Page 4, line 12, replace "Five" with "Four"

Page 4, line 16, after the underscored period insert "Any grants, loans, or other financial assistance must be matched on a dollar-for-dollar basis."

Page 4, line 17, remove "appointed by the governor"

Page 4, line 21, after "council" insert "or industrial commission"

Page 4, line 23, replace the first "council" with "commission" and after the second "council" insert "or industrial commission"

Page 4, line 24, remove "are not public records subject to section 44-04-18 and section 6"

Page 4, line 25, remove "of article XI of the Constitution of North Dakota, and"

Page 4, line 27, after "2." insert "a."

Page 4, line 29, after "contain" insert "any", after "council" insert "or industrial commission", and remove "the following"

Page 4, line 30, replace "a." with "(1)"

Page 5, line 1, replace "b." with "(2)"

Page 5, line 3, replace "c." with "(3)"

Page 5, line 5, replace "d." with "(4)"

Page 5, line 8, replace "e." with "(5)"

Page 5, after line 8, insert:

"b. The fact that a request has been made is exempt."

Page 5, line 9, replace "A request under" with "The information submitted pursuant to" and after "council" insert "or the industrial commission"

Page 5, line 12, after "council" insert "or industrial commission"

Page 5, line 13, after "council" insert "or industrial commission"

Page 5, line 21, after the underscored boldfaced period insert:

"1."

Page 5, line 22, replace "1." with "a."

Page 5, line 28, replace "2." with "b."

Page 5, line 30, replace "3." with "c."

Page 6, line 1, replace "4." with "d."

Page 6, line 3, replace "5." with "e."

Page 6, line 5, replace "6." with "f."

Page 6, line 10, replace "7." with "g."

Page 6, line 13, replace "8." with "h."

Page 6, after line 14, insert:

"2. The industrial commission shall contract with the department of commerce to provide technical assistance to the renewable energy council and the industrial commission to carry out and effectuate the purposes of this chapter, including pursuit of aid, grants, or contributions of money or other things of value from any source for any purpose consistent with this chapter. The department may contract with a public or private third party to provide any or all of the technical assistance necessary to implement the purposes of this chapter."

Page 6, line 15, replace "**Energy Independence**" with "**Renewable energy**" and after "The" insert "renewable"

Page 6, line 16, remove "independence" and after the second "the" insert "renewable"

Page 6, line 17, remove "independence"

Page 6, line 23, after the third "the" insert "renewable"

Page 6, line 24, remove "independence"

Renumber accordingly

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number 2288 (, as (re)engrossed): Date: April 3, 2007
April 5, 2007
April 10, 2007
April 12, 2007
April 16, 2007

Your Conference Committee Senate Agriculture

For the Senate: **For the House:**

Sen.	A	A	A	A	A	Wanzek	Porter
Wanzek	X	X	X	X	X	Y	N
Erbele	X	X	X	X	X	Y	N
Taylor	X	X	X	X	X	Y	N

4.3 4.5 4.10 4.12 4.16

Rep.	A	A	A	A	A	Wanzek	Porter		
Porter	X	X	X	X	X	N	Y		
Damschen	X	X	X	X	X	N	Y		
Kelsh	X	X	X	X	X	Y	N		

4.3 4.5 4.10 4.12 4.16

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

the (Senate/House) amendments on (SJ/HJ) page(s) _____ -- _____

____ 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: _____
HOUSE CARRIER: _____ **SENATE CARRIER:** _____

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

MOTION MADE BY: Erbele Porter
SECONDED BY: Taylor Damschen
VOTE COUNT: 4 **YES** 2 **NO** 0 **ABSENT** 2 yes 4 no 0 absent

Revised 4/22/05

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number 2288 (, as (re)engrossed): Date: April 17, 2007
April 19, 2007

Your Conference Committee Senate Agriculture

For the Senate:				For the House:			
Sen.	A	A	Wanzek Amdt	Rep.	A	A	Wanzek Amdt
Wanzek	X	X	Y	Porter	X	X	Y
Erbele	X	X	Y	Damschen	X	X	Y
Taylor	X	X	Y	Kelsh	X	X	Y
	4-17	4-19			4-17	4-19	

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

the (Senate/House) amendments on (SJ/HJ) page(s) 1077 -- 1078

____ and place _____ on the Seventh order.

X, adopt (further) amendments as follows, and place 2288 on the Seventh order:

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

((Re)Engrossed) 2288 was placed on the Seventh order of business on the calendar.

DATE: _____
HOUSE CARRIER: _____ **SENATE CARRIER:** _____

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

MOTION MADE BY: Erbele
SECONDED BY: Taylor
VOTE COUNT: 6 **YES** 0 **NO** 0 **ABSENT**

Revised 4/22/05

REPORT OF CONFERENCE COMMITTEE

SB 2288, as engrossed: Your conference committee (Sens. Wanzek, Erbele, Taylor and Reps. Porter, Damschen, S. Kelsh) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1077-1078, adopt amendments as follows, and place SB 2288 on the Seventh order:

That the House recede from its amendments as printed on pages 1077 and 1078 of the Senate Journal and pages 954 and 955 of the House Journal and that Engrossed Senate Bill No. 2288 be amended as follows:

Page 1, line 2, replace "an" with "a renewable" and remove "independence research"

Page 1, line 12, after "4-14.1-08" insert "and may not distribute any payment that would create a negative ethanol production incentive fund balance. If the incentive fund balance is insufficient to pay all valid incentive requests received in any quarter, the funds available must be paid out on a pro rata basis and obligations may not be carried forward"

Page 1, line 17, after the boldfaced period insert "**State board of higher education -**", after "The" insert "state board of higher education is encouraged to establish or name a", and replace "consists of a" with "or centers at an institution or institutions under the control of the board"

Page 1, remove line 18

Page 1, line 19, remove "state university extension service faculty"

Page 1, line 21, after the underscored boldfaced period insert "If established or named by the state board of higher education, the biomass energy center or centers shall:"

Page 1, line 22, replace "The North Dakota agricultural experiment station shall complete" with "Complete"

Page 2, line 1, replace "The North Dakota agricultural experiment station shall conduct" with "Conduct"

Page 2, line 3, replace "The North Dakota agricultural experiment station shall determine" with "Determine"

Page 2, line 5, replace "The North Dakota agricultural experiment station and North Dakota state university" with "Complete"

Page 2, line 6, remove "extension service shall complete"

Page 2, line 8, replace "The" with "If established or named by the state board of higher education, the" and after "center" insert "or centers"

Page 2, line 10, after "center" insert "or centers"

Page 2, line 13, replace "North Dakota agricultural experiment station and North" with "biomass energy center or centers"

Page 2, line 14, remove "Dakota state university extension service"

Page 2, line 15, remove "House Bill No. 1020 (2007) includes four hundred"

Page 2, remove lines 16 through 18

Page 2, line 29, replace "ten" with "seven" and after "million" insert "five hundred thousand"

Page 3, remove lines 1 through 13

Page 3, line 14, replace "**Energy independence research**" with "**Renewable energy**"

Page 3, line 15, after the first "the" insert "renewable" and remove "independence research"

Page 3, line 16, after "the" insert "renewable" and remove "independence"

Page 3, line 17, after "The" insert "renewable" and remove "independence research"

Page 3, line 19, after "member" insert "with a substantial interest in the agriculture industry" and replace "agriculture commissioner" with "governor"

Page 3, remove lines 28 through 30

Page 4, remove lines 1 through 4

Page 4, line 12, replace "Five" with "Four"

Page 4, line 16, after the underscored period insert "Any grants, loans, or other financial assistance must be matched on a dollar-for-dollar basis."

Page 4, line 17, remove "appointed by the governor"

Page 4, line 21, after "council" insert "or industrial commission"

Page 4, line 23, replace the first "council" with "commission" and after the second "council" insert "or industrial commission"

Page 4, line 24, remove "are not public records subject to section 44-04-18 and section 6"

Page 4, line 25, remove "of article XI of the Constitution of North Dakota, and"

Page 4, line 27, after "2." insert "a."

Page 4, line 29, after "contain" insert "any", after "council" insert "or industrial commission", and remove "the following"

Page 4, line 30, replace "a." with "(1)"

Page 5, line 1, replace "b." with "(2)"

Page 5, line 3, replace "c." with "(3)"

Page 5, line 5, replace "d." with "(4)"

Page 5, line 8, replace "e." with "(5)"

Page 5, after line 8, insert:

"b. The fact that a request has been made is exempt."

Page 5, line 9, replace "A request under" with "The information submitted pursuant to" and after "council" insert "or the industrial commission"

Page 5, line 12, after "council" insert "or industrial commission"

Page 5, line 13, after "council" insert "or industrial commission"

Page 5, line 21, after the underscored boldfaced period insert:

"1."

Page 5, line 22, replace "1." with "a."

Page 5, line 28, replace "2." with "b."

Page 5, line 30, replace "3." with "c."

Page 6, line 1, replace "4." with "d."

Page 6, line 3, replace "5." with "e."

Page 6, line 5, replace "6." with "f."

Page 6, line 10, replace "7." with "g."

Page 6, line 13, replace "8." with "h."

Page 6, after line 14, insert:

"2. The industrial commission shall contract with the department of commerce to provide technical assistance to the renewable energy council and the industrial commission to carry out and effectuate the purposes of this chapter, including pursuit of aid, grants, or contributions of money or other things of value from any source for any purpose consistent with this chapter. The department may contract with a public or private third party to provide any or all of the technical assistance necessary to implement the purposes of this chapter."

Page 6, line 15, replace "**Energy Independence**" with "**Renewable energy**" and after "The" insert "renewable"

Page 6, line 16, remove "independence" and after the second "the" insert "renewable"

Page 6, line 17, remove "independence"

Page 6, line 23, after the third "the" insert "renewable"

Page 6, line 24, remove "independence"

Renumber accordingly

Engrossed SB 2288 was placed on the Seventh order of business on the calendar.

2007 TESTIMONY

SB 2288

Roger Johnson
Agriculture Commissioner
www.agdepartment.com

North Dakota
Department of
Agriculture

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
SB 2288
Senate Agriculture Committee
Roosevelt Park Room
January 25, 2007

Chairman Flakoll and members of the Senate Agriculture Committee, I am Agriculture Commissioner Roger Johnson. I'm here today to offer testimony in favor of SB 2288, which provides a variety of tools – funding and incentives – to help grow the renewable energy sectors in North Dakota. I also support the amendments o this bill offered by Senator Heitkamp.

SB 2288 establishes and provides funding for a Renewable Energy Development Fund and creates a Renewable Energy Research Council to administer the fund in conjunction with the North Dakota Industrial Commission. The bill also establishes research priorities for biomass production and utilization, expands Biodiesel PACE to include other biofuels, extends the agricultural investment tax credit, expands ethanol counter-cyclical incentives to include biodiesel, and moves a tax credit for the installation of solar, geothermal and wind devices to the short tax form.

Background

North Dakota agriculture is brimming with new opportunities to impact energy production and consumption. North Dakota is currently home to three operating ethanol facilities – Alchem, Grafton; ADM, Walhalla; and Red Trail Energy, Richardton - with a combined annual production capacity of 85.5 million gallons. Blue Flint Ethanol, Underwood, with a production capacity of 50 million gallons per year, is scheduled to come online early this year. Additional projects totaling 200 million gallons of ethanol production capacity have been announced or are under construction. ADM is also constructing a new canola-based biodiesel facility at Velva with a production capacity of 85 million gallons per year. Several additional projects – corn and cellulose ethanol projects, canola and soy biodiesel projects and oilseed crushing facilities – are also being contemplated across the state.

The establishment of these production facilities is a positive step forward in the development of renewable energy industries, but much more remains to be done. Research must continue to advance current technologies and additional resources must be invested to develop and commercialize new technologies to increase efficiencies, bring new technologies to market, identify new uses and markets for co-products, and much more.

Our potential is great. North Dakota ranks first in the country in wind energy potential (Source: Pacific Northwest Laboratory, 1991). We rank first in the nation in the production of canola, we are a major producer of soybeans and we also rank first in the nation in biomass potential from

dedicated energy crops, such as switchgrass. (Sources: North Dakota Agricultural Statistics Service, 2007, Oak Ridge National Laboratory)

North Dakotans agree that renewable energy development needs to be a priority for North Dakota. The North Dakota Renewable Energy Partnership, in cooperation with the Office of Renewable Energy & Energy Efficiency, commissioned the University of North Dakota Bureau of Governmental Affairs to conduct a public opinion survey on renewable energy issues in North Dakota. More than 600 North Dakotans, equally split male and female, were surveyed from June 13th to July 12th of 2006.

The survey showed that overwhelmingly, North Dakotans support renewables. A copy of the survey summary is attached for your review. Of those surveyed:

- 93 percent believe that renewable energy should be a priority in our state legislature.
- 84 percent believe that the Resources Trust Fund should be used to fund both water and renewable energy and energy efficiency projects, as it was originally proposed.
- 83 percent believe the state legislature should provide incentives that encourage the production and use of biodiesel.
- 80 percent believe that the legislature should provide funding for research and incentives for biomass.

The production and use of renewable energy sources is of paramount importance not only to our state, but as part of our country's national energy security strategy. Retired Air Force General Charles "Chuck Wald – a North Dakota native – addressed the attendees of Marketplace for Entrepreneurs in Fargo just last week. General Wald described a sobering picture of US and world energy production and consumption. Wald said that the United States currently spends approximately $50 billion annually to ensure the free flow of oil throughout the world. When amortized to the price of gasoline, Wald estimated that US citizens are currently paying approximately $6.50 per gallon of gasoline consumed.

President Bush in his State of the Union address earlier this week also spoke about our energy situation, saying, "...it's in our vital interest to diversify America's energy supply...we need to...expand the use of...biodiesel fuel...we must continue investing in new methods of producing ethanol...using everything from wood chips to grasses to agricultural wastes...let us build on the work we've done and reduce gasoline usage in the United States by 20 percent in the next ten years."

SB 2288 is an investment in renewable energy in North Dakota and will provide the funding necessary to promote new technologies for production and utilization of renewable energy and will spur opportunities for North Dakota people and businesses to participate in the next generation of renewable energy development.

The legislation also contains recommendations relating to biomass research, production and conversion from the work of a Biomass Energy Task Force that was convened in the state in last

year. The Task Force was established via a grant award from Western Governor's Association to the Office of Renewable Energy & Energy Efficiency in the Department of Commerce. North Dakota State University was selected to facilitate the task force through a competitive RFP process. A copy of the Task Force report is attached for your review.

Below is a section-by-section overview of the legislation.

Section-by-Section Overview

Sections 1 and 2 of the bill expand the definition of "eligible facility" to include biodiesel for the Ethanol Producer Incentive Fund and limit the ethanol incentive to ten years for an eligible facility. Additional amendments will be offered to this bill that provide the benchmarks for calculating countercyclical payments for biodiesel facilities.

Sections 3 through 6 expand the Biodiesel PACE program to include ethanol and oilseed crushing facilities and increase the maximum incentive to $500,000 per eligible facility. There are other pieces of legislation (HB 1014 and SB 2180) that also seek to expand the current Biodiesel PACE program. The Industrial Commission budget bill (HB 1014) also expands the current program to include ethanol, increases the incentive to $500,000 per eligible facility, grants carryover authority, and appropriates $4.2 million from the general fund for the program. (There is an expected carryover of $800,000 from the current biennium).

SB 2180 also expands the program to a Biofuels PACE program. A facility would need to be owned by 10 percent agricultural producers or 50 percent North Dakotans in order to be eligible for funding. Livestock feeding operations would also be eligible for Biofuels PACE with the buydown capped at $250,000 per livestock facility. SB 2180 also raises the incentive level for biofuels facilities to $500,000.

Sections 7 and 8 define research responsibilities for NDSU relating to biomass production, harvesting, transportation and conversion. NDSU has included funding for two positions in their budget request as part of the "Grow 21" initiative.

Section 9 directs the North Dakota State University Extension Service to provide education, technical assistance and information. This would require an FTE that is not currently part of the NDSU budget. Section 10 directs the North Dakota State University Extension Service to identify and evaluate incentives for biomass production. Section 11 directs NDSU to seek funding to continue biomass research and education.

Section 12 of the bill increases the percentage of money (from 40% to 50%) from farm vehicle registrations that are collected and deposited in the highway tax distribution fund to be directed to the Ethanol Producer Incentive Fund. It also increases the cap on the Ethanol Producer Incentive Fund from $5 million to $10 million.

Sections 13, 16 and 17 are where I will direct most of comments today. Section 13 creates a Renewable Energy Research Council and a Renewable Energy Research Fund. The nine-

member council is patterned after the Lignite Research Council and the Oil & Gas Council and its purpose is to make recommendations to the Industrial Commission on the award of "grants, loans, or other financial assistance necessary or appropriate for funding, research, development, marketing, and education projects or activities" for renewable energy development. The Council will oversee the Renewable Energy Development Fund. $5 million of the fund would be earmarked specifically for biomass, including the development of a special PLOTS program with the Game & Fish Department and to help fund projects such as the NDSU/MBI Biomaterials Initiative. 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 relatively concentrated area. That is what we hope to demonstrate with this provision. Specific testimony regarding the NDSU/MBI Biomaterials Initiative will be delivered separately by Dr. Larry Leistritz and Don Senechal.

Sections 16 & 17 provide the appropriations for the Renewable Energy Development Fund. Section 16 provides an allocation from the Resources Trust Fund – one-half of all revenues exceeding $7 million per fiscal year, not to exceed $3 million per biennium. The Resources Trust Fund was passed as part of Measure Number 6 during the November 1980 general election. Specific purposes were established for the Resources Trust Fund as part of a constitutional amendment that was approved in the June 1990 primary election. Monies in the Resources Trust Fund can be expended via legislative appropriation for: (1) constructing water related projects, including rural water systems; and (2) funding energy conservation programs. Section 57-51.1-07 of the North Dakota Century Code provides additional language clarifying the purpose of the

Resources Trust Fund. Section 57-51.1-07 states, in part: "...The principal and income of the resources trust fund may be expended only pursuant to legislative appropriation and are available to:

a. The state water commission for planning for and construction of water-related projects, including rural water systems. These water-related projects must be those which the state water commission has the authority to undertake and construct pursuant to chapter 61-02; and

b. The industrial commission for the funding of programs for development of energy conservation and renewable energy sources; for studies for development of cogeneration systems that increase the capacity of a system to produce more than one kind of energy from the same fuel; for studies for development of waste products utilization; and for the making of grants and loans in connection therewith..." (emphasis added).

The Resources Trust Fund has generated more than $76 million since 1994. (Source: Office of Management & Budget) To date, the Resources Trust Fund has never been utilized for the purpose of energy efficiency, conservation, or renewable energy.

Section 17 provides a general fund appropriation of $17 million for the Renewable Energy Development Fund, for a total appropriation of $20 million including the $3 million from the Resources Trust Fund. Below is a list of project types that could receive competitive awards via the Renewable Energy Research Council:

- Development and demonstration of technologies that produce electricity and steam from biomass.
- Development and demonstration of technologies that produce hydrogen, liquid fuels, and chemicals from biomass.
- Development and demonstration of technologies to advance the production of hydrogen from renewable fuels, including storage, compression, dispensing, and utilization of hydrogen.
- Development and demonstration of new wind energy technologies and information systems to help in site assessment.
- Development and demonstration of hydrogen and fertilizer production utilizing wind energy.
- Development and demonstration of new technologies for recovering energy from landfill gas.
- Development and demonstration of technologies for traditional ethanol production, cellulosic ethanol production, and biodiesel production, including the production of value-added products from by-products.
- Development and demonstration of renewable fuels for the U.S. military.

Section 14 moves the tax credit for the installation of solar, wind and geothermal devices from the long form to the short form. SB 1514 also moves this tax credit to the short form, but also expands the tax credit to include the installation of biomass energy devices.

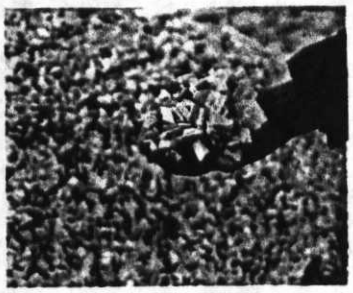
Section 15 extends the agricultural business investment tax credit from 5 years to 10 years and implements a "clawback" provision that requires investors to pay back the tax credit received if they divest of the investment within 5 years. Local ownership is a huge issue for North Dakota as we move forward with energy development. Nationally, 29% of the country's ethanol production facilities are farmer-owned. (Source: Renewable Fuels Association) North Dakota does not currently have any farmer-owned projects underway.

An amendment will be offered to this bill to strike Section 18, which appropriates $5 million from the General Fund for the Biofuels PACE program. The appropriation for Biofuels PACE is a part of the Industrial Commission Budget – HB 1014.

Section 19 provides an effective date for the changes to tax credits in the bill. They will be effective for the 2007 tax year and beyond.

Therefore, Chairman Flakoll and committee members, I would like to recommend a "do pass" on SB 2288. Thank you for this opportunity to offer testimony. I would be happy to answer any questions you may have. I would like to thank you for your time on this matter and would be happy to answer any questions you may have.

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 energy 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 (BETF) 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
- BETF should be a leader
- BETF 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/ls/ls_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

erry 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

Energy & North Dakota

Renewable Energy Opinion Survey Results August 2006

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

ugust 2006

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

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

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

Sincerely,

Mike Clemens, Chair
North Dakota Renewable Energy Partnership

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

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

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

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

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

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

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

Overall, North Dakotans are very familiar with energy terms:

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

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

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

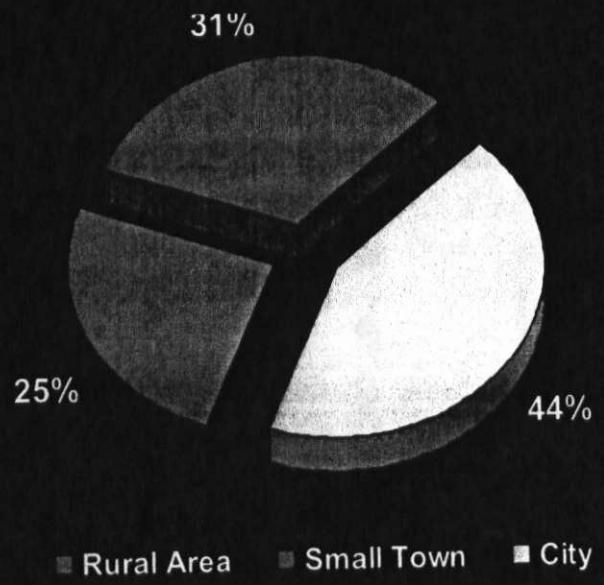
- 93 percent of the respondents are familiar with the 10 percent blend of ethanol with gasoline used in passenger vehicles. Nearly 80 percent support a 10 percent ethanol blend requirement in gasoline sold in North Dakota. 87 percent support a tax advantage for ethanol that makes ethanol cheaper than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

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

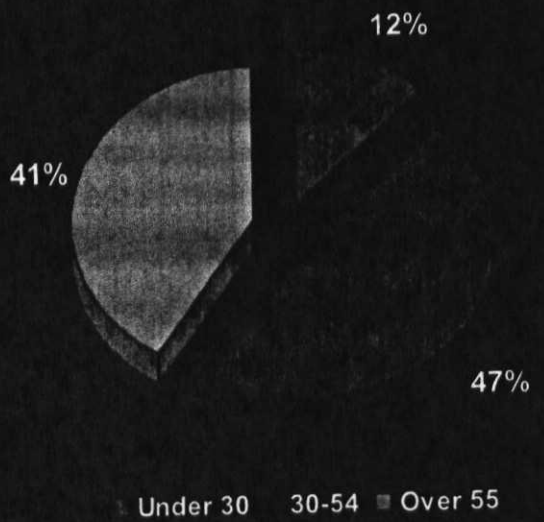
Survey Demographics

Household Income

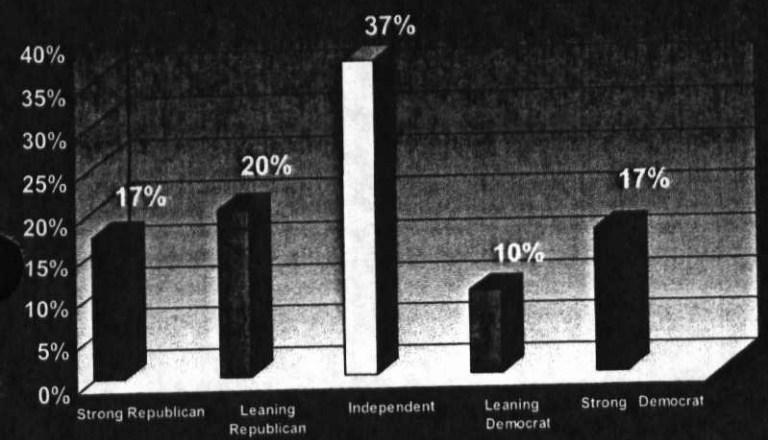
Residential Location



Age Categories



Political Viewpoint



NDREP
North Dakota Renewable Energy Partnership

Mailing address:
PO Box 11063, Fargo, ND 58103
(701) 239-7258
Fax: (701) 298-7810

TESTIMONY
To the
SENATE AG COMMITTEE
Of the
NORTH DAKOTA LEGISLATURE

RE: Senate Bill 2288

By Mike Clemens
Chairman, ND Renewable Energy Partnership
January 25, 2007

Chairman Flakoll and Members of the Committee:

Thank you for this opportunity to submit testimony on Senate Bill 2288. I am here today to ge your DO PASS vote on this bill that provides for a comprehensive renewable energy policy, ouncil, development fund, incentives, and appropriations for those provisions for the state of North Dakota.

I am chair of the North Dakota Renewable Energy Partnership (NDREP). The NDREP is made up of 57 members representing utilities, farm organizations, commodity groups and North Dakota citizens. The NDREP promotes ethanol, biodiesel, wind and biomass energy production in North Dakota through development and expansion of markets for renewable energy and through support of state and federal legislation enhancing the industry.

I am testifying today not only as the chair of the NDREP, but also as a corn, soybean, sunflower producer from Wimbledon ND and a director on the ND Corn Growers Association.

As chair of the NDREP I would like to reference the study that the NDREP conducted this past summer in cooperation with the Department of Commerce. The study, conducted by the UND Dept of Governmental Affairs, assessed the opinions of 600 North Dakotans regarding renewable energy in ND. The results indicated that 93 percent of North Dakotans surveyed believe that renewable energy should be a priority of our state legislature. 96 percent believe that we should reduce our dependence on foreign sources of oil by promoting renewable sources of energy and energy conservation. 87 percent support a tax advantage for ethanol that makes ethanol cheaper than

-Continued-

Chair
Mike Clemens
ND Corn Utilization Council
mclemens@agristar.net

Vice-Chair
Terry Goerger
ND Bio-diesel Task Force
tgrgr@rrt.net

Secretary-Treasurer
Mike Williams
Greenfieldsenergy Group
grownodak@yahoo.com

www.ndrep.org

regular gasoline. 83 percent believe the state legislature should provide incentives that encourage the production and use of biodiesel. 80 percent say that the legislature should provide funding for research and incentives for biomass. Senate Bill 2288 is a comprehensive bill that addresses many of the opinions and concerns expressed by the citizens of ND in that survey.

As a corn, soybean, and sunflower producer I would like to reference my involvement as an investor in ethanol plants in South Dakota. One of my best investments has been in those plants. One of my biggest disappointments has been my inability to invest in plants that are close to my farm. With the nearly 400 million gallons of new production coming on line, North Dakota has been catching up in the ethanol industry. However, it is my hope that elements of SB 2288 will enable ND to catch the next wave of technology and business development in the renewable energy field.

As a director on the BOD of the ND Corn Growers Association I would like to say that the ND Corn Growers Association also urges a DO PASS from the committee on SB 2288.

Thank You.

North Dakota Farmers Union

PO Box 2136 • 1415 12th Ave SE • Jamestown ND 58401

701-252-2340 • 800-366-NDFU
FAX: 701-252-6584

WEBSITE: www.ndfu.org
E-MAIL: ndfu@ndfu.org

SB 2288
Senate Agriculture Committee

Chairman Flakoll and Members of the Senate Agriculture Committee,

My name is Woody Barth; I am here representing the members of North Dakota Farmers Union. I am here to testify in support of HB 2288.

North Dakota Farmers Union is concerned with our dependence on non-renewable and imported fuels that place our national security in jeopardy. Therefore, we encourage and support research and development of innovative and renewable energy sources such as solar, wind, hydrogen, methane, ethanol, biodiesel, solid waste fuels and other renewable, non-polluting energy sources.

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

Growth and development of our renewable energy has great potential to provide additional income to North Dakota's family farmers and ranchers.

We strongly urge a do pass on HB 2288.

Thank you Chairman Flakoll and members of the committee. I will answer any questions at this time.

TESTIMONY ON SENATE BILL NO. 2288

Senate Agriculture Committee

Todd Sando
Assistant State Engineer and
Director of the Water Development Division
North Dakota State Water Commission

January 25, 2007

Mr. Chairman and members of the Senate Agriculture Committee, I am Todd Sando, Assistant State Engineer, and Director of the Water Development Division of the North Dakota State Water Commission.

I am here in support of the general concept of Senate Bill 2288, but feel an alternate funding source is necessary. Our concern is with the appropriation of up to $3 million from the Resources Trust Fund (Section 16 of the bill).

For the record, my testimony will concentrate on water development in relation to renewable energy. Hydrologists from our staff spend considerable time and financial resources assisting and locating adequate water supplies for industrial uses. The Water Commission is taking an active role in facilitating the development of water supplies for proposed ethanol plants throughout the state. Water is a key component in the production of ethanol. The Water Commission entered into a cooperative agreement with Cass Rural Water Users District to conduct a ground-water exploration study to provide a water supply for a proposed ethanol plant at Casselton. We are also directly involved in identifying a ground-water supply for a proposed ethanol plant in the Hankinson area. Other projects include working with the city of Fargo to accommodate reuse of treated municipal wastewater for industrial (ethanol) applications.

Water for development has become more and more difficult to locate and is often located lengthy distances from proposed projects. If it were not for the Southwest Pipeline Project the Red Trail energy ethanol plant would not be in operation at Richardton.

It is our recommendation that water development funding not be diverted to other initiatives. Funds as outlined in the Governor's budget are needed to meet our state's critical water needs. In fact, the Water Coalition has tentatively allocated the proposed funds. Project needs far exceed the funding available. Again, I encourage that a different funding source be identified to fund this bill.

The Potential Biorefinery Industry in North Dakota

Testimony in support of Senate Bill No. 2288

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 SB 2288. 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 Senate Bill No. 2288. 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@ndsuext.nodak.edu

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

Mr. Chairman, and members of the committee, my name is Connie Ova, from Cleveland and Jamestown, North Dakota. I'm in favor of Senate Bill 2288 and here are some of the reasons:

As the director for the Jamestown/Stutsman Development Corporation and, just as important, as a Stutsman County North Dakota farmer for over 30 years, I've never been more excited about what's happening in rural America, rural North Dakota, Jamestown and Stutsman County than I am today.

Spiritwood Energy Park near Jamestown will be a more than $400 million co-generation facility. It includes a 100 million gallon ethanol plant, an expansion of the malting barley plant that has already occurred – making it the largest in North America – and a 40 megawatt power plant. The power plant will provide electricity to the grid and steam to power both the ethanol plant and the malting barley plant. Further, the ethanol plant will use waste water from the malting facility and produce cattle feed as a byproduct.

There are investors exploring the possibility of a 2.5-3M gallon biodiesel processing plant at Streeter, ND in SW Stutsman County, and another study in process for investors looking at SE North Dakota near Jamestown for a 30M gallon biodiesel processing plant.

We are at the beginning of a rural renaissance spurred on by the growing demand for renewable fuels. Renewable fuels whose feed stock is the crops grown by North Dakota farmers. At a time when rural America is on the threshold of this renaissance, the state of North Dakota needs to be a major financial player in support of this new beginning in North Dakota.

These are exciting times to be working in economic development in North Dakota, due to a positive economy, emerging opportunities in agriculture and energy, technology and the development and marketing of each community's unique characteristics. While this positive atmosphere does not in any way reduce the challenges of rural communities, we are fortunate to have in place the resources of a comprehensive economic development system to get the job done. We economic developers have a variety of tools to get the job done and there are many bills currently in the legislature that will strengthen or add to our development "tool box".

Senate Bill 2288 has an assortment of those tools incorporated in its text that will assist rural economic development in North Dakota communities. Specifically modification of the definition to "biofuels" from "biodiesel" will assist local communities with the ability to

sponsor and partner with various renewable projects in addition to biodiesel projects.

The Bank of North Dakota PACE Biodiesel Fund has been well received by the communities but expanding those uses to "biofuels" will enhance our ability to assist with other biofuels opportunities.

Senate Bill 2288 contains specific plans for the development and continued financial support of specific biomass energy centers and specific renewable energy centers. This will assist with putting North Dakota on the map for serious consideration by those industries targeting rural America for growth.

It is imperative that North Dakota continue to drive the renaissance of rural America– not just to compete, but to truly succeed in a global marketplace. I believe passage of Senate Bill 2288 will accomplish that purpose.

SB 2288

ND Income Tax Credits for Geothermal Energy Device
Senate Agriculture Committee
January 25, 2007 (2:30 PM)
Roosevelt Park Room

Presented By: Doug Mork, Member Services Director
Capital Electric Cooperative
4111 State Street
Bismarck, ND 58503
(701) 223-1513

Mr. Chairman and members of the committee, my name is Doug Mork, Member Services Director for Capital Electric Cooperative here in Bismarck. I rise in support of SB 2288. In particular I want to support section 14 of the bill that allows the tax credit on the short form. My interest is primarily because I have seen the benefits that geothermal heat pumps have in saving energy and promoting jobs and profits for North Dakota businesses.

Capital Electric Cooperative has been involved in promoting geothermal heat pumps for almost nineteen (19) years. These state of the art heating and cooling systems have become the most efficient system available today. They work 24 hours a day, 7 days a week, without concern for outside temperatures or day/night conditions. They operate at an efficiency of more than 300%, meaning they transfer the required btu's/hr. to heat your home with 1/3 the energy usage of standard electric resistance heat. The energy used is electricity produced from our coal-based power plants and wind farms here in North Dakota.

Changing the law to allow tax payers to take advantage of the tax credit on energy saving devices is important because many consumers do not make this energy efficient choice

because of the high initial installation cost, even when there are sufficient energy savings that lower long term operation costs. For example, the costs of a geothermal heat pump system are high compared to other heating and cooling systems. The cost could be $5,000 to $7,000 higher depending on the size of the home. These systems, however, operate at a cost that is one quarter to one fifth the cost of operating a high efficiency gas furnace. To promote the wise use of our energy resources, a small investment in a tax credit for energy savings can pay large dividends.

The installation of these systems are very labor intensive, each install requires as many as four (4) different contractors to complete. The installation of the ground loop, from which heat is extracted, is done by a well drilling contractor specifically tooled for ground loop installation. Bores are from 150' to 200' deep with all pipe being heat fused and pressure checked. The inside work is done by the sheet metal duct work contractor who attaches and installs the duct work and filters, the plumber assembles and installs all the piping and pumps to circulate the ground loop heat transfer fluid and the electrician wires the system and provides metering so that the special heat rates can be applied to its energy usage. These systems create many positives for many contractors, providing them with new revenues from which they can generate profits. We work with virtually all the HVAC contractors in our service area, helping them to get into the geothermal business.

As a distributor of geothermal heat pump materials, Capital Electric provides an inventory of all the required parts and pieces to install a system. This inventory is supported by eleven electric cooperatives (located from Jamestown to the Montana Border and South Dakota to Canada) and five local contractors, all share in the costs to maintain it.

Our material inventory group provided materials for the installation of 52 systems in 2006 (approximately $364,000 of inventory material). This quantity is more than one half of the systems installed in the state last year for residential applications as we have surveyed the most popular manufactures for their sales numbers in North Dakota.

Should this legislation be approved by the 2007 legislature, it would have a very positive effect on the heating and cooling industry, helping to provide additional revenues and profits for contractors who provide jobs in our state. They pay taxes on these profits which will help offset the cost to the state to provide tax credits to our citizens who make these large investments.

Tax credits last year could have been $360 each for approximately 100 systems, or only $36,000 to help promote these systems if this legislation had been in place. This legislation would promote energy efficiency and responsibility, create jobs, and provide added profits and additional tax revenue.

The State of North Dakota has recently completed two beautiful office buildings, Job Service and Workforce Training and Safety, which use 100% geothermal heating and cooling. The state has determined that this technology is the way of the future and has invested in its efficiency for state facilities. It is important that we help the residential market do the same by providing this small incentive to our individual citizens.

The bottom line of all of this is that these systems promote energy conservation and responsibility, help to provide jobs in a new and expanding technology and at the same time help people of our state with their investment in the future. The expansion of this technology could provide an atmosphere where these proposed tax credit costs could easily be made up by the additional sales and income tax revenue generated.

Thank You

Mary Mitchell

"Watchdogs of the Prairie"
Organizing North Dakotans Since 1978

Dakota Resource Council • PO Box 1095 • Dickinson, ND 58602
Phone: 1-701 483-2851 • Fax: 1-701 483-2854

Bismarck Office
103½ South 3rd St • Suite #8 • Bismarck, ND 58504
Phone: 701-224-8587 • Fax: 701-224-0198

DAKOTA RESOURCE COUNCIL
BIOFUELS SUSTAINABILITY CRITERIA
Adopted October, 2006

WHEREAS, the biofuels industry in the United States has been rapidly expanding; and

WHEREAS, several new ethanol and biodiesel projects have begun or have been proposed in North Dakota; and

WHEREAS, to be truly beneficial, biofuels projects must improve both the environment and the well-being of farmers and rural communities;

THEREFORE, BE IT RESOLVED that Dakota Resource Council adopt the following biofuels sustainability criteria as a means to evaluate the benefit of specific biofuels projects:

1. The immediate priority of any energy policy is to manage current energy usage through conservation and energy efficiency. Reducing unnecessary use of energy is common sense, saves money, and helps the environment. Likewise, numerous studies have shown that improving the efficiency with which energy is used is the cheapest and quickest energy "source."

2. Development of new energy sources should not only be ecologically sound, but socially responsible and locally owned and managed when possible. A farm-based sustainable energy system has great potential to be naturally responsive to the economic needs of rural communities and family farmers. The public good of a farm-based energy system must meet the same criteria of a sustainable agriculture system: economically viable, locally owned and managed, ecologically sound and socially responsible. The appropriate scale of new renewable energy systems must be considered. Markets for biofuel feedstocks must be open and competitive and ensure a fair price to farmers and ranchers.

3. All energy developments, including renewable energy, should go through individual site and environmental review to insure that ecological impacts are minimized. Impacts need to be considered on: 1) parks and recreation areas; 2)

wildlife and wetlands; 3) migratory bird patterns; 4) landscape preservation; and 5) other environmental issues of local concern.

4. Policies should avoid providing incentives for biomass energy production that does not prove to be a prudent environmental use. Biomass that could be burned for energy can in some cases also have other uses, such as fertilizer or bio-products.

5. Biomass byproducts should be utilized in an ecologically sound and sustainable way. Location of a biofuels plant and attendant livestock feed supply should further sustainable livestock production, not factory farm production.

6. Biomass energy should be grown or produced in a sustainable way that provides net environmental benefits. Biomass energy crops should be grown and harvested in a way that embodies best stewardship practices to maintain or improve air, water and soil quality. Criteria for judging sustainable biomass energy production includes:

a. Impact on water quality. Surface or ground water should not be polluted with sediments from erosion, with pesticides, with nutrients, or with any other waste products. It should not negatively affect the aquatic ecosystem. It should not consume water beyond replacement levels.

b. Impact on soil quality. Soil quality should not be degraded. Soil organic content, water retention, and fertility should be improved.

c. Effect on wildlife. There should be no detrimental effect on wildlife on land where biomass is grown, compared to alternate uses for the land.

d. Effect on air quality. Biomass energy production should result in a net increase in air quality, from net reduction in such air pollutants as oxides of nitrogen, particulate matter and carbon dioxide.

e. Net energy balance. More energy should be released through biomass energy use than is consumed in producing it (over its lifecycle). This includes energy consumed from planting, cultivating, any fertilizer or pesticide application, harvesting and transporting to market.

f. Diversity. Biomass energy production must avoid the monoculture trends of industrial agriculture. Crop rotations must be incorporated at the landscape scale in order to ensure sufficient diversity of species to attain soil quality, wildlife habitat, and ecosystem health.

g. Adequate income. Federal farm policies must be adopted to ensure farm income from biofuels is adequate to ensure sustainability

7. **All construction of these biofuels projects should be done by legal American citizen labor, by union labor where feasible, with employers complying with labor laws.**

Item #1

RENEWABLE ENERGY RESEARCH FUND:
POTENTIAL USES AND PROJECTS

This is a list of the types of projects that could be funded via a competitive process established by a Renewable Energy Research Council.

- Fund advanced renewable energy commercialization. Provide competitive awards to companies interested in commercializing promising technologies in North Dakota. Eligible awards would include FEED studies, grants to be matched with private-sector, and federal or other non-state investment in demonstrations. **Range: $2,500,000-$5,000,000**
- FEED study. Provide funds for a front-end engineering and design study for a cellulosic ethanol and nanowhiskers project. **Range: $1,500,000-$2,000,000**
- Nonfederal matching funds for Dept. of Agriculture Section 9006 grants and loans, DOE Special Project and State Technologies Advancement Collaborative solicitations, and periodic renewables research and development opportunities at the EERC, NDSU Ag Extension, ND Corn Growers, ND Soybean Council, etc. **Cost: $1,000,000**
- Dairy waste anaerobic digestion demonstration project. Mature technology now exists to provide low cost renewable energy to dairy farms that handle their manure as liquids and slurries. The EPA's AgStar program estimates that many anaerobic digestor biogas systems can be installed with a simple payback of 3-7 years. **Range: $200,000-$300,000**
- Support of the EERC Center for Hydrogen. **Range: $375,000-$500,000**
- Wind to fertilizer. With fertilizer prices linked to natural gas prices and the need to utilize stranded wind power, support a project to develop a commercial process that uses hydrogen to make urea or ammonia fertilizer. **Range: $125,000-$200,000**
- Wind resource monitoring. Utilize funding to establish an ongoing, long-term wind resource monitoring network in North Dakota. **Range: $150,000-$300,000**
- Develop a wind atlas for the State of North Dakota. **Range: $100,000**
- Provide funding assistance to public school districts for biodiesel bus demonstration programs. Include funding for presentations at school board meetings and to assist with the costs of biodiesel storage tanks. **Range: $500,000**
- Statewide promotional and education campaign for biodiesel production and use. **Range: $650,000**
- Cost-share assistance for the installation of infrastructure to sell and distribute ethanol blends greater than 10% and biodiesel. **Range: $750,000**
- Support of ethanol processing for hydrogen production – system integration. **Range: $30,000-$50,000**
- Support of BioJet fuel cold-flow improvement. **Range: $40,000-$60,000**
- Support of biodiesel research and development work at the EERC's National Alternative Fuels Laboratory. **Range: $200,000**
- Sewer gas and landfill gas recovery and utilization studies and demonstration programs. Two studies @ $25,000 each and two demonstration projects at $100,000 each. **Range: $250,000**

- Cost share to convert energy systems to biomass heat and power systems at state facilities and public schools. **Cost: $300,000-$500,000**
- The cost of one additional staff person for the two-year biennium @ $35,000 per year salary, 30 percent fringe benefits, and 75 percent indirect costs (multiplied against direct salary) and $3,250 per year for travel and other operational costs. **Range: $150,000**
- Study new uses for glycerin (a by product of biodiesel production). **Range: $75,000**
- Study and develop new feed rations using glycerin as a feed supplement. **Range: $125,000**
- Develop newer, better and faster testing methods for biodiesel analysis. **Range: $75,000**
- Support of biodiesel cold flow and fuel property quantification with Ultra-low sulfer diesel (ULSD). This is important in cold weather climates like North Dakota. **Range: $60,000 - $160,000**
- Cold Room testing of biodiesel blends in vehicles. This relates to how biodiesel blends work with ULSD diesel fuel **Range: $100,000**

Testimony of Harlan Fuglesten,
North Dakota Association of Rural Electric Cooperatives
In Support of SB 2288
Senate Appropriations Committee
February 13, 2007

Mr. Chairman and members of the committee, my name is Harlan Fuglesten. I am appearing today in support of SB 2288 on behalf of the North Dakota Association of Rural Electric Cooperatives. Our Association's members include 17 distribution cooperatives serving about 250,000 of the state's citizens, plus five generation and transmission cooperatives that generate nearly 90 percent of North Dakota's coal-based electricity, and own or purchase about 75% of the state's wind energy output.

Our Association is a founding and active member of the North Dakota Renewable Energy Partnership, a group of more than 50 organizations and individuals promoting the economic and environmental benefits of renewable energy. Through the Partnership, we have been pleased to work with other utilities, farm and commodity groups, economic developers, energy policy advocates, and business people to develop a legislative agenda to advance renewable energy development in our state. SB 2288 is one important part of this agenda.

As cooperative utilities, our interest in renewable energy is at least two-fold. First, as utility companies, we are interested in developing wind power and other renewable sources of electric generation. Second, as cooperatives with a strong rural base, we recognize that many of our member-owners produce the corn, soybeans, canola, and other feedstocks used to make bio-fuels.

North Dakota seems ideally situated to benefit from the convergence of energy and agriculture, our state's two leading industries. The legislature has nurtured and

promoted the development of our traditional energy sector through successful state-private partnerships, including support for the Lignite Research Council and the Oil and Gas Research Council. We believe establishing a council to promote research and development of our renewable energy resources can lead to similar benefits.

My testimony today is in support of the $3 million general fund appropriation currently in the bill for the energy independence fund, or somewhat more if that is possible. It is not my intention at all to minimize the importance of this level of funding. I believe it can have a very positive impact on the state, a topic I will address in a moment. First, however, I would like to put the $3 million figure in context.

The original bill requested $20 million, of which $17 million was to come from the general fund and $3 million from the Resources Trust Fund. Without question, $20 million is a lot of money. Nevertheless, it is in the order of magnitude of proposals advanced in several other states this year. As an example, about two weeks ago, the governor of Iowa proposed creating a $100 million Iowa Power Fund over four years to make Iowa the "energy capital of the world." At the same time, Oklahoma's governor proposed that his state spend $40 million over the same time period to create a center to focus on bioenergy research, development and education. And, Tennessee's governor this year proposed spending $61 million to support development of alternative fuels in the state.

While the funding in SB 2288 is not as substantial as these examples, $3 million can still provide significant benefits to North Dakota. Under SB 2288, the industrial commission is granted broad authority to use the $3 million to make grants, loans, or other forms of financial assistance for feasibility studies, applied research and

demonstration projects, and incentives to foster development of wind, biofuels, biomass, and other renewable technologies. This $3 million may, in turn, leverage private and federal funds for research to develop new technologies, to commercialize and market existing technologies, and to use and market by-products to make renewable projects more economically viable.

Congress will be writing a new farm bill this year, which will again contain an energy title. Having state funds available for matching grants will improve the chances of North Dakota projects receiving federal grants and loans. North Dakota has excellent energy research facilities, including the EERC in Grand Forks and the North Dakota Extension Service at NDSU. We have an Office of Renewable Energy and Energy Efficiency in the Department of Commerce that promotes opportunities for expanding the use of renewable technologies. Wind monitoring studies, research on wind to hydrogen to make fertilizer, a dairy waste anaerobic digestion demonstration project, landfill gas recovery and utilization studies, and research on cellulosic ethanol, are just some examples of how these research funds can be used.

Action by the Senate Appropriations Committee in supporting funding of at least $3 million for renewable energy research and development will send a positive message that North Dakota wants to use its renewable resources as an important means to achieve energy independence.

Mr. Chairman and committee members, we respectfully request that you give a favorable DO PASS recommendation for SB 2288 with funding of at least $3 million for renewable research and development. Thank you.

Item #2

Roger Johnson
Agriculture Commissioner
www.agdepartment.com

North Dakota
Department of
Agriculture

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
SB 2288
House Natural Resources Committee
Pioneer Room
March 1, 2007

Chairman Porter and members of the House Natural Resources Committee, I am Agriculture Commissioner Roger Johnson. I'm here today to offer testimony in favor of SB 2288, which was intended to provide a variety of tools – funding and incentives – to help grow the renewable energy sectors in North Dakota. The bill was extensively amended in the Senate.

SB 2288, as it is currently written, establishes and provides funding for an Energy Independence Development Fund and establishes an Energy Independence Research Council to administer the fund in conjunction with the North Dakota Industrial Commission. The bill also establishes research priorities for biomass production and utilization in North Dakota. I would urge you to amend this bill to include additional funding and to restore the original name of the development council and research fund. I would also urge you to restore the composition of the council to what was originally introduced, with one change – replace the agriculture commissioner with an additional appointee to be named by the agriculture commissioner.

Background

North Dakota agriculture is brimming with new opportunities to impact energy production and consumption. North Dakota is currently home to four operating ethanol facilities – Alchem, Grafton; ADM, Walhalla; Red Trail Energy, Richardton; and Blue Flint Ethanol, Underwood - with a combined annual production capacity of 135.5 million gallons. Additional projects totaling 200 million gallons of ethanol production capacity have been announced or are under construction. ADM is also constructing a new canola-based biodiesel facility at Velva with a production capacity of 85 million gallons per year. Several additional projects – corn and cellulose ethanol projects, canola and soy biodiesel projects and oilseed crushing facilities – are also being contemplated across the state.

The establishment of these production facilities is a positive step forward in the development of renewable energy industries, but much more remains to be done. Research must continue to advance current technologies and additional resources must be invested to develop and commercialize new technologies to increase efficiencies, bring new technologies to market, identify new uses and markets for co-products, and much more.

Our potential is great. North Dakota ranks first in the country in wind energy potential (Source: Pacific Northwest Laboratory, 1991). We rank first in the nation in the production of canola, we are a major producer of soybeans and we also rank first in the nation in biomass potential from

dedicated energy crops, such as switchgrass. (Sources: North Dakota Agricultural Statistics Service, 2007, Oak Ridge National Laboratory)

North Dakotans agree that renewable energy development needs to be a priority for North Dakota. The North Dakota Renewable Energy Partnership, in cooperation with the Office of Renewable Energy & Energy Efficiency, commissioned the University of North Dakota Bureau of Governmental Affairs to conduct a public opinion survey on renewable energy issues in North Dakota. More than 600 North Dakotans, equally split male and female, were surveyed from June 13th to July 12th of 2006.

The survey showed that overwhelmingly, North Dakotans support renewables. Of those surveyed:

- 93 percent believe that renewable energy should be a priority in our state legislature.
- 84 percent believe that the Resources Trust Fund should be used to fund both water and renewable energy and energy efficiency projects, as it was originally proposed.
- 83 percent believe the state legislature should provide incentives that encourage the production and use of biodiesel.
- 80 percent believe that the legislature should provide funding for research and incentives for biomass.

The production and use of renewable energy sources is of paramount importance not only to our state, but as part of our country's national energy security strategy. Retired Air Force General Charles "Chuck Wald – a North Dakota native – addressed the attendees of Marketplace for Entrepreneurs in Fargo in January. General Wald described a sobering picture of US and world energy production and consumption. Wald said that the United States currently spends approximately $50 billion annually to ensure the free flow of oil throughout the world. When amortized to the price of gasoline, Wald estimated that US citizens are currently paying approximately $6.50 per gallon of gasoline consumed.

President Bush in his State of the Union address also spoke about our energy situation, saying, "...it's in our vital interest to diversify America's energy supply...we need to...expand the use of...biodiesel fuel...we must continue investing in new methods of producing ethanol...using everything from wood chips to grasses to agricultural wastes...let us build on the work we've done and reduce gasoline usage in the United States by 20 percent in the next ten years."

SB 2288 is an investment in renewable energy in North Dakota and will provide the funding necessary to promote new technologies for production and utilization of renewable energy and will spur opportunities for North Dakota people and businesses to participate in the next generation of renewable energy development.

The legislation also contains recommendations relating to biomass research, production and conversion from the work of a Biomass Energy Task Force that was convened in the state in last year. The Task Force was established via a grant award from Western Governor's Association to

the Office of Renewable Energy & Energy Efficiency in the Department of Commerce. North Dakota State University was selected to facilitate the task force through a competitive RFP process.

Below is a section-by-section overview of the legislation, as amended.

Section-by-Section Overview

Sections 1 of the bill limits the counter-cyclical payments to ethanol facilities under the ethanol producer incentive fund to ten years and adds language to allow for a maximum of $1.6 million to be paid annually per eligible facility. **I would urge you to consider expanding this program to include biodiesel production facilities.**

Sections 2 through 5 define research responsibilities for NDSU relating to biomass production, harvesting, transportation and conversion.

Section 6 increases the cap on the Ethanol Producer Incentive Fund from $5 million to $10 million.

Section 7 is where I will direct most of comments today. Section 7 creates an Energy Independence Research Council and an Energy Independence Research Fund. **I would urge you to amend this section and restore the original name and fund – Renewable Energy Research Council and Renewable Energy Development Fund. I would also urge you to**

restore the composition of the council to what was originally introduced, with one change – replace the agriculture commissioner with an additional appointee to be named by the agriculture commissioner. The original bill proposed a nine-member council patterned after the Lignite Research Council and the Oil & Gas Council whose purpose is to make recommendations to the Industrial Commission on the award of "grants, loans, or other financial assistance necessary or appropriate for funding, research, development, marketing, and education projects or activities" for renewable energy development. The Council would oversee the Renewable Energy Development Fund.

Section 8 provides a general fund appropriation of $3 million for the Energy Independence Development Fund, and provides $17 million in authority to collect and administer special funds. The original bill included a general fund appropriation of $17 million, and an additional $3 million appropriation from the Resources Trust Fund, and I supported that appropriation level. **I understand that funding levels will need to be carefully scrutinized as the legislative session progresses and I encourage you to support funding at or above $3 million for this bill.**

Below is a list of project types that could receive competitive awards via the Renewable Energy Research Council:

- Development and demonstration of technologies that produce electricity and steam from biomass.
- Development and demonstration of technologies that produce hydrogen, liquid fuels, and chemicals from biomass.

- Development and demonstration of technologies to advance the production of hydrogen from renewable fuels, including storage, compression, dispensing, and utilization of hydrogen.
- Development and demonstration of new wind energy technologies and information systems to help in site assessment.
- Development and demonstration of hydrogen and fertilizer production utilizing wind energy.
- Development and demonstration of new technologies for recovering energy from landfill gas.
- Development and demonstration of technologies for traditional ethanol production, cellulosic ethanol production, and biodiesel production, including the production of value-added products from by-products.
- Development and demonstration of renewable fuels for the U.S. military.

This legislation will provide a vehicle for competitively funding important renewable energy research. We have a unique and timely opportunity to establish new industries and new wealth in North Dakota and at the same time, working to provide a secure energy future for our state and nation.

Therefore, Chairman Porter and committee members, I would urge you to look favorably upon SB 2288 and restore the original name and composition of the council and development fund and also consider additional funding for this measure. Thank you for this opportunity to offer testimony. I would be happy to answer any questions you may have.

Item #3

Business Name	Type	Billed	Paid	Biodiesel	Biomass	Ethanol	Wind	PubPol	Mbshp	City	State	Contact Name
Archer Daniels Midland				x						Velva	ND	Eric J Mack
Bank of ND	Assoc	X	X							Bismarck	ND	Robert Humann
BBI International	Assoc	X	X	X						Grand Forks	ND	Joe Bryan
Biodiesel Magazine	Assoc	X	X	X						Grand Forks	ND	Joe Bryan
Blue Flint Ethanol										Underwood	ND	Jeff Zueger
[redacted] County Electric Cooperative, Inc.	Gen	X	X				X			Kindred	ND	Scott Handy
[redacted]er Fund (Action)	Gen	X								Fargo	ND	Scot Kelsh/Nick Schuster
[redacted]s Oil - Clint Conzemius										Wahpeton	ND	Clint Conzemius
Doug Goehring										Menoken	ND	Doug Goehring
Dunn County Jobs Development Authority	Assoc	X	X				X			Killdeer	ND	Carroll Gjorik
EERC	Assoc	X	X		X			Y		Grand Forks	ND	Christopher Zygarlicke
Environmental Law & Policy Center										Madison	WI	Andy Olson
Ethanol Producer Magazine	Assoc	X	X							Grand Forks	ND	Joe Bryan
Farm Credit Services of Grand Forks										Grand Forks	ND	Barry Medd
Farm Credit Services of Mandan										Mandan	ND	Mike O'Keeffe
Forward Devils Lake	Assoc	X	X				X	Y		Devils Lake	ND	Denis Hendrickson
Golden Growers Cooperative										Fargo	ND	Mark Dillon
Great Plains Institute	Gen	X	X		X		X	Y		Minneapolis	MN	Brad Crabtree
Great River Energy										Underwood	ND	Al Christianson
Greenfield Energy LLC, fka NE Mutual Ins	Gen	X	X	X	X		X	Y		Cando	ND	Mike Williams, Rod Warner, Barry Townsend
Griggs Steele Empowerment Zone	Assoc	X	X	X	X	X	X			Finley	ND	Warren Enyart
Industrial Contract Services	Assoc	X	X							Grand Forks	ND	Gary Bridgeford
Jamestown/Stutsman Development Corp.	Assoc	X	X	X				Y		Jamestown	ND	Pat Nygaard
Joseph Richardson										Fargo	ND	Joseph Richardson
Conzemius Oil - Clint Conzemius										Breckenridge	ND	Clint Conzemius
National Ethanol Coalition	Gen	X	X			X				Jefferson City	MO	Phillip Lampert
ND Association of Rural Electric Cooperatives	Gen	X	X				X	Y		Mandan	ND	Dennis Hill - Harlan Fuglesten
ND Barley Council										Fargo	ND	Steve Edwardson
ND Biodiesel Task Force	Assoc	X	X	X				Y		Mantador	ND	Terry Goerger
ND Corn Growers Association										Fargo	ND	Jocie Iszler
ND Corn Utilization Council										Fargo	ND	Jocie Iszler
ND Department of Commerce	Assoc									Bismarck	ND	Kim Christianson
ND Dept. of Agriculture	Gen	X	X	X	X	X	X	Y		Bismarck	ND	Patrice Lehlum
ND Farmers Union	Gen	X	X					Y		Jamestown	ND	Mindi Grieve/Dale Enerson
ND Forest Service	Assoc	X	X		X			N	N	Lisbon	ND	Bob Harsel
ND Natural Resources Trust										Bismarck	ND	Arnold Kruse
ND Soybean Council	Assoc	X	X	X						Fargo	ND	Deborah Johnson
ND[redacted]n Growers Asso.	Assoc	X	X	X				N	N	Fargo	ND	Tim Miller
[redacted]sion Service- Education	Gen	X	X	X	X			Y		Fargo	ND	Ken Hellevang
N[redacted] & Biosystems Engineering										Fargo	ND	Vern Hofman
NEVC	Gen	X	X			X				Jefferson City	MO	Phillip Lampert
Northern Canola Growers Association										Bismarck	ND	Barry Coleman
Northern Great Plains Research Lab		n/a	n/a							Mandan	ND	Kris Nichols
Otterail Power Co.	Gen	X	X		X			Y		Fergus Falls	MN	Loren Laugtug
Pamela Gulleson										Rutland	ND	Pamela Gulleson
Paul Abrahamson	Assoc	X	X				X	Y				
Red River Valley Sugarbeet Growers										Fargo	ND	Nick Sinner
Rolla Job Development Authority	Assoc	X	X				X	N	N	Rolla	ND	George Youngerman
Rutland Oil Co.										Rutland	ND	Greg Donaldson
Simonsons	Assoc	X	X	X						Grand Forks	ND	Arch Simonson
S & S Transportation, Inc.										Grand Forks	ND	June Seng
US Bio Hankinson (ND Biodiesel task)	Assoc	X	X			X		Y		Mantador	ND	Terry Goerger
USDA, Rural Development										Bismarck	ND	Dale Van Eckhout
Wind Development Group LLC										Cooperstown	ND	Keith Monson
Wind Energy Council										Grand Forks	ND	Jay Haley
Xcel Energy	Gen	X	X				X	Y		Fargo	ND	Mark Nisbet/Sue Gernhardt

ND Renewable Energy Partnership
Summary Balance Sheet
As of January 9, 2007

	Jan 9, 07
ASSETS	
Current Assets	
Checking/Savings	16,875.10
Accounts Receivable	1,100.00
Total Current Assets	17,975.10
TOTAL ASSETS	**17,975.10**
LIABILITIES & EQUITY	
Equity	17,975.10
TOTAL LIABILITIES & EQUITY	**17,975.10**

ND Renewable Energy Partnership
Summary Balance Sheet
As of January 30, 2007
Jan 30, 07
ASSETS
Current Assets
Checking/Savings 16,913.52
Accounts Receivable 1,100.00
Total Current Assets 18,013.52
TOTAL ASSETS 18,013.52
LIABILITIES & EQUITY
Equity 18,013.52
TOTAL LIABILITIES & EQUITY 18,013.52
01/30/07
Accrual Basis

ECONOMIC EVALUATION

Cost

Boiler Equipment	= $ 17,400
Solar Equipment	= $ 58,000
Wind Equipment	= $ 78,000
Landfill Gas Generator	= $ 713,000
Heat Recovery Equipment	= $ 65,000
Transformers and meters	= $ 17,000
Operating and maintenance	= $ 76,000
Subtotal	= $1,024,000
ND DoE Grant	= ($20,000)
Total	= $1,004,400

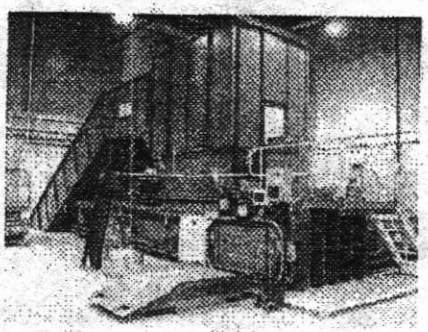
Benefits

Avoided Electrical Cost	= $ 134,104/yr
Electricity Sales	= $ 142,200/yr
Avoided Natural Gas Cost	= $ 70,469/yr
Subtotal	= $ 346,781/yr
Total	= $391,038/yr

Simple Payback = 2-1/2 years

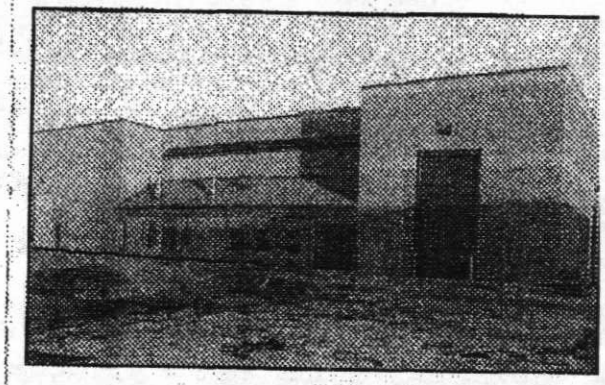
Project Participants

City of Fargo
Wenck Associates
Mutchler Bartram Architects
Ulteig Engineers
Meinecke-Johnson Company
Manning Mechanical
JDP Electric
Cass County Electric Cooperative



For more information or comments please visit our website:

www.cityoffargo.com



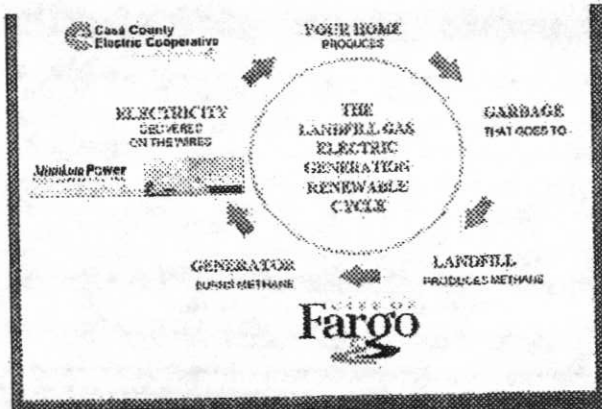
Landfill Transfer Station and Baling Facility

CITY OF Fargo

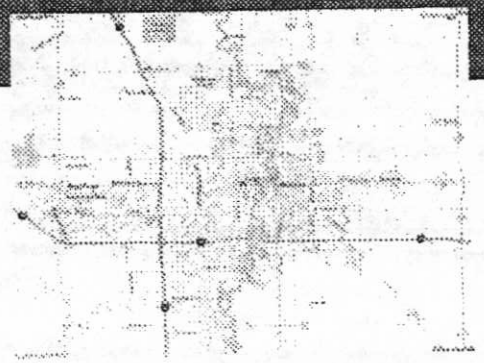
DIVISION OF SOLID WASTE

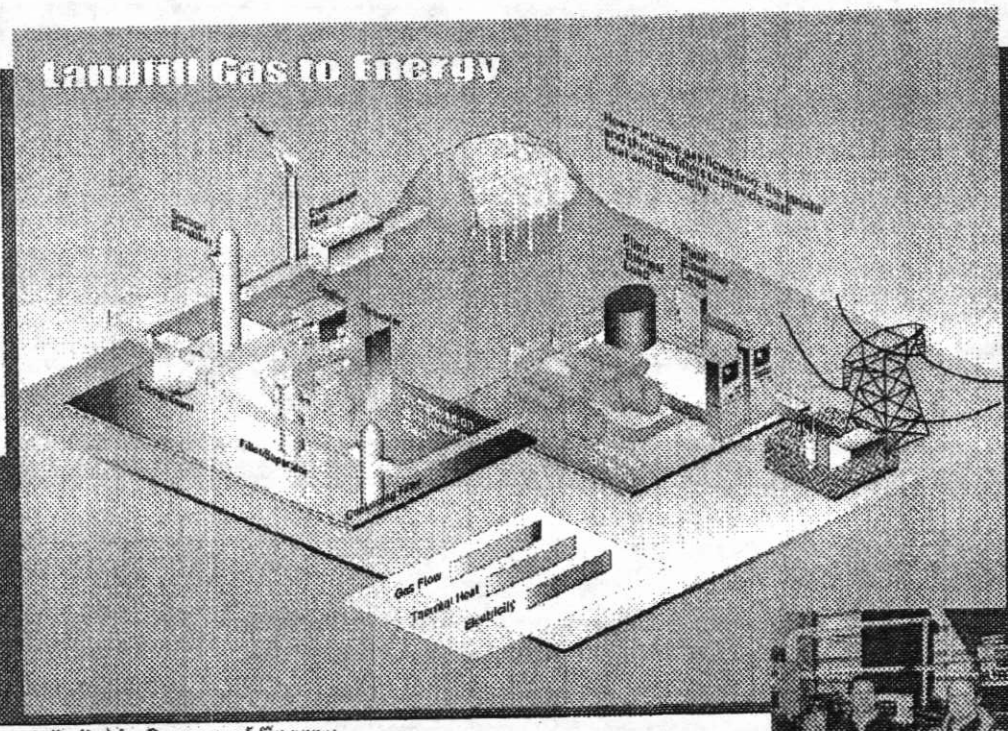
Meeting The Energy Needs of the Region While Benefiting The Environment

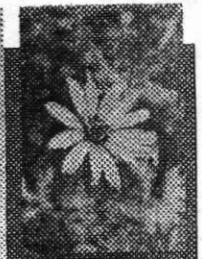
An Environmentally Friendly Source of Energy
The environmental benefits of this program are significant. Air quality will benefit, because the methane gas will be harnessed as a "green" energy source instead of just being burned without benefit. Incorporating the landfill gas-to-energy program into Minnkota Power Cooperative's energy supply helps expand the use of renewable energy.



The partnership between Cass County Electric Cooperative and the City of Fargo will produce renewable energy to enhance the region's power supply. Methane gas collected by the city will be used to generate renewable energy for the residential and business members of Minnkota Power Cooperative and Cass County Electric Cooperative.







This program will result in over 4,000 less tons of coal burned per year, improving air quality through reduced emissions.

A Reliable Source of Energy
Methane gas generated by the City of Fargo Landfill is a reliable energy resource, enabling the power generator to operate 24 hours a day, seven days a week. This renewable resource provides the fuel to generate 925 kilowatts (kW) of electricity, powering approximately 600 Cass County Electric Cooperative homes, and provides heat for the baling facility. The methane generator is accredited with the regional power pool and will produce almost 7,300,000 kWh's annually. This combined heat and power (CHP) project is significant and maximizes efficiency!

***City of Fargo's** Terry Ludlum, Solid Waste Utility Manager; Bruce Grubb, Enterprise Director; Duane Haugen, Landfill Supervisor standing near one of the new balers at the landfill campus.*

This is a letter written 2-12-07 by Brian Dahl, Vice President of Amity Technology in Fargo regarding his perspective on some of the potential for state investment in biofuel development. Thank you for your good work and kind consideration of bill #2288. Mike Williams North Dakota Renewable Energy Partnership.

Mike,

I believe we are well positioned in North Dakota to build out the capabilities to design, manufacture, install, operate, and service bio-energy conversion systems.

While the technology is not new by most measures, it is in its stage of rapid growth and transformation. With numerous companies and entities focusing on the technology and design of energy conversion systems, each one of these technologies to become successful must at some point cross over into a scheme of mass production. It is not the production capacity and capability upon which we must focus our state initiatives.

I believe we should have a three-pronged approach to supporting statewide development of energy conversion systems. One is the funding of research that advances the design and function of the process equipment. The second would be funding research that maximizes the crop production potential of bio-fuels in which our region can specialize. Third, some efforts could be directed towards development of a consortium of existing or possibly new manufacturing companies who would commit some significant portion of their production capacity to producing components or sub-systems of bio-energy conversion systems. The funding on all three efforts would be project and proposal based. The first two could lead to intellectual property and yield tangible returns to the state as a proportional shareholder in that technology. The funding should only be granted to those proposals showing promise of long term economic advantages, sound technical footings, and reasonable project scope and risk. The third funding effort would be foundational to ensuring that such technologies could be produced economically in state so that we might be known as the worldwide leading supplier of such systems. The returns would come back to the state in the form of job retention, creation, and the tax revenues that follow.

In the manufacturing sector we already possess the plant capacity, equipment, workers and much of the technology to begin production of smaller point-of-use systems. Properly designed, these systems can be made locally and efficiently shipped any place in the world. We have demonstrated the ability to compete with our own products that are built locally and sold in markets half way around the world. It can be done right here in North Dakota. Let's do it.

Here is a possible business model:

Holders of design technology and product contract with consortium to build, ship, install, train operators, and service the systems. The consortium competes successfully against all other companies in the market place because of its emphasis on the technology, streamlined logistics, pooled purchasing power, a common language of materials, standards, and process quality and capability. By performing all of the services from start to finish, the consortium would participate in the continuous loop of product and process improvement and would further advance its position of market leadership in small energy conversion systems.

Mike, please contact me if you wish to discuss these matters further.

Sincerely,

Brian E. Dahl, VP Amity Technology

Item #4

Testimony of Harlan Fuglesten,
North Dakota Association of Rural Electric Cooperatives
In Support of SB 2288
House Natural Resources Committee
March 1, 2007

Mr. Chairman and members of the committee, my name is Harlan Fuglesten. I am appearing today in support of SB 2288 on behalf of the North Dakota Association of Rural Electric Cooperatives. Our Association's members include 17 distribution cooperatives serving about 250,000 of the state's citizens, plus five generation and transmission cooperatives that generate nearly 90 percent of North Dakota's coal-based electricity, and own or purchase a majority of the state's current wind energy output.

Our Association has been an active member of the North Dakota Renewable Energy Partnership since it was formed three years ago. In those three short years, renewable energy has really come of age in North Dakota. It was just a little over three years ago that we celebrated the dedication of the state's first wind farm. Today, we have seen more than a doubling of the wind energy capacity in the state, with the expectation that we will more than double our wind output again within the next two years. Meanwhile, we have two major wind energy manufacturers, LM Glasfiber of Grand Forks and DMI of West Fargo, that have expanded to directly employ more than 1,000 people in the state.

The growth story is much the same for ethanol and biodiesel. Three years ago, the Partnership set a goal of producing 130 million gallons of ethanol in North Dakota by 2007. With completion of the Red Trail Energy and Blue Flint ethanol facilities, that goal will be reached this year, and greatly exceeded as additional plants come on line. In addition, ADM is currently constructing a 100 million gallon biodiesel plant near Velva

using canola as the feedstock, and a three million gallon biodiesel plant using soybeans is under construction at Northwood.

The legislature has nurtured and promoted the development of our traditional energy sector through successful state-private partnerships, including support for the Lignite Research Council and the Oil and Gas Research Council. We believe establishing a council and providing a fund to participate with industry on applied research and commercialization projects for renewable energy can lead to similar benefits.

Congress will be writing a new farm bill this year, which will again contain an energy title. North Dakota seems ideally situated to benefit from the convergence of energy and agriculture, our state's two leading industries. North Dakota has excellent energy research facilities. We have innovative utilities, manufacturers, and developers looking for new opportunities. We have an Office of Renewable Energy and Energy Efficiency in the Department of Commerce that promotes opportunities for expanding the use of renewable technologies. Having state funds available for matching grants and to leverage private investment will help make North Dakota competitive with all the other states that are also seeking to take advantage of the growth of the renewable energy industry.

Mr. Chairman and committee members, we respectfully request that you give a favorable DO PASS recommendation for SB 2288. Thank you.

Item #5

TESTIMONY ON SB 2288
HOUSE NATURAL RESOURCES COMMITTEE
THURSDAY, MARCH 1, 2007

Kim Christianson, Manager
Office of Renewable Energy & Energy Efficiency
ND Dept. of Commerce
328-4137

Mr. Chairman, Committee members, I am pleased to appear before you today in support of Senate Bill 2288. I am the Manager of the Office of Renewable Energy & Energy Efficiency in the Dept. of Commerce. I have worked with energy efficiency and renewable energy programs since 1984 for North Dakota, except for a brief period with the U.S. Department of Energy regional office in Denver.

All of you know that these are truly exciting times for renewable energy development in North Dakota. There are several ethanol and biodiesel production facilities either up and running, under construction, or announced. There have also been a number of wind energy developments put in place over the past few years, with much more on the way. And future opportunities for biomass energy development in the state appear very promising. (I should also mention that there is substantial activity on a smaller scale with geothermal heat pump systems and solar applications.) These new industries create jobs and economic activity for North Dakota citizens and, in some cases, are helping to revitalize rural communities in the state. As an example, in the past couple weeks, LM Glasfiber, the blade manufacturer in Grand Forks, held a job fair with the intention to increase the size of their work force to 800 employees!

North Dakota offers an impressive number of tax incentives and financing tools for renewable energy development, thanks to actions taken in past legislative sessions. Senate Bill 2288 would put in place a funding mechanism and process to move the industry even further ahead in North Dakota. I meet on a fairly regular basis with colleagues from other state energy offices around the country, and more and more of them have mechanisms in place that provide state funds for efficiency and renewable energy studies and projects. North Dakota is at a competitive disadvantage when it

comes to providing state matching funds for projects that leverage other private, local, state or federal dollars. There are opportunities to apply for private foundation funding and federal programs through the Dept. of Energy, USDA, and EPA that would be greatly enhanced with some state matching dollars. For example, the USDA has a renewable energy & energy efficiency grant and loan program for rural producers and small businesses. While we have had limited success with project proposals in the past couple years, the ability to leverage state funds with local funds would greatly improve our chances.

One other item I'd like to bring to your attention has to do with Section 1. of SB 2288, having to do with NDCC 4-14.1-09, Subsidy limitations. With the proposed ceiling of $1.6 million per eligible facility we believe there should be some added language to clarify how production incentive funds would be handled based on what's available to distribute. Our office is responsible for administering the production incentive. As you may know, there are two sources of funding for the production incentive – 1) a portion of the refund on the fuel tax for agricultural purposes, which currently generates approximately $80,000 - $100,000 per year; and 2) the transfer of 40 percent of the registration fees for farm vehicles, which currently generates $1.7 to $1.8 million per year. The current balance of the ethanol production incentive fund is $1.9 million.

This past biennium, we processed production incentive payments to the two existing ethanol facilities in Grafton and Walhalla, as directed by the previous legislative session. Because there were no new plants up and running until just recently, there have been no payments made through the counter-cyclical production incentive fund. We have, however, run quarterly what-if scenarios based on the existing formula and how it would have been applied to both a 15 MGY plant and a 50 MGY plant. As you can see in my attachment, in the past 14 quarters, beginning on July 1, 2003 through December 31, 2006, there were only 3 quarters during which the counter-cyclical formula would have generated payments to the two plants modeled. However, the two factors used in the formula, the price of corn and the price of ethanol, can be quite volatile, and there is the possibility that the incentive payments might even be generated this quarter for the Blue

Flint and Red Trail plants. Their projected production capacities are 50 MGY for the Red Trail plant, and 65 MGY for the Blue Flint plant. Two other proposed ethanol facilities that have been announced will have capacities of 100 MGY each.

I've attached a suggested language addition to NDCC 4-14.1-09 that would clarify that production incentive payments will only be made to the extent of available funds and we would not create a negative or "accounts receivable" balance. It also includes language on how we would handle multiple requests that together exceed the available balance. We suggested this added language based on discussions with the Governor's Office and they requested that I include this in my testimony. We don't expect problems in the next biennium, but these changes could head off difficulties in future years.

Thank you for your attention. I'd be happy to respond to questions.

4-14.1-09. Subsidy limitations. The office of renewable energy and energy efficiency may not distribute more than one million six hundred thousand dollars per eligible facility annually in payments under section 4-14.1-08 and may not distribute any payments which would create a negative ethanol production incentive fund balance. If the incentive fund balance is insufficient to pay all valid incentive requests received in any quarter, the funds available shall be paid out on a pro-rata basis, according to procedures established by the office of renewable energy and energy efficiency. No eligible facility may receive state ~~ethanol~~ payments that exceed a cumulative total of ten million dollars or for longer than ten years. Change in ownership of an eligible facility does not affect the ten million dollar cumulative total allowed to be paid to that eligible facility under this section or the ten-year limitation contained in this section.

Justin

Noth Dakota Counter-cyclical Ethanol Incentive
Projected Payouts Since Inception

Year	Quarter	Incentive Per Gallon	Incentive 15 MGPY Plant	Incentive 50 MGPY Plant
2003	3	$0.031000	$116,250	$387,500
	4	$0.000000	$0	$0
2004	1	$0.026729	$100,234	$334,113
	2	$0.000000	$0	$0
	3	$0.000000	$0	$0
	4	$0.000000	$0	$0
2005	1	$0.000000	$0	$0
	2	$0.004336	$16,260	$54,200
	3	$0.000000	$0	$0
	4	$0.000000	$0	$0
2006	1	$0.000000	$0	$0
	2	$0.000000	$0	$0
	3	$0.000000	$0	$0
	4	$0.000000	$0	$0
2007	1	$0.000000	$0	$0

Testimony of Scott Handy,
Cass County Electric Cooperative Inc
In Support of SB 2288
House Appropriations Committee – Government Operations Division
March 19, 2007

Mr. Chairman and members of the committee, my name is Scott Handy. I am employed by Cass County Electric Cooperative. I am appearing today in support of SB 2288.

Cass County Electric Cooperative is a founding and active member of the North Dakota Renewable Energy Partnership, a group of more than 50 organizations and individuals promoting the economic and environmental benefits of renewable energy. Through the Partnership, we have been pleased to work with other utilities, farm and commodity groups, economic developers, energy policy advocates, and business people to develop a legislative agenda to advance renewable energy development in our state. SB 2288 is one important part of this agenda.

As a cooperative utility, our interest in renewable energy is at least two-fold. First, as a utility company, we are interested in developing wind energy and other renewable sources of electric generation. Second, because of our strong rural base, we recognize that many of our member-owners produce the corn, soybeans, and other feedstocks used to make bio-fuels.

North Dakota is ideally situated to benefit from the convergence of energy and agriculture, our state's two leading industries. The legislature has nurtured and promoted the development of our traditional energy sector through successful state and private partnerships, including support for the Lignite Research Council and the Oil and Gas

Research Council. We believe establishing a council to promote research and development of our renewable energy resources can lead to similar benefits.

My testimony today is in support of the $3 million general fund appropriation currently in the bill for the renewable energy development fund, or somewhat more if that is possible. It is not my intention at all to minimize the importance of this level of funding. I believe it can have a very positive impact on the state, a topic I will address in a moment. First, however, I would like to put the $3 million figure in context.

The original version of this bill requested $20 million, of which $17 million was to come from the general fund and $3 million from the Resources Trust Fund. Without question, $20 million is a lot of money. However, it seems almost modest when compared to proposals advanced in several other states this year. For example, a few weeks ago the governor of Iowa proposed creating a $100 million Iowa Power Fund over four years to make Iowa the "energy capital of the world." At the same time, Oklahoma's governor proposed that the state spend $40 million over the same time period to create a center to focus on bio-energy research, development and education. And, Tennessee's governor this year proposed spending $61 million to support development of alternative fuels in the state.

While the funding in SB 2288 is not as substantial as these examples, $3 million can still provide significant benefits to North Dakota. In the bill version before you, the Department of Commerce is granted broad authority to use the $3 million to make grants, loans, or other forms of financial assistance for feasibility studies, applied research and demonstration projects, and incentives to foster development of wind, biofuels, biomass, and other renewable technologies. This $3 million will, in turn, leverage private and

federal funds for research to develop new technologies, to commercialize and market existing technologies, and to use and market by-products to make renewable projects more economically viable.

Congress will be writing a new farm bill this year, which will again contain an energy title. Having state funds available for matching grants will improve the chances of North Dakota projects receiving federal grants and loans. North Dakota has excellent energy research facilities, including the EERC in Grand Forks and the North Dakota Cooperative Extension Service at NDSU. We have an Office of Renewable Energy and Energy Efficiency in the Department of Commerce that promotes opportunities for expanding the use of renewable technologies. Wind monitoring studies, research on wind to hydrogen to make fertilizer, a dairy waste anaerobic digestion demonstration project, landfill gas recovery and use studies, and research on cellulosic ethanol, are just some examples of how these research funds can be used.

Action by the House Appropriations Committee's Government Operations Division to support funding of at least $3 million for renewable energy research and development will send a positive message that North Dakota wants to use its renewable resources as an important means to achieve energy independence.

Mr. Chairman and members of the committee, we respectfully request that you give a favorable DO PASS recommendation for SB 2288 with funding of at least $3 million for renewable research and development. Thank you.

USDA NEWS RELEASE

United States Department of Agriculture • Office of Communications • 1400 Independence Avenue, SW
Washington, DC 20250-1300 • Voice: (202) 720-4623 • Email: oc.news@usda.gov • Web: http://www.usda.gov

Release No. 0012.07

Contact:
Keith Williams (202) 720-4623

USDA ANNOUNCES PLAN FOR $1.6 BILLION INVESTMENT IN RENEWABLE FUELS

WASHINGTON, Jan. 24, 2007 -- Agriculture Secretary Mike Johanns today announced plans to propose $1.6 billion in new funding for renewable energy, with a focus on cellulosic energy research and production, as part of the Administration's 2007 farm bill proposals. This funding will support President Bush's goal of reducing gasoline usage by 20 percent in the next ten years and will compliment an array of renewable energy-related efforts underway at the U.S. Department of Agriculture.

In his State of the Union Address last night, President Bush announced his vision for our nation's energy independence, including $2 billion in cellulosic production loan guarantees. The President's proposals also include a new Alternative Fuels Standard, which contains a requirement for sources produced by American farmers and ranchers as well as an automatic "safety valve" to protect against unforeseen increases in the prices of alternative fuels or their feedstocks.

"It remains a priority across USDA to support the development of biofuels. We will continue to build on current programs and turn the corner on renewable energy," said Johanns. "With biofuels coming to the forefront, American agriculture faces the greatest opportunity of a generation to lead a future in which we get our energy by the bushel and not by the barrel."

Following are examples of USDA's projects underway and accomplishments to date:

- USDA issued a formal Request For Information to initiate discussion with private sector partners willing to work with us to establish a bio-fuels pumping station in Washington DC, which would serve the general public and more than 800 flex fuel vehicles in the federal fleet. http://www1.fbo.gov/spg/
- In 2006, USDA launched BioPreferred, a procurement program that serves to increase the procurement and use of biobased products by Federal agencies. USDA has developed an easy access online Designated Biobased Product Catalog www.usda.gov/biopreferred as a resource of identifying biobased products.
- USDA spent nearly $1.7 billion on energy-related programs between 2001 and 2005. In 2006 alone, USDA made available more than $270 million on these programs in areas such as commercialization, research, infrastructure development, and technical support. Currently, there are 110 operational ethanol plants in 19 states with another 73 under construction and new proposals at an astounding rate.
- In 2005, Secretary Johanns appointed a USDA Energy Council for the purpose of coordinating and examining departmental programs and authorities, ensuring they fit into a comprehensive energy strategy.

- In 2000, USDA established the Biomass Research and Development Initiative (BRDI), an interagency working group with the Department of Energy, to coordinate and accelerate all Federal biobased products and bioenergy research and development.
- Last October, President Bush offered the keynote address at the Advanced Renewable Energy Conference, hosted by USDA and the Department of Energy. The joint conference brought together the brightest minds in government and industry, as well as key stakeholders from the financial, agricultural and energy sectors, to address the challenges and opportunities to advance renewable energy.
- USDA's Agriculture Research Service (ARS) scientists have developed improved fermentation organisms and are making other significant steps toward achieving the technology needed for commercial production of cellulosic ethanol. ARS scientists have genetically modified a strain of lactic acid bacteria, that produces increased levels of ethanol from cellulosic biomass. The research findings demonstrate that metabolic engineering has the potential to create new biocatalysts to convert biomass to biofuels.

Johanns plans to provide additional information about the proposal to provide $1.6 billion in new funding for renewable energy within the next few weeks when he unveils the Administration's full package of 2007 farm bill proposals.

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USDA United States Department of Agriculture

About 540 peanuts make up a 12-ounce jar of peanut butter

Newsroom

News Release

Release No. 0012.07
Contact:
Keith Williams (202) 720-4623

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Last Modified: 01/25/2007

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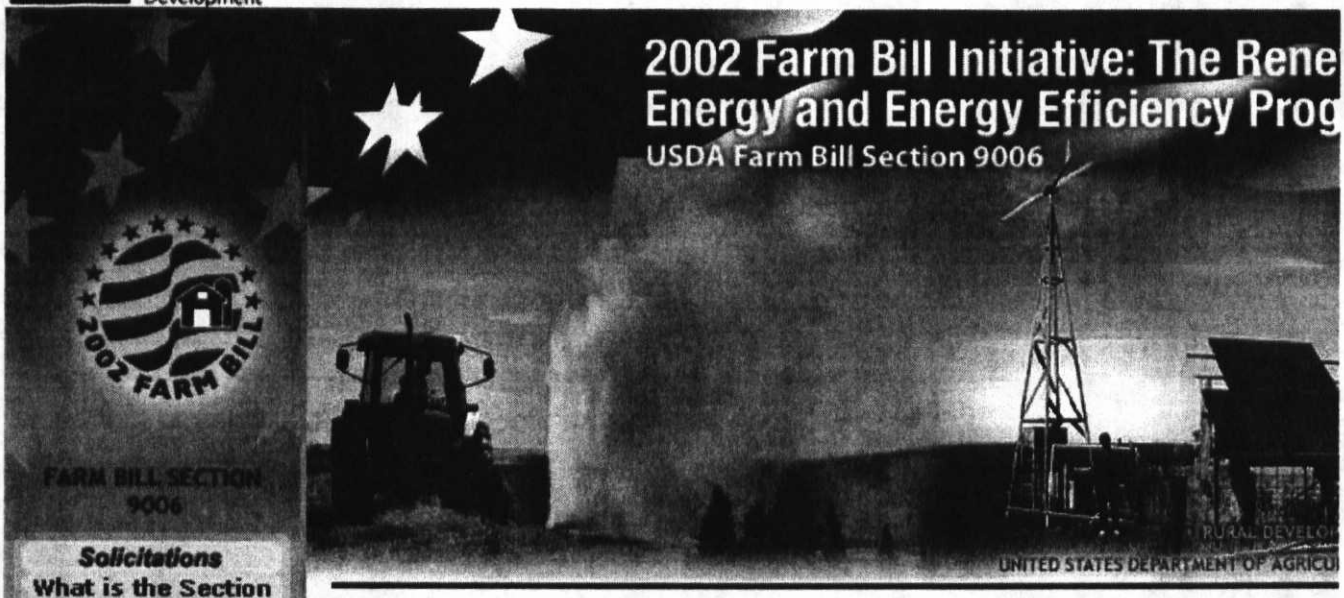
RD&D Awarded under USDA-DOA Joint Biomass Research & Development Initiative Solicitation

	Project Title	FY	Dept.	Roadmap Main Category	Roadmap Sub-Category	Federal $ Requested	Recipient/Main Project Participant
1	Energy Corn Consortium	FY06	DOE	Public Policy		$1,926,970	Edenspace Systems Corporation
2	Novel Enzyme Products for the Conversion of Defatted Soybean Meal to Ethanol	FY06	DOE	Processing and Conversion		$1,259,000	Lucigen Corporation
3	Value Prior to Pulping	FY06	DOE	Preprocessing and Conversion		$1,521,763	Center for Technology Transfer, Inc
4	Overcoming Barriers to Facilitate the Commercialization of Willow Biomass Crops as a Feedstock for Biofuels, Bioenergy and Bioproducts	FY06	USDA	Feedstocks Production		$813,450.00	SUNY College of Environmental Science and
5	Biotechnological Improvement of Switchgrass	FY06	USDA	Feedstocks Production		$1,572,460	Ceres, Inc.
6	Moisture Management in Polylactide and Polylactide Copolymers	FY06	USDA	Processing and Conversion		$1,312,389.00	Drexel University
7	High-Value Chemical Production from Biodiesel-Derived Glycerol	FY06	USDA	Processing and Conversion		$2,000,000	Virent Energy Systems, Inc.
8	Lignin Conversion to Value-Added Materials -	FY06	USDA	Processing and Conversion		$579,340.00	The Pennsylvania State University
9	Adding Value to Commercial Polymers through the Incorporation of Biomass Derived Chemistries	FY06	USDA	Processing and Conversion		$1,762,157.44	Iowa Corn Promotion Board
10	Thermoplastics composites Reinforced with Natural Fibers and Inorganic Nano-Particles	FY06	USDA	Product Uses & Distribution		$791,865.00	Louisiana State University Agricultural Center
11	A Plant-based Production System for Methacrylate	FY06	USDA	Feedstocks Production		$1,523,530	Ceres, Inc.
12	Enhancing Animal Feed Values in Corn Dry Mills with Biobased Solvents	FY06	USDA	Preprocessing and Conversion		$400,000	Argonne National Laboratory
13	Strategic Development of Biomass in the Western State	FY06	USDA	Public Policy		$290,246	Western Governors' Association
14	Technical Area 4; Expansion of ethanol production: evaluation of costs and benefits to rural communities in the Upper Mississippi River Basin	FY06	USDA	Processing and Conversion		$676,722	Southern Illinois University
15	Analysis for Strategic Guidance Demonstrating the Value of Waste Biomass Feedstocks for Fuel Ethanol Production from Energy Policy Perspectives	FY06	USDA	Product Uses & Distribution		$250,001	Clarkson University
16	Life Cycle Assessment to Improve the Sustainability and Competitive Position of Biobased Chemicals	FY06	USDA	Product Uses & Distribution		$376,616	Michigan State University
17	Strategic Positioning of Biofuels in the Economic Context of Agriculture, Crude Oil, and Auto-Manufacturing	FY06	USDA	Product Uses & Distribution		$435,997.00	North Carolina State University
	FY06 Total					**$17,492,507**	
	FY02-06 Total					**$159,630,296**	

USDA Rural Development

Committed to the future of rural communities

Business and Cooperative Progi



FARM BILL SECTION 9006

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What is the Section 9006 Program?
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Tools & Resources
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Coordinators
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Section 9006: Renewable Energy and Energy Efficiency Program

The Farm Security and Rural Investment Act of 2002 (the Farm Bill) established the **Renewable Energy Systems and Energy Efficiency Improvements Program** under Title IX, Section 9006. This program currently funds grants and loan guarantees to agricultural producers and rural small business for assistance with purchasing renewable energy systems and making energy efficiency improvements.

New for 2006, the program offers both grants and guaranteed loans for eligible projects. In addition, projects with total eligible costs under $200,000 can apply under a Simplified Application Process designed to streamline the application process for small projects.

On this site you will find information on the Section 9006 grant and guaranteed loan programs including details on project and applicant eligibility, application procedures, required forms and other useful information to assist you in the application process. For full information on the program, please refer to the program rule, 7 CFR Part 4280.

NEWS: February 22, 2006 - USDA published a notice in the Federal Register announcing the availability of $11.385 million in funding for competitive grants and $176.5 million in authority for guarantee loans in fiscal year 2006 under the Section 9006 Renewable Energy Systems and Energy Efficiency Improvements Program. This Notice of Funds Availability can be downloaded here.

NEWS: January 9, 2006 - USDA Offers $19 Million for Businesses, Emphasizing Renewables The U.S. Department of Agriculture (USDA) announced last week that it will provide more than $19 million in grants to support renewable energy projects and the development of value-added agricultural business ventures. Under this year's program, the amount that can be awarded to a producer in the form of a working capital grant has been doubled to $300,000, and $1.5 million is also being allocated to provide grants of $25,000 or less to eligible producers. Priority consideration will be given to those applicants who dedicate at least 51 percent of project costs to a biomass energy project. To date, the program has provided $20.5 million to develop and market renewable energy projects in 29 states, including wind and biomass energy projects and projects to produce biodiesel or ethanol.

NEWS: Dec. 9, 2005 - Agriculture Secretary Mike Johanns announced today that 131 small businesses have received Small Business Innovation Research (SBIR) grants totaling more than $18.9 million from the USDA. Among the grants are eight that fund research into renewable biofuels, reinforcing USDA's long-term strategy to help farmers and ranchers with high energy costs. The Small Business Innovation Research grants that deal with renewable energy total more than $1.2 million.

NEWS: Dec. 7, 2005--Agriculture Secretary Mike Johanns today unveiled a comprehensive energy strategy to help farmers and ranchers mitigate the impact of high energy costs and develop long-term solutions.

NEWS: On Oct. 17, 2005 Rural Development Under Secretary Tom Dorr announced a $16 million loan guarantee to help finance construction of an electrical generating plant in rural Arizona that will use wildfire-damaged timber along with waste fiber from a nearby paper mill as a fuel source.

NEWS: On September 14, 2005 Agriculture Secretary Johanns announced the selection of 150 applicants to receive almost $21 million in USDA Rural Development grant assistance for renewable energy and energy efficiency projects in 32 States. These grant opportunities were offered pursuant to a Notice of Funds Availabilty published on March 28, 2005. Recipients List (PDF)

NDSU
Extension Service
NORTH DAKOTA STATE UNIVERSITY

Director's Office
315 Morrill Hall, P.O. Box 5437
Fargo, ND 58105-5437

Tel. 701.231.8944
Fax 701.231.8520
ext-dir@ndsuext.nodak.edu
www.ag.ndsu.edu/extension

(1)

February 13, 2007

The Honorable Senator Joel Heitkamp
State Senator
600 E. Boulevard Ave.
Bismarck, ND 58505

Dear Senator Heitkamp:

Senate Bill 2288 contains reference to the Bio-products Program that is identified within the NDSU Agriculture GROW 21 budget proposal. This program proposal requests $700,000 from the general fund--$400,000 for the Ag Experiment Station and $300,000 for the NDSU Extension Service--to support the following:

An Engineering faculty position (60% research, 40% Extension) would focus on biomass-based systems. These systems hold great potential for becoming the preferred sources for liquid fuels. Needed studies and educational support will focus on harvest, collection and transport systems for raw products including crops, crop residues, animal production co-products, by-products from food processing, etc. Additional work would focus on conversion systems (engines, gasifiers, etc.). Consumer education regarding the end use of biofuels and other bioproducts would also be provided. *Cost: $200,000*

A research specialist to assist faculty position. *Cost: $100,000*

An economics faculty position (60% Extension, 40% research) would focus research and educational support to production costs, logistics and market analysis for biobased products. Working closely with colleagues, research would contribute to development of efficient processes for supply chain management and for efficient processing strategies. Educational support for rural communities on the economic potential of bio-based product businesses would also be provided. *Cost: $200,000*

Operating funds for these positions and for bioproducts team. *Cost: $200,000*

The Governor's budget recommendation included funding this total program request in HB 1020. However, the House Appropriations Committee Education and Environment Division has recommended cutting the $300,000 Extension Service portion which would dramatically alter the overall focus of this program.

I hope you find this information useful as you continue to work with SB 2288.

Sincerely,

Duane Hauck

Duane Hauck, Director
NDSU Extension Service