

## NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

**ECONOMIC IMPACT COMMITTEE**

Tuesday, April 26, 2016

NDSU Harry D. McGovern Alumni Center, Diederich Atrium  
Fargo, North Dakota

Senator Connie Triplett, Chairman, called the meeting to order at 9:05 a.m.

**Members present:** Senators Connie Triplett, Jonathan Casper, Lonnie J. Laffen, Mac Schneider, Terry M. Wanzek; Representatives Thomas Beadle, Joshua A. Boschee, Cynthia Schreiber Beck, Gary R. Sukut

**Members absent:** Senators Randall A. Burckhard, Tom Campbell; Representatives Rich S. Becker, Ron Guggisberg, Matthew M. Klein, Ben Koppelman

**Others present:** Senator Jerry Klein, Fessenden, member of the Legislative Management  
Tim Flakoll, State Senator, Fargo  
Gary A. Lee, State Senator, Casselton  
Alisa Mitskog, State Representative, Wahpeton  
Blair Thoreson, State Representative, Fargo  
See [Appendix A](#) for additional persons present.

**It was moved by Representative Schreiber Beck, seconded by Senator Wanzek, and carried on a voice vote that the minutes of the March 17, 2016, meeting be approved as distributed.**

**COMMENTS BY THE CHAIRMAN**

Chairman Triplett said she sent members of the committee an email on a recently released article ([Appendix B](#)) by the American Bar Association regarding drone regulations. She said the article references federal, state, and local efforts to regulate drones, and that members of the committee may wish to read the article. She said she would like to draw the committee's attention specifically to the document in footnote 28. She said that document has a summary of what has been going on over the preceding several years in other states regarding drone regulation. She said North Dakota might gather valuable insight from the article.

**HIGH-PERFORMANCE COMPUTING AND CYBERSECURITY ISSUES**

Chairman Triplett called on Dr. Kelly A. Rusch, Vice President for Research and Creative Activity, North Dakota State University, for a presentation ([Appendix C](#)) regarding the potential for high-performance computing to enhance the research capacity of North Dakota universities, and perceived privacy and cybersecurity issues associated with a significant increase in data gathering, storage, and analysis. Dr. Rusch said when the Internet first became commonplace in the 1990s, there was approximately 500 gigabytes of data being created each day. She said today that number has risen to 50,000 gigabytes per second. She said it is sometimes difficult to determine what data is good, useful, and valuable when there is such a high volume. She said high-performance computing is a tool that can be utilized to harness and analyze all of the data that is available.

Dr. Rusch said high-performance computing data centers are different from administrative computing data centers. She said the equipment required for a high-performance computing data center is more costly. She said North Dakota State University (NDSU) has the Center for Computationally Assisted Science and Technology (CCAST). She said CCAST is a high-performance computing data center that was approved by the State Board of Higher Education in 2003. She said it is a 13-year-old center that has steadily been growing. She said the biggest data bottleneck when working in a high-performance computing environment is the speed at which you can retrieve data that is being collected to be worked on. She said the storage capabilities of CCAST is approximately 5 petabytes. She said many laptops commonly have 500 gigabytes to 1 terabyte of storage capability. She said it takes 1,000 terabytes to equal 1 petabyte. She said it would take the storage capabilities of 5,000 laptops to equal the storage capabilities of CCAST. She said many researchers now need this level of computing power to complete their research.

Dr. Rusch said high-performance computing can be utilized in a number of different ways. She said high-performance computing can be used in tandem with unmanned aerial vehicles. She said some unmanned aerial vehicles are capable of sending 500,000 images per day that must be stored, analyzed, and processed to make quick real-time decisions in certain situations, such as search and rescue operations. She said that number of images is the equivalent of 10 terabytes of data per day. She said NDSU takes great precautions to secure the data that CCAST receives. She said there are multiple layers of security in place in the high-performance computing data center.

In response to a question from Representative Schreiber Beck, Dr. Martin Ossowski, Director, Center for Computationally Assisted Science and Technology, North Dakota State University, said CCAST is the only high-performance computing data center of its size and scale in the state of North Dakota. Dr. Ossowski said there are other centers of similar size and scale elsewhere in the country that are funded by different agencies. He said the National Science Foundation, the United States Department of Energy, and the United States Department of Defense all have high-performance computing data centers. He said the high-performance computing data centers that are available for the general public are found at the National Science Foundation and the Department of Energy, not the Department of Defense.

In response to questions from Chairman Triplett, Dr. Ossowski said the University of North Dakota also has some high-performance computing capabilities, but it is not currently at the same level that is available at NDSU. Dr. Ossowski said the high-performance computing capabilities available at NDSU could potentially accommodate the technological data requirements of first responders at the federal, state, and local levels. He said the system and technology would need to be developed further in terms of the hardware required to fully satisfy the scope of the project.

## NEXUSND

Chairman Triplett called on Dr. Mark R. Hagerott, Chancellor, North Dakota University System, for a presentation ([Appendix D](#)) regarding the potential benefits to the North Dakota University System of implementing NexusND. Dr. Hagerott said NexusND is the cooperative, collaborative, and integrated effort of unmanned aerial systems, high-performance computing, and cybersecurity. He said this is important because as society adapts and changes, universities need to do three things. He said first, universities need to store knowledge and pass that along to the next generation. He said second, universities need to be able to accomplish tactical adaptation. He said this means that universities need to be able to forecast and determine what society will require. He said for example, as the population ages universities need to adapt and be able to produce more nurses and doctors. Finally, he said, occasionally universities need to be able to remake themselves. He said universities need to be able to create brand new knowledge sets that have never existed before. He said this is currently happening in society today. He said there is currently a technological event of historic proportions occurring regarding intelligent unmanned machines and intelligent big data.

Dr. Hagerott said NexusND is an attempt to create a distributed network of the 11 North Dakota universities to compete with larger universities such as Ohio State and Michigan in those crucial three areas. He said NexusND also reaches out to become partners with businesses. He said mainly NexusND is currently cataloging all of the programs being undertaken in North Dakota regarding unmanned aerial systems, cybersecurity, and big data. He said it is important to know what programs the state is currently funding. He said once that is completed, NexusND can start to identify gaps where more programs and data capabilities are needed. He said once that phase is completed, NexusND can then determine what needs to be done to fill those gaps and develop programs to solve problems for the future.

Dr. Hagerott said research is extremely important, but NexusND does more than just research. He said NexusND also is an attempt to make sure that the North Dakota technological capabilities and workforce are equipped to deal with unmanned aerial systems, cybersecurity, and big data issues so that the work does not need to be outsourced to other states. He said it is important for North Dakota to be in control of its own data. He said one of the goals is to ensure that every North Dakota student take at least one core cybersecurity course to protect their own data and identity. He said NexusND is attempting to accomplish as many of their goals as they can without requiring additional money because money is currently tight. He said one of the ways in which they are doing this is by shutting down programs that are undermanned or obsolete and channeling those funds to other programs that have a higher demand.

Dr. Hagerott said in general there will be four hubs to NexusND. He said the first is the two Accreditation Board for Engineering and Technology universities in the state at University of North Dakota and NDSU. He said the Accreditation Board for Engineering and Technology accreditation is the highest level of expertise. He said Bismarck State College will be the lead for the 2-year schools to create curriculum and share it with all other schools in the state that are a part of NexusND. Finally, he said, Minot will be the lead for the 4-year schools.

Dr. Hagerott said since the last committee meeting in December, NexusND has established three teams working together on the areas of unmanned aerial systems, cybersecurity, and big data. He said in order to be a leader in this industry North Dakota does not need to have the large population of other states. He said as technology advances and automation becomes more prevalent, fewer workers can accomplish the same amount of work. He said currently a large portion of unmanned aerial systems are being imported into the country. He said there is growing concern that these systems may not be cyber secure. He said by training a smaller, but highly knowledgeable workforce to operate production plants for unmanned aerial systems, North Dakota can compete in the industry while ensuring that the unmanned aerial systems being utilized in the country are produced domestically and are cyber secure. He said part the way in which the state can accomplish these goals is to get students interested in computer science fields earlier.

In response to a question from Senator Casper, Dr. Hagerott said currently there is not enough precise information available to be able to give an exact breakdown of the costs that would be required to fund NexusND.

Chairman Triplett said that as NexusND is researching gaps that need to be addressed, they should be considering what needs to be addressed in North Dakota Century Code in order to potentially move the policy forward. She said the interim committee does not handle appropriations but can make recommendations to the Legislative Management as to what needs to be done in the future.

In response to a question from Senator Wanzek, Dr. Hagerott said one potential issue that may arise in the future is trying to determine who owns the data. Dr. Hagerott said it may be important to begin teaching cyber law classes as well so that attorneys in the state can advise clients as to the legal ramifications of cybersecurity and data issues.

### **UNMANNED FLIGHT APPLICATION PARK AND RELATED TECHNOLOGY**

Chairman Triplett said Mr. Tom Swoyer, President, Grand Sky Development Company, could not be present at the meeting, but provided written testimony ([Appendix E](#)), regarding development of an unmanned flight application development park and related technology.

Chairman Triplett called on Dr. Hagerott to give his perception of the comments made by Mr. Swoyer in his written testimony. Dr. Hagerott said there is a lot of overlap between the things that Mr. Swoyer discusses and NexusND. He said they are generally in agreement on almost everything. He said the only area of disagreement is whether to fund broader cyber education for students or cyber programs for the Air Force first when additional funding becomes available.

### **PUBLIC COMMENT**

Mr. Mark Nisbet, North Dakota Principal Manager, Xcel Energy, said Xcel Energy is interested in taking the lead in the energy industry in North Dakota as there are a lot of opportunities in the state. He said Xcel Energy is the leading provider of wind energy in the country. He said Xcel Energy is interested in potentially partnering with the state as was discussed earlier to utilize unmanned aerial systems and high-performance computing to provide energy in the state.

### **COMMITTEE DISCUSSION**

Chairman Triplett asked for committee directives on developing legislation or suggestions on unmanned aerial systems, cybersecurity, and big data.

Representative Schreiber Beck said the committee should attempt to learn more through the University System regarding what Dr. Hagerott is proposing regarding NexusND before the committee moves toward making decisions.

Chairman Triplett said she has spoken to Lieutenant Governor Drew Wrigley who is chairing the Cybersecurity Task Force. She said he will be available to report on the findings of the task force at the May meeting.

### **ONE-CALL EXCAVATION NOTICE SYSTEM**

The Legislative Council staff presented a bill draft ([Appendix F](#)) regarding one-call excavation notice system statutory changes and comparison of using "knowingly" or "willfully" as a culpability standard. He said the bill draft is the product of suggestions by the stakeholder group. He said the definition of "Locate period" on page two references midnight. He said it is difficult to determine whether midnight is the start of a new day or the end of the previous day. He said he believes the intention in this case to be the end of the day, but it is not entirely clear and the committee should consider the question for further discussion.

The Legislative Council staff said it is also not entirely clear what the meaning of "three blocks" is on page 8, line 10. He said it could be interpreted to mean three linear blocks, or three blocks by total area. He said the committee may wish to address that potential issue to avoid any ambiguity in the future.

The Legislative Council staff said there was some confusion at the last committee meeting regarding the difference between "willfully" and "knowingly." He said the language on page 14 is written so that there are two offenses that address those terms. He said the first is if the excavator engages in conduct that willfully causes damage when there was a known risk that it might happen. He said the second is if the excavator knew that damage has occurred and they fail to notify the operator.

In response to a question from Senator Laffen, the Legislative Council staff said he did not check with the Public Service Commission prior to writing the terms into this bill draft. The Legislative Council staff said the language was recommended by the stakeholder group.

Chairman Triplett requested the Legislative Council staff to review the bill draft with the Public Service Commission for their input prior to the committee approving or denying the bill draft.

In response to a question from Senator Wanzek, the Legislative Council staff said there are degrees of culpability defined in the North Dakota Criminal Code which are limited to that code, but may be considered regarding the meaning in this chapter of the Criminal Code. He said they include intentional, reckless, knowingly, negligently, and willfully. He said according to the definitions, willfully includes all the other degrees of culpability except negligently. He said that essentially makes willfully and knowingly equivalent. He said the North Dakota Supreme Court has said, for purposes of the Criminal Code, a person acts knowingly if when he engages in the conduct he knows or has a firm belief unaccompanied by substantial doubt that he is doing so whether or not it is his purpose to do so. He said this is not very helpful to understanding the term. He said the Eighth Circuit Court of Appeals said knowingly is the circumstance in which the defendant is aware of the act and did not act through ignorance, mistake, or accident. He said perhaps the difference is that ignorance is not present when a person acts knowingly.

Chairman Triplett called on Ms. Danette Welsh, Manager of Government Relations, ONEOK, for a presentation ([Appendix G](#)) regarding stakeholder group recommendations for revisions to the one-call excavation notice system statutory provisions. Ms. Welsh said ONEOK is the largest natural gas mid-stream company in the state. She said the company has approximately 7,000 miles of pipe in western North Dakota. She said the company operates 10 gas-processing plants in the state that have 1 billion cubic feet of gas-processing capabilities total. She said currently the Public Service Commission is the enforcement portion of the one-call law. She said several members of the stakeholders group are present at the meeting and they would be happy to answer any questions.

In response to questions from Chairman Triplett, Ms. Welsh said "white lining" is not necessarily a defined term, but rather a connotation that people have in their mind. Ms. Welsh said it is a commonly used term that most industry personnel already know and understand. She said she believes the name of the corporation, according to the bylaws, is "The North Dakota One-Call."

In response to a question from Chairman Triplett, the Legislative Council staff said it would make sense to put the name of the corporation into the bill draft. The Legislative Council staff said he would double check the bylaws for the exact name of the corporation and insert it into the bill draft for the next committee meeting.

Chairman Triplett suggested adding language in the bill draft requiring the board to advise the Legislative Assembly of suggestions for best practices on a biennial basis. Ms. Welsh said she would need to consult with the North Dakota One Call Board on that recommendation. She said the board typically does not take a position on policy matters. She said she would present the recommendation to the board for consideration.

In response to a question from Senator Klein, Ms. Welsh said her understanding is that "three blocks" is meant to set the area. Ms. Welsh said she did not believe there was any previous discussion regarding whether the three blocks were meant to be linear in nature or otherwise. She said her assumption is that it would be the block space, not linear.

Ms. Welsh also provided the committee with the 2016 version of the Common Ground Alliance's *Best Practices 13.0* manual for reference. A copy will be kept on file in the Legislative Council office.

In response to a question from Senator Wanzek, Ms. Welsh said the intent is that 48-hour period begins at midnight on the day you make the request. For example, she said, if you make the call at seven p.m., the 48-hour period begins at midnight immediately following the call.

Chairman Triplett requested the Legislative Council staff to amend the draft to make it clearer by changing the time to either 11:59 p.m. or 12:01 a.m.

Sarah Lovas, Agronomist and Farmer from Traill County, said she is at the meeting to speak on behalf of soil testers in North Dakota. She said the protocol is still to soil sample down to 24 inches. She said the one-call system presents some challenges for the soil tester industry. She said AgriData Incorporated is in the beginning phase of starting to program for the one-call project. She said her agronomy business is relatively small and is a good size to be a trial tester for the system. She said she is willing to be a guinea pig for the project. She said she should have an idea of whether or not the programming change will work for herself and other soil testers by approximately September 2016.

### NATURAL GAS SERVICE - PROPANE

Chairman Triplett called on Mr. Jeffrey Petrash, Vice President and General Counsel, National Propane Gas Association, for a presentation ([Appendix H](#)) regarding consideration among the states of expanded natural gas service and concerns of the propane gas industry. Mr. Petrash said he would like to speak to the committee about three things. First, he said, he would like to talk a little bit about propane for those who do not know much about it. Secondly, he said, he would like to discuss the issues surrounding natural gas expansion. Finally, he said, he would like to discuss other states in which those issues have been confronted.

Mr. Petrash said propane is nontoxic, odorless, and colorless. He said 75 percent of propane availability comes from the natural gas stream through shale gas. He said the other 25 percent comes from petroleum refinement. He said propane can do all of the same things that natural gas can and it is easier to transport than natural gas. He said unlike natural gas, propane is not a greenhouse gas. He said currently only 2 percent of Americans have propane as their primary energy source. He said natural gas and propane are complimentary fuels, meaning that they can do essentially all of the same fuel-related tasks. He said 5 percent of American homes are currently heated with propane. He said 150 million gallons of propane are sold in North Dakota every year. He said the propane industry provides almost 1,000 jobs in North Dakota. He said approximately 40,000 homes in North Dakota are heated with propane. He said residential uses in North Dakota consume about 50 percent of the propane supply being used in the state yearly.

Mr. Petrash said natural gas expansion is currently under consideration in 37 states. He said huge amounts of propane are coming from shale production. He said the issue is in the cost of extending pipelines and the propane infrastructure. He said it costs approximately \$1 million per mile to extend the pipe. He said that figure varies depending on the area the pipe is going into and the population density of that area, and whether it is a rural or urban area. He said the major issue is whether there are enough people to connect to the new natural gas line to allow for revenues to be higher than the costs. He said one of the major reasons most people do not have natural gas is that it is not economically feasible to deliver it to them. He said most utility companies are unwilling to take on an uneconomic expansion without a subsidy from taxpayers or existing natural gas customers.

Mr. Petrash said there are approximately 2500 retailers nationally that are members of the National Propane Gas Association. He said they engage in free-market competition with electric, fuel oil, and natural gas. He said propane would like to compete on a level playing field. He said propane would like to compete without government subsidizing the expansion for utilities or permitting the utilities to charge their existing customers a premium for the cost of the expansion to others. He said subsidizing natural gas service is economically inefficient because it under prices the service, it results in a misallocation of resources, and it creates an artificial demand for the service.

Mr. Petrash said a natural gas company in Oregon recently spent \$110 million to expand its pipe to the coast. He said that project only connected an additional 1,200 homes to the pipeline. He said it costs almost \$100,000 per home to connect to the natural gas infrastructure. He said that project was subsidized with municipal bonds. He said several years ago, there was a study in Connecticut which found that it costs on average \$7,000 to connect a home that is already on a natural gas main, and \$23,000 to connect a home that is not on a natural gas main. He said a utility company from Pennsylvania said in order for a customer to convert or replace appliances to natural gas, it costs between \$5,000 and \$10,000. He said when you add up the cost of building the pipe, connecting the pipe, and converting the home and appliances, there is a very large financial hurdle to get over. He said approximately 25 percent of the people considering converting to natural gas end up converting. He said in Maryland, the utility companies were arguing that 75 percent of potential customers would connect if given the opportunity and the cost was only \$1,000 per customer. He said that is not true.

Chairman Triplett called on Mr. Keith Lund, Vice President, Grand Forks Region Economic Development Corporation, for a presentation ([Appendix I](#)) regarding expansion of gas service.

In response to a question from Chairman Triplett, Mr. Lund said the Infrastructure Loan Fund program through the Bank of North Dakota may be a good fit for the expansion of natural gas services in the state. Mr. Lund said currently only political subdivisions are able to access the program.

Chairman Triplett called on Ms. Jane Priebe, Director, Wahpeton Economic Development, for a presentation regarding expansion of gas service. Ms. Priebe said she has seen Wahpeton miss many opportunities for new business. She said there are a number of speakers at the meeting today to discuss their challenges with the expansion of gas service.

Ms. Amber Schaan, Executive Director, Lake Agassiz Regional Development Corporation, said they are based out of Fargo and their primary service area is southeast North Dakota. She said it is important to have consistent natural gas to serve the communities in their region. She said many small communities throughout the region feel that they have been unable to attract businesses due to the lack of availability of natural gas. She said GIANT Snacks Inc. is in the process of building their new headquarters in Wahpeton. She said GIANT Snacks Inc. wanted to be able to roast their sunflower seeds in-house. She said the only way they were going to be able to accomplish this was by converting to natural gas. She said GIANT Snacks Inc. utilized the North Dakota Development Fund, Incorporated, the Bank of North Dakota, the North Dakota Public Finance Authority, Dakota Valley Electric Cooperative, and a grant through the Community Development Block Grant program to secure funding for the project. She said GIANT Snacks Inc. were only able to accomplish their goals through the ability to utilize natural gas and secure funding to do so. However, she said, due to a lack of infrastructure, the supply of natural gas can periodically be disrupted, which in turn can disrupt the businesses in small communities that rely on the limited natural gas that does exist.

Mr. Brad Pauly, Treasurer and Board Member, Wahpeton Community Development Corporation, gave a presentation ([Appendix J](#)).

In response to a question from Senator Casper, Mr. Pauly said the biggest current restriction is that while Wahpeton has natural gas, it is interrupted. Mr. Pauly said this causes a need to always have a backup plan or alternative sources of energy when natural gas is unavailable. He said any plants in Wahpeton that wish to expand their existing operations are currently restricted from doing so based on the lack of an available and reliable energy source. He said the current pipeline capacity cannot be increased. He said the current infrastructure makes expansion impossible.

In response to a question from Senator Laffen, Mr. Pauly said he does not know how the state and Legislative Assembly should go about deciding which natural gas expansion projects should have priority if the state decided to appropriate money to fund the projects.

In response to a question from Chairman Triplett, Mr. Pauly said it is his understanding that the utility companies cannot currently expand the infrastructure and pass the cost on to their existing customers.

Mr. Allen Larson, Business Development Manager, Minn-Dak Farmers Cooperative, gave a presentation ([Appendix K](#)).

In response to a question from Senator Klein, Mr. Larson said to expand the natural gas infrastructure to Wahpeton they would need to lay miles of new pipe to tap into the Viking Gas Transmission Company Pipeline that goes through Perham, Minnesota. Mr. Larson said his company could not economically afford to expand the infrastructure on their own. He said they would need to form a cooperative with other Wahpeton area businesses that would also like to expand and receive uninterrupted natural gas service.

In response to questions from Chairman Triplett, Mr. Larson said there could be revisions made to the economic incentives the state has available so they are more readily transferable to projects of this magnitude. Mr. Larson said it would be helpful. He said his cooperative misses out on many tax advantages in the state because they are a cooperative. He said many of those advantages only currently exist for regular stock companies. He said the projections for the current project estimated \$1 million per mile to expand the pipeline infrastructure. He said there is a natural gas pipeline that runs through the Wahpeton area, but cannot be tapped into because there is no more capacity available. He said the pipeline they need to tap into in Perham, Minnesota, is approximately 65 miles away.

In response to a question from Senator Wanzek, Mr. Larson said he has no information regarding the details of the expansion planned for the Spiritwood area.

In response to a question from Senator Klein, Mr. Larson said he is sympathetic to people in other parts of the state who are reluctant to help fund expensive expansion projects that do not benefit them directly. He said there needs to be research and study conducted on what methods are available to fund these expansion projects.

Mr. Eric Spilde, Controller, Bobcat Company and Doosan Infracore Company Limited, gave a presentation ([Appendix L](#)).

Mr. Nisbet and Mr. Richard Hosch, Principal Engineer for Gas Capacity Planning, Xcel Energy, gave a presentation ([Appendix M](#)). Mr. Nisbet said expanding infrastructure is costly. He said as a regulated utility it would be difficult for Xcel Energy to pass along the cost of an expansion to their existing customers. He said they are willing to explore options to overcome the challenges associated with expansion projects. He said the company has invested over \$700 million in the state of North Dakota over the past 3 years.

In response to a question from Chairman Triplett, Mr. Nisbet said their presentation is an executive summary. Mr. Nisbet said the full text of the study on expansion for North Dakota is not ready for public consumption yet. He said they are still in the process of vetting and analyzing the study internally at this point. He said if they get to a point where the study is complete enough where they are comfortable sharing it with the committee, they will gladly do so.

### **PUBLIC COMMENT**

Mr. Mike Rud, Executive Director, North Dakota Propane Gas Association, said this has been a hotly debated and controversial topic. He said some of the companies coming into the state have been willing to invest their own money into some of these projects. He said it is questionable to hear that some of the large companies are unable to invest their own money into the projects. He said it is speculative to say that natural gas will solve all of the energy issues faced by the state. He said he has reached out to Xcel Energy to attempt to discuss options and solutions for expansion, but he has not heard a response. He said he is open to exploring all options that are potentially available. He said in order to make this expansion viable, the people in North Dakota who currently have natural gas will have to be taxed to a certain degree.

Representative Alisa Mitskog, District 25, Wahpeton, said eastern North Dakota is greatly underserved in regards to natural gas. She said it imposes great economic development issues for the future of that part of the state. She said current businesses are unable to expand due to a lack of reliable and consistent energy capacity. She said developers look at a number of key items when they are prospecting areas for future economic development. She said the availability of natural gas is one of the top three items they consider.

In response to a question from Senator Klein, Representative Mitskog said Wahpeton is attempting to mitigate the costly issues surrounding natural gas expansion. Representative Mitskog said it will take a collaboration between consumers and industry personnel to come up with the financial resources to make expansion feasible. She said in the short term, based on the current financial constraints being placed on the state, that looking to the Bank of North Dakota for financing may be a good option. She said there needs to be a comprehensive plan for the long-term viability of these expansion projects.

In response to a question from Senator Laffen, Representative Mitskog said she cannot personally comment as to whether special assessments for people in the counties who would benefit from an expansion have ever been considered as an option for funding expansion projects. Mr. Pauly said special assessments were not specifically looked at. He said the utility companies suggested increasing pressure on the existing pipeline. He said that is not a good long-term solution because the pressure over time can damage the pipes. He said special assessments can be considered, but he was not sure that it would be fair to expect existing users to pay for additional capacity they are not able to use or benefit from.

Mr. Joe Fouhy, General Manager, Farmers Union Oil Company of Beulah and Halliday, said they have been serving North Dakota communities for 86 years and employ over 50 people. He said they built infrastructure without government subsidies or tax incentives. He said because they are a cooperative they are able to return several hundred thousand dollars to their patrons each year. He said they take exception to the notion that their communities are unserved or underserved. He said giving a monopoly to the natural gas companies in these communities will cause employees to be laid off and will not have a positive economic impact.

Mr. Dale Beck, Vice President, North Dakota Propane Gas Association, said we have to be careful when using the term "under served." He said they have been in business for years serving the local communities. He said they paid for their own infrastructure without government subsidies. He said many homeowners are unwilling or unable to spend thousands of dollars to convert their homes to natural gas. He said the savings would not justify the cost. He said there are many available plans under which customers can purchase propane. He said if they lose the ability to serve the small communities, then they are going to lose the majority of their business. He said he is not opposed to natural gas expansion, but it should not be at the expense of the taxpayers.

Mr. Chris Fitterer, Owner, Fitterer Oil Company, said people have said there is a large amount of natural gas being produced in the Bakken Formation oil fields. He said this is not true. He said the oil fields are actually bringing in propane right now. He said propane has been very successful in the small communities in this state and they have done so on their own without help from the government or tax incentives.

### **DIRECTIVES**

Representative Schreiber Beck requested additional information from the Department of Commerce on this topic before moving forward. She requested they appear at the next meeting to present and give insight on this topic.

Representative Sukut requested the North Dakota Development Fund, Incorporated appear and present at the next committee meeting. He said he would like their input on what available options and solutions there are regarding these issues. He also requested the Agricultural Products Utilization Commission present at the next meeting.

Senator Wanzek requested a representative from the Red Trail Ethanol Plant present at the next committee meeting regarding how they were able to expand.

Chairman Triplett said, in addition to the current requests, the next meeting should include information promised from the Bank of North Dakota, a brief from the Public Service Commission regarding their rate authority, and a discussion of property taxes and exemptions from the Tax Department.

No further business appearing, Chairman Triplett adjourned the meeting at 2:30 p.m.

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John Walstad  
Legal Division Director

ATTACH:13