



WESTERN DAKOTA ENERGY ASSOCIATION

March 31, 2021

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Testimony of:
Geoff Simon, Lobbyist #144
in support of HB 1412
Senate Appropriations Committee

Chairman Holmberg and Committee members:

On behalf of the city, county and school district members of the Western Dakota Energy Association (WDEA), notably those in the coal-producing counties, we wish to express our strong support for House Bill 1412 to provide a temporary reduction in the coal conversion tax to operators of coal-fired generating plants who are facing financial struggles due to current market inequities.

North Dakota's reliable lignite plants have been forced to comply with a slew of expensive federal regulations, some of which provided marginal environmental improvements at best, while other sources of electric generation received generous tax subsidies that reduced their cost of production. Even though the state's lignite generation is among the lowest-cost sources of baseload power in the country, plants have been forced to back down their production because their subsidized competition is able to provide power at a lower cost, at times even offering power at negative prices thanks to warped federal energy policy. Given the unfairness in the electric market, it is appropriate that the tax reduction provided in HB 1412 deliver temporary economic relief to support the state's vital baseload facilities.

Importantly to WDEA members, the legislation is crafted in a way that it would reduce only the state's portion of the conversion tax, while continuing to deliver tax revenue to the cities, counties and school districts in the coal-producing counties. The original fiscal note on the bill shows an estimated reduction of \$35 million in state revenue over the 2021-23 biennium. However, the Senate Finance and Taxation Committee improved the bill with an amendment from Senator Bell that increases the amount of the conversion tax reduction from the 60% provided in the original bill, to 85% in its current form. We understand this is the reduction initially requested by the lignite industry. We believe this "tax holiday" is certainly a justifiable investment to help preserve an industry that generates well over \$5 billion in annual economic impact and more than 13,000 direct and indirect jobs.

It is unfortunate that federal energy policy continues to incentivize the development of intermittent sources of electric generation, while failing to adequately compensate baseload generating units which are essential to stabilize the grid at times when the intermittent production is unavailable. Even more unfortunate, we are unlikely to see any meaningful corrective action to this distorted energy policy anytime soon. Therefore, it is appropriate that the North Dakota Legislature take a proactive approach to temporarily reduce the tax burden to help ensure the continued viability of the essential baseload units.

WDEA wishes to thank Senator Bell and Representative Delzer for introducing this important legislation, and urges the committee to support the passage of HB 1412.

Thank you for the opportunity to submit testimony.

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