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ROLL NUMBER

DESCRIPTION

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2003 HOUSE POLITICAL SUBDIVISIONS

HB 1297

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RFSOLUTION NO. HB 1297

House Political Subdivisions Committee

Conference Committee

Hearing Date: January 23, 2003

| Tape Number | Side A | Side B | Meter # |
|---|--------|--------|----------|
| 2 | X | | 7.7-53.4 |
| 2 | | X | 3.9-9.2 |
| Committee Clerk Signature <i>Mickie Schmidt</i> | | | 3-5-03 |

Minutes:

TAPE 2; SIDE A:

(7.7) CHAIRMAN GLEN FROSETH: We will reopen the hearing on HB 1297.

(9.6) REP. WESS BELTER: (Testimony in support) The purpose of this Bill is to encourage you to use some lignite coal which we have an abundance of in North Dakota. (See attachment #1 & #2- an amendment)

(13.1) EMIL BARANKO; OWNER OF COAL HANDLING COMPANY: (Testimony in support) (See attachment #3 & #3a- a brochure.) **(16.8)** Explained the BTU's and the difference between lignite coal and sub-bituminuous coal. Wyoming has hard coal that burns with less ashes.

(18.4) JOHN DWIRE; PRESIDENT OF LIGNITE COUNCIL: We represent major producers of coal in ND. This bill does two things; one is to give them an opportunity to bid and with the amendments is if these conditions were met. One is to provide BTU, second thing is the

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House Political Subdivisions Committee

Bill/Resolution Number HB 1297

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bid price is not higher and the third thing is not to exceed it. There are three institutions that have their quality permit because of the kind of coal that they use. They are UND, NDSU, and Whapeton.

(21.3) CHAIRMAN GLEN FROSETH: How binding is legislation like this and how can you monitor political subdivisions?

(21.5) JOHN DWIRE: There's no penalty in this legislation.

There was discussion on penalties, bids, ash and other impurities.

(25.9) BRENT WINKLEMAN; BUSINESS MANAGER OF MINE IN BEULAH:

(Testimony in support) Every ton of coal that we're not selling from a North Dakota mine is tax revenue that we're not getting. So if you're buying from Wyoming coal, there are no royalties being paid, people not working, supplies not being purchased, and that's on the business side. We are one of the smaller mines in ND, only 3,000,000 tons per year. In taking a look at the cost structures, if we could just sell 1,000 tons of coal, it makes our employees more secure, supports more royalties in ND landowners, more tax revenues in the state and counties.

(31.2) MIKE RANK; VICE PRESIDENT OF WAHPETON STATE COLLEGE:

(Testimony in opposition) (See attachment #4)

(32.5) CHAIRMAN GLEN FROSETH: Are you aware of the amendments? The amendment addresses the mission.

(32.9) REP. ANDREW MARAGOS: What are the requirements for having to ship it 50 miles?

(33.1) MIKE RANK: We can dump it in farm landfill but the cost is more expensive. There is a cost to dump the ash.

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(33.3) REP. ANDREW MARAGOS: If the investment of the 1.2 million dollars would pay for itself over a longer period of time, would it be a good investment to make?

(33.5) MIKE RANK: I can't answer that.

(33.9) REP. ANDREW MARAGOS: In your plan, did you figure out how much coal you would be using tonnage wise?

(34.1) MIKE RANK: We use approximately 200,000 tons.

(34.2) REP. ANDREW MARAGOS: Have you locked in your bids or does it move with the market?

(34.4) MIKE RANK: I can't answer that. I'm guessing we have it locked it in.

(34.6) REP. ANDREW MARAGOS: Are you aware of the dollar per tonnage that you pay?

(34.7) MIKE RANK: Right now it's about \$6.00 a ton and that's not including the transport cost.

(34.9) REP. ANDREW MARAGOS: The only additional expense that I could see is that you might have twice as much ash to haul if you burnt lignite instead of sub bituminous? Would that be the only additional cost, outside of the ignition standard and upgrade, that you are aware of?

(35.4) MIKE RANK: Yes.

(35.6) CHAIRMAN GLEN FROSETH: On line 9: "on an aggregate basis," it compares on aggregate basis, that would take into consideration all factors like the cost of ash, or transportation of the coal, cost of converting a heating system.

(36.3) MIKE RANK: Our only concern is the emissions part.

(36.9) BRUCE FRANTZ; DIRECTOR OF PHYSICAL PLANT NDSU: (Testimony in opposition) (See attachment #5)

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Hearing Date: January 23, 2003

(45.6) REP. ANDREW MARAGOS: Has your institution ever bothered to marry up with the EERC in Grand Forks and collaborate a way that you could use ND products?

(46.8) BRUCE FRANTZ: We've been talking to UND and others about how we can make this better. I look at the tax dollars and what we might be bringing in as tax revenue, which is an issue also. I'm concerned about operating costs, our limited budget and how we need to take the best advantage of that budget as you can. At this point, burning sub-bituminuous is the best advantage that we can get for those dollars that we have to spend. The next time we bid, we will then go through the process of choosing lignite or sub-bituminuous, but we will go through a similar analysis of what it is going to cost us.

(49.2) KEN SCHULTZ; CHIEF FINANCIAL OFFICER OF ND STATE HOSPITAL:

We do not support or oppose this bill. I'm here to provide information concerning the potential impact of the Bill in the 2003-05 budget of the State Hospital. (See attachment #6)

(53.1) LARRY ZITZOW; DIRECTOR OF FISCAL PLANT AT UND: (Testimony in opposition) (53.4)

TAPE 2; SIDE B:

(3.9) LARRY ZITZOW: Continued testimony. You can change a lot of things for lots of reasons because of that emission control. These boilers that we have replaced, are extremely old. They are not equipped to burn lignite and cannot produce it at a rate that you save with the formula of EPA standards. That's the biggest problem that we have. We're not against this, except the machinery cannot handle it. The equipment has to be updated.

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House Political Subdivisions Committee

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(4.7) REP. ANDREW MARAGOS: Have you ever done an analysis based on if you did acquire the proper equipment and came into Title Five. Would it eventually pay for itself with the reduced cost of lignite coal?

(5.2) LARRY ZITZOW: This is something that we have worked with the ERC on. We've been working with them for the last 15 to 20 years trying to figure out the methodology in order to make this happen. We were burning lignite up until 1993. The problem goes back to the machinery. Our problem is getting the material off of the rail cars and getting it into the machinery itself. We've been waiting for some new methodology to come through to handle that type of cost. There are new methods now. But that kind of fell by the wayside and there's newer technology now. The technology is changing. I think it will be economical at some point. It hasn't changed quick enough in order for us to get into a new reconnection to do that comparison.

(6.1) REP. ANDREW MARAGOS: As I recollect, the power house is right next to track. And now you just bring in the bituminous tank. How do you off load it now, is there an auger system? Do you drive it in?

(6.2) LARRY ZITZOW: Yes, the problem with the lignite is it has more water content in it. You have to go in there and literally beat it up because the machine doesn't beat it out of the RR cars, and what doesn't come out, we have to take out with our hands and break it up into small enough pieces so we can handle it.

(7.1) REP. ANDREW MARAGOS: It seems like we've had some information that doesn't add up. Would John Dwire like to respond to some of the comments made about the inability to meet these standards and to make a price comparison.

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(7.4) JOHN DWIRE: I would like to comment on issues on Title Five. The amendment takes care of Title Five. This Bill only applies to sub-bituminous competitors, it does not apply to the \$6.00 sub-bituminous or the \$11.00 lignite coal. We have received \$11 million dollar to look at new technology in the coal industry.

(8.7) CHAIRMAN GLEN FROSETH: The committee will discuss this before we take action.

Any other testimony? Hearing none, we will close the hearing. **(9.2)**

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Hearing Date: January 23, 2003

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|---|--------|--------|----------|
| 1 | X | | 5.6-13.0 |
| | | | |
| | | | |
| Committee Clerk Signature <i>Mickie Schmidt</i> | | | 1-29-03 |

Minutes:

(5.6) TAPE 2; SIDE A:

(5.6) REP. GLEN FROSETH: We will now open the hearing on **HB 1297**.

(6.2) REP. NANCY JOHNSON: (handed out amendment) On line 10, the and would be replaced with a comma; in line 11, after the second delivered, "insert" and state air pollution permits to operate and not limit the use of North Dakota coal due to emissions limits. In evaluating the comparable price of North Dakota coal versus other coal, the state and its institutions, political subdivisions, and public schools may include any ash handling costs that may be associated with the use of North Dakota coal.

(7.2) REP. MARY EKSTROM: The thing I have noticed is the testimony from all of the universities who have said that the boilers and equipment that they are presently using are very old. One other cost associated with using the lignite was the problem of equipment. I don't know if we're doing anything.

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