

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1348

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Deanna Hallworth
Operator's Signature

10/3/03
Date

2003 HOUSE FINANCE AND TAXATION

HB 1348

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Donna M. Hall
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10/3/03
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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1348

House Finance and Taxation Committee

Conference Committee

Hearing Date January 27, 2003

Tape Number	Side A	Side B	Meter #
1	X		0.7
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. WESLEY BELTER, CHAIRMAN Called the hearing to order.

REP. MATTHEW M. KLEIN, DIST. 40, MINOT, ND Introduced the bill. See attached written testimony.

REP. BELTER Asked for a brief explanation of the current tax structure on the existing lines.

REP. KLEIN Gave an explanation of the current tax structure. In industrial owned utility pays a centrally assessed value, based on what it costs to construct. An IOU pays approximately, depending on when it was constructed, the last line would run at about \$1600 per mile. The rural electric cooperatives pay the same tax on a transmission line 230 KV and higher, only on that size line, of \$225 per mile. So, you have this disparity between the two, partly because the rural electrics are paying in lieu of property taxes, a gross revenue tax on the distribution side, but on the transmission side, the taxes are \$225 per mile, whether the line transmits ten times as much power as the 230 KV or higher, it is still the same. That has not been changed for some years.

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The concern is getting the power out of state. When the power goes out of state, the two percent gross revenue tax is not realized. It is only realized if the power is consumed within the state.

The committee that I served on in the last five years, has struggled with this system, trying to combine and separate generation taxes, which are very similar, because of the coal severance and use tax we implemented last session. The transmission area, other than the only bill that came out of committee in the last five years, was to designate what is transmission and what isn't.

REP. IVERSON To clarify, the IOU pays \$1600 per mile and the REC's pays \$225 per mile and then a \$300 tax is incurred in that?

REP. KLEIN No, this new system, on a new upgraded line, both will pay \$300 per mile. To go back and reconstruct, is a major battle, we have been working on for five years, and haven't come to a resolution. This is only for new lines. There is no fiscal effect at this stage of the game.

REP. WINRICH As I understand it, a significant portion of the problem involved in generating additional power and exporting it, is that the transmission lines in other states, are severely limited, and other states severely limit the construction of new transmission lines. It isn't going to do us a whole lot of good just to get it to our border, is it?

REP. KLEIN There are some things that Minnesota will start to realize, is that they will have to build transmission lines, with the area around the twin cities, looking at a negative three or four hundred megawatts of energy they will require in the next five to ten years, and no way of getting it there, there will have to be some changes. Some things that could be done, you could upgrade lines. This addresses upgrading a line. If your capacity could be increased by fifty percent or more. There are several lines that have been constructed. Basin Electric has a line

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from their main power plant, going all the way down to South Dakota. It is designed and built for five hundred kilowatts. It is energized, right now, at three hundred and forty five. They need to change on both ends, the transformers and the switch gears, about twenty million bucks, and basically, upgrade the capacity of that thing by a factor of seventy or eighty percent. There are some of those that exist.

STEVE SCHULTZ, REPRESENTING OTTER TAIL POWER COMPANY Testified in support of the bill. See written testimony.

REP. WINRICH TO REP. KLEIN Asked a question regarding the fiscal note, which states that slight wording changes are needed to make this bill workable. Are you aware of that?

REP. KLEIN Yes, there was a amendment proposed, in discussing it with the legislative council, they said it didn't need that amendment. The amendment referred to property taxes which the rural electric would have to pay, but the rural electrics do not pay property taxes, they pay in lieu of gross revenue taxes.

DENNIS BOYD, REPRESENTING MONTANA DAKOTA UTILITIES, Testified in support of the bill. They are in support of the bill as a general point of view. He stated this company is trying to build a lignite generating plant in southwestern North Dakota. The fact of the matter is, they have also developed an interest in wind generation. No one will be moving any electricity out of North Dakota without the construction or upgrading of additional transmission. There are two obstacles in building the lignite generating plant, they are air quality issues and transmission lines. We are supporting this bill from the standpoint of, anything this legislature can do as an incentive for somebody to build additional transmission, will be helpful.

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MARCY DICKERSON, SUPERVISOR OF ASSESSMENTS, STATE TAX

DEPARTMENT. Testified in a neutral position. She stated she had a couple of technical concerns with the bill. She stated she was not familiar with the amendments that Rep. Klein mentioned. See written testimony.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-29-03, Tape #1, Side B, Meter #32.6

REP. BELTER Presented amendments to the bill which would define "substantial expansion"

REP. IVERSON Made a motion to adopt the amendments as presented.

REP. WIKENHEISER Second the motion. Motion carried by voice vote.

REP. GROSZ Commented that further amendments were probably in order on page 3, line 8, to add to the definition. Rep. Grosz offered to work further with Marcy Dickerson on the amendments. The motions were withdrawn until amendments were prepared.

COMMITTEE ACTION 2-3-03, Tape #1, Side A, Meter 15.9

REP. BELTER Presented amendments to the committee.

REP. IVERSON Made a motion to adopt the amendments as presented.

REP. WIKENHEISER Second the motion. Motion carried by voice vote.

REP. GROSZ Made a motion for a **DO PASS AS AMENDED**

REP. KLEIN Second the motion. **MOTION CARRIED**

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COMMITTEE ACTION Cont'd. 2-3-03

10 YES 0 NO 4 ABSENT

REP. GROSZ Was given the floor assignment.

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