



North Dakota Association of Rural Electric Cooperatives
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Feb 2, 2021

To: House Finance and Taxation Committee

RE: Opposition of House Bill 1458

From: Zac Smith, communications and government relations director, NDAREC

Chairman Headland and members of the House Finance and Taxation committee, the North Dakota Association of Rural Electric Cooperatives (NDAREC) represents sixteen electric distribution cooperatives and five generation and transmission cooperatives that generate, transmit, and distribute electricity across the state of North Dakota. NDAREC opposes HB 1458 on behalf of its members.

Imposing an additional tax on wind generation as proposed in HB 1458, is not in the best interest of electric ratepayers in North Dakota. Not-for-profit electric co-ops are not typically eligible for tax benefits provided by incentives like the production tax credit and cooperatives often must seek a partner for such projects, either through a power-purchase-agreement or through a shared ownership model. While cooperatives struggle to benefit from the production tax credit, it is likely the cost of the additional tax in HB 1458 will be passed along through the purchase power agreement. When that tax increase ultimately falls upon North Dakota cooperatives, the increase ultimately drives up costs on North Dakota citizens. As member owned cooperatives, our costs are only recovered through the electric rates paid by our members.

This bill creates a grid reliability and resilience fund with the new tax revenue which would be appropriated to the PSC for grant purposes. While, reliability and resilience are critical to the generation and distribution of electricity, the utilities are not advocating for the mechanisms created by this bill. HB 1412, a product of the interim work by members of the Lignite Energy Council, provides temporary tax relief directly to the lignite industry. In tandem with the other legislation put forward to support the industry, HB 1412 would have a positive impact. In addition, HB 1452, heard in the House Energy and Natural Resources Committee last week would create an authority and fund that would accomplish the policy objectives of this bill without a punitive tax upon ratepayers.

I thank the Committee for its time and consideration and would urge a Do Not Pass recommendation on House Bill 1458.

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