

Good Morning Chairman Headland and members of the committee.

For the record, my name is Dave Nehring, a representative in District 8.

I am bringing House Bill 1458 to you today.

This legislation is relatively simple – it would enact a tax on new wind generation equal to 50% of the federal tax credit on new construction only. Revenues from this tax would then be available for the Public Service Commission to provide grants to grid reliability and resiliency resources. Grid reliability and resiliency resources are defined as power generation facilities able to provide essential energy and ancillary reliability services. This includes voltage support, frequency services, operating reserves, and reactive power. It also requires that facilities have at least 30 days of fuel on-site so they can operate during emergencies or extreme weather conditions. This definition is similar to what the US Department of Energy included in its grid resiliency pricing rule that was proposed to the Federal Energy Regulatory Commission.

Mr Chairman and committee members, I introduced this bill as a matter of fairness and out of concern for ND ratepayers and the reliability of our electric grid. I've attached a chart (Attachment A) from the Energy Information Administration showing electricity rates rising in North Dakota over the same period that thousands of megawatts of wind have been installed in our state, much of which was to help utilities meet mandated renewable goals in other states. You'll also see an article (Attachment B) from the Grand Forks Herald of May 4th, 2010. According to the EIA report, North Dakota had the lowest electricity rates of any state in the US, while meeting and exceeding all ambient air quality standards. This was before the wind development boom. The third attachment is labeled C, the article titled "Electricity Prices Soaring in Top Wind Power States" – this was in Forbes magazine in 2014, and deals with the correlation between wind development and higher rates to the consumer. Attachment D is a chart from an article written by the American Thinker in June of 2019, showing that, as a top-5 renewable penetration percentage state, North Dakota's electricity rates have "soared 6.9 times faster than the composite of the

45 low-penetration states". And finally, Attachment E shows the continued trend of higher percentages of intermittent generation of the costs of electricity on a global scale.

The most significant rise in North Dakota rates starts in 2009, which is not coincidentally the start of the most aggressive build-out of wind development in our state. At 2.5 cents per kw/hr, the Production Tax Credit, or PTC, times thousands of megawatts, it is not difficult to do the math that HUNDREDS of MILLIONS of DOLLARS in tax credits (which seem to have been taken to other states) have been and are being produced by "so called cheap" North Dakota wind, while rates have gone up for our friends, neighbors, farmers, ranchers, and our business and industry. The magnitude of PTC's claimed by mostly out-of-state companies – credits that we all pay for as taxpayers – pales in comparison to the tax revenues and payments made to landowners by this industry. We, as North Dakota ratepayers and taxpayers are subsidizing individual out of state companies that are worth Billions of dollars, and receiving very little in return. One company alone has a market capitalization of \$158.43 Billion, and had revenues of over \$17 Billion in 2017. And as an aside, this particular company had profits of \$21.5 Billion between 2008 and 2015, and did not pay 1 dime in federal income taxes.

For these reasons, I wanted to have this bill apply to all wind projects currently operating in the state – however, I can recognize a deal being a deal, and I did not want to punish projects already operating, and you will hear later in my testimony about these PTC's being an unasked windfall. This bill is meant to bring future PTC's back to North Dakota to support the generation built here that is the backbone of our electric grid. Essentially, since the federal government has continued to extend this subsidy, and done nothing to address its negative impacts on our state, this is a North Dakota solution to try and help correct the market without increasing costs for ratepayers. Revenues under this bill would be used to support generation that is negatively impacted by the role of the PTC in the electric market, yet is necessary to keep the lights, heat, and A/C on. Recently, on January 16, the Grand Forks Herald published an article in which a North Dakota utility expressed their concern with the influx of PTC-driven wind energy distorting the electric market and stated that their "fear long term is that we're going to see grid instability".

Now I'd like to move onto a number of reasons that this is urgent:

First, I'd like to highlight several studies done by NDSU regarding the economic impacts of wind energy and coal-fired generation. These studies were done in 2016-17 when coal fired capability was roughly 4,000 MW and wind was roughly 3,000 MW, or 75% of coal.

To make it comparable, I'll break each factor down to per 1,000 MW to enable a direct comparison.

Take a look at Attachment F – this tells the whole story regarding the economic impacts, and will help us understand the HUGE potential loss if we lose our coal-fired baseload plants. I urge you to consider these numbers – 21, 18, 13, and 24 – let me explain.

	Lignite	Wind	Lignite/1000MW	Wind/1000MW	Factor
Direct Jobs	3900	136	975	45.3	21.5
Lignite provides 21 times as many jobs as a comparable size wind facility, both direct and indirect.					
Indirect Jobs	10100	364	2525	121.3	20.8
Total Jobs	14000	500	3500	166.6	21.0
Labor Income	\$1.022B	\$42.0M	\$255.5M	\$14M	18.25
State/Local Rev	\$130M	\$7.7M	\$32.5M	\$2.56M	12.7
Gross Business Vol	\$5.7B	\$174.8M	\$1.425B	\$58.25M	24.36

Lignite provides over 24 times the amount of dollars in business volume as comparable wind – in addition to this fact, remember that the vast majority of dollars spent by a wind developer go out of state.

These numbers highlight the differences in economic impact, but also show the significant differences or advantages in providing great, high paying jobs that our lignite industry offers.

Secondly, let's look at the return on investment of coal vs wind relating to subsidies – in Attachment G, you'll see that coal received \$1.13 per MW generated, while wind received \$21.70 per MW generated. This non-level playing field contributes to a market that is unhealthy for the ratepayer, the taxpayer, and the stability of the grid.

Next, we'll look at the typical generation vs demand for intermittent sources.

The last attachment (H) is a graph that shows the generation and demand for a 4-day period that happened in July 2019 in Texas – the blue line is the total demand, the gray line is the generation from gas, coal, and nuclear in parallel with the demand, the dotted blue line is the wind capability, the orange line is the wind generation, and the red line is the solar generation. What's important about this graph is the fact that wind and solar are unpredictable – often times, there is no wind during high load times, such as hot summer days. In this example, the highest generation from wind at any given time was just 8.5% of capability. Add to this the uncertainty of periods of polar vortex in the dead of winter in North Dakota that could prove deadly to our residents without the security of dispatchable coal-fired baseload generation.

The PTC was first established in 1992 to jumpstart a fledgling industry – it was supposed to expire in 1999, but has been extended 13 times. Here's what some in the wind industry have said:

Bob Harms in Minot Daily News article of April 27, 2019 – “So the efficiency is almost doubled in the last decade in terms of wind farm design. The turbine efficiency and design of the blades all have gotten better, more sophisticated. They're ready to do business without the federal treasury supporting them.”

The American Wind Energy Association is quoted on October 2, 2019, saying: “we are not calling for an extension to the five-year production tax credit before it expires next year.”

Not only the wind industry have called for an end, but in a joint statement, Senators Hoeven and Cramer stated on January 15, 2021: “We have been working hard to finally get the wind production tax credit to expire, but its extension was once again slipped into must-pass legislation in December” “We appreciate the administration recognizing it's time for this credit to end and urge our colleagues to join our efforts and support this recommendation”.

Well, it's still here, and we as taxpayers will be forced to contribute – we can however, utilize it to help keep our baseload generation plants running.

I have asked a retired employee from a North Dakota utility to help me with the potential economic figures of this legislation – this was his area of expertise at his position - he calculated the dollars that could be generated by this legislation per 100 MW of new wind development – this is shown on attachment I – if you look at the total Kw/Hrs produced times the current PTC amount of 1.8 cents and then take 50% of that figure, a 100 MW project could generate roughly \$3.15 Million to go to the resiliency bonus fund. These PTC's are paid out for 10 years, so the impact to our reliable baseload plants is potentially \$31.5 Million per 100 MW of new wind development.

For comparison, tomorrow this committee will consider legislation providing for a 5-year tax holiday of the general fund portion of the coal conversion tax, a bill also meant to provide assistance for these power plants. Last year that amount was \$21 million. This bill we are discussing today has the potential to provide just as much assistance to these power plants with no impact to the state general fund.

I have considered adding an amendment that would eliminate the taxation of any new wind farm that is constructed and operated by the owner/operator of a North Dakota baseload facility in support of their facility, in an amount of MW's up to the capability of the baseload plant.

I realize that this is a lot of information to consider – this is a serious attempt to preserve our affordable, reliable baseload energy, and the benefits that they provide to our state and region. I urge a Do-Pass on House Bill 1458.

I'll now stand for questions.