



INDUSTRIAL COMMISSION OF NORTH DAKOTA

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House Appropriations Testimony of Reice Haase, Deputy Executive Director North Dakota Industrial Commission January 12, 2023

Good morning Chairman Monson and members of the Committee, for the record, my name is Reice Haase, and I am the Deputy Director of the North Dakota Industrial Commission. The purpose of my testimony is to provide an overview of the North Dakota Transmission Authority, which is a function of the North Dakota Industrial Commission. I have attached a presentation to this testimony for your reference.

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According to North Dakota Century Code chapter 17-05, the Transmission Authority is the North Dakota Industrial Commission. Any action taken is an action of the Commission acting in its capacity as the Transmission Authority.

The Commission has hired two contract employees: John Weeda who serves as the Authority's Executive Director, and Clair Vigesaa, who serves as its Deputy Director. The Commission has delegated the day-to-day responsibilities of the Authority to Mr. Weeda and Mr. Vigesaa.

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The purpose of the Transmission Authority is to facilitate the development of electric transmission infrastructure that supports North Dakota energy. The Authority is authorized to:

- Make grants or loans to facilitate the development of transmission infrastructure
- Issue bonds for loans, which was instrumental in facilitating the sale of Coal Creek Station from Great River Energy to Rainbow Energy last year
- Own transmission facilities as long as is necessary if it serves a public purpose
- Construct or maintain transmission infrastructure if it is necessary and serves a public purpose
- Providing expertise for government entities and the general public, which is a role that has grown exponentially for the Authority
 - Not only state agencies, but also regional and national entities now rely on the expertise provided by the Transmission Authority

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The Transmission Authority is regularly engaged in activities which support its mission, including:

- Producing annual reports and electric needs assessments
 - According to its most recent report, North Dakota's grid is generally operating well, but delivery of power during times of peak demand are becoming increasingly uncertain
 - For example, the Midwest Independent System Operator (MISO) has had 41 emergency events since 2016, whereas prior to 2016 it had none
- Participating in regional grid operations
 - North Dakota utilities are members of two regional grid operations: MISO and Southwest Power Pool (SPP)
 - Workload continues to increase with major regional transmission planning efforts underway
- Consulting for North Dakota developers
 - Advising new businesses of power availability
 - Advising utilities of power and transmission needs
- Supporting build-out or acquisition of needed transmission
 - This was essential during the Coal Creek transaction

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The role and need for the Transmission Authority continues to grow. MISO notes that while installed power capacity is projected to rise over the next 20 years, accredited capacity will decrease by almost 20 GW. The key difference between installed vs. accredited capacity is that accredited capacity only includes baseload power sources which can be dispatched relatively quickly and guarantee power production.

Increased congestion on our grid is currently a major factor limiting North Dakota energy growth. While demand for power nationwide continues to increase, and with electrification of vehicles is projected to exponentially increase, investments in transmission lines are not able to keep up. Utilities also face major regulatory and siting hurdles when constructing new lines, with the average time to construct a new line now exceeding 10 years.

As a result, in spite of our great energy resources, North Dakota is unable to export energy to our full potential. The cost of interconnecting into our current grid has significantly risen. Many times, power costs can actually reach negative pricing in our area due to congestion.

Another alarming trend is the rate of baseload power retirements across North America. Over 100 GW of baseload capacity is expected to retire by 2039, with less than 10% of that expected to be replaced by new sources. This of course is also at a time of increased demand for power.

The third major trend noted are shifting markets and growing demand for decarbonized fuel. North Dakota is uniquely positioned to meet this demand through new technologies like carbon capture, utilization, and storage (CCUS). The only way we will be able to rise to the challenge and meet future demand is together, through innovation and not through regulation.

The Transmission Authority plays a major role in telling North Dakota's story and advocating for our "all-of-the-above" energy policy. Having a diverse portfolio of energy sources is key for us to have a resilient grid, and all of our sources play a vital role. More outreach and education nationwide is needed; North Dakota is already an energy leader and we could be a much needed role-model for shaping our nation's energy policy.

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Our budget request before you today includes \$250,000 in general funding over the next biennium to allow the Commission to continue to contract with our two Transmission Authority employees. Historically, the role of the Transmission Authority was funded solely through the Lignite Research Fund.

Our rationale for asking for general funds is twofold:

1. The role of the Authority has grown exponentially, and more resources are needed to accommodate its increasing workload.
2. This would allow the Commission and the Authority to leverage more of our Lignite Research dollars for advancing strategic studies.

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Under the federal Infrastructure Investment and Jobs Act (IIJA), roughly \$7.5 million in federal funds are available to North Dakota over the next biennium for the purpose of grid resilience. The federal program would continue to operate over a period of 5 years. These grant dollars are intended to strengthen our current grid, for example by upgrading power poles or transformers. The Commission submitted a grant application in late 2022. The Commission proposed allocating grant dollars through the Transmission Authority to utilities as sub-grants for eligible expenses.

On January 5th, 2023, the federal Department of Energy (DOE) announced a change to the grant funding formula available to North Dakota. A state match of \$1,124,856 is required for North Dakota to be eligible for the grant. As a result, we respectfully request a change to our initial request for one-time funding, which was included in the Governor's recommendation. One-time funding needed for the IIJA Grid Resilience Grant would be \$8,623,893.

Mr. Chairman, this concludes my testimony, and I'd be happy to stand for any questions.