

**Testimony in Opposition of  
House Bill 1239  
House Industry, Business and Labor Committee**

Good morning, Chairman Warrey, Members of the House Industry, Business and Labor Committee, my name is Gwen Crawford. I am the City Administrator of Valley City, North Dakota and I come here today to express my concerns with HB 1239.

Valley City has concerns with the language in sections 1 through 3 of the bill. Specifically, this bill would ban a city from restricting bit coin mining operations within the city, particularly in residential areas, except in terms of noise restriction. Valley City has concerns both in terms of zoning considerations and local control.

Bit coin mining operations are large users of electricity. Even a small mining operation in a single site could use 1 megawatt (MW) or more. For comparison, Valley City's peak electric use for the entire city is 23 MW. When looking at where such an operation may be located within a city, we must defer to local zoning ordinances and the infrastructure in place.

City zoning is not just about how the buildings or the area are used, but also are reflective of the utility infrastructure in the area. Most city residential areas do not have the existing infrastructure to serve a large power user in a residential area. The utility infrastructure, particularly the electric distribution system, was built to handle lower load usage. Putting large electric users like bit coin miners in residential areas, or other areas of the city without that level of utility infrastructure, would place a higher demand on existing utility lines. As a result, the municipal electric utility must then look at upgrading the infrastructure to support this large electric use. Upgrading distribution lines, distribution transformers, circuit breakers, switches capacitor banks, voltage regulators and other equipment is costly. Just for a frame of reference, distribution transformers alone have increased significantly in the last few years. Nationally, some utilities saw transformer prices increase by 400 percent or more in the first few years of the 2020s. Since the 2020s, the city has faced a 4- to 5-fold increase in the cost of transformers over the past four years, with lead times now stretching to 12-24 months. To accommodate future growth, the city must maintain a supply of transformers to meet demand. However, this represents a significant financial burden to keep in inventory. A build

out by a city municipal utility to serve these large electric users has the potential to lead higher utility bills for other customers. Additionally, if there is not sufficient infrastructure to serve these users, then service disruptions could happen not just for the bit coin miner, but also for the other customers.

In short, taking away a city's ability to restrict development in certain areas would put other ratepayers at risk for higher bills and service interruptions. While Valley City is not opposed to bit coin miners, they need to be placed in areas that can best support their operations.

The second concern is that sections 1 to 3 undermine local control by essentially revoking zoning controls from local governments.

Changing zoning from being a locally-determined issue to a state level policy decision is a very significant policy change. Local governmental units exist to serve the citizens of the community and to optimize community benefits. Valley City's zoning regulations have clearly designated purposes of providing for residential uses and preventing incompatible uses from being located in the residential zones. Permitted uses do not include anything like commercial operations. Allowing data mining operations in residential neighborhoods begs the question about other potential non-residential uses, and leads to the deterioration of neighborhoods and reduction in people's property values. Cities are governed and operated by our own local citizens. This "one size fits all" approach to bit coin mining doesn't adequately account for differences between cities, neighborhoods or infrastructure, and would result in costly unintended consequences to other citizens within the community.

Therefore, I respectfully ask for a **"Do Not Pass"** recommendation on HB 1239. Thank you for the opportunity to comment on HB 1239 and I would be willing to answer any questions.