



A Touchstone Energy® Cooperative 

5301 32nd Ave S
Grand Forks, ND 58201-3312
Phone 701.795.4000
www.minnkota.com

January 12, 2021

North Dakota Senate Finance and Taxation Committee

RE: Testimony in support of SB 2137

Dear Chairwoman Bell,

This letter is in support of SB 2137. In January of 2019, Google and Xcel Energy announced they were negotiating on a site for a 300-megawatt data center in Becker Minnesota. The facility is expected to require over \$600 million in capital investment and will be the closest mega sized data center to North Dakota. Investments like these are continuing with the increased demand in cloud computing services driven by the global pandemic and changing economies. Historically once a data center opens, investment in the facility continues providing employment opportunities for supporting companies and help diversify local economies. North Dakota is positioned to take advantage of upcoming data center investment by leveraging our abundance of energy, cold climate, and low risk of natural disasters. Passing SB 2137 will ensure we are not eliminated from consideration for not having tax incentive specific to data centers.

In addition, landing large stable data loads that consume power locally will make North Dakota's electrical infrastructure more efficient benefiting all energy stakeholders. According to John Weeda in a January 2021 report from the North Dakota Transmission Authority, our electrical transmission system will require substantial investment in order to deliver power to markets outside of the state. Encouraging large energy users to locate within North Dakota will help all energy resources to stay viable in a rapidly changing generation and transmission environment.

North Dakota had an existing framework to help with the attraction of data centers that only needs slight modification in order to increase the effectiveness. The primary tool used was a sales and use tax exemption dedicated to data centers (57-39.2-04.13). That program, which expired at the end of 2020, allowed operators, owners, and tenants of a qualified data center a sales tax exemption on information technology equipment, computer software, and other expenses related to constructing and running a data center. The proposed legislation (SB 2137), offers some slight modifications to ensure the incentive moving forward is effective and creates opportunity throughout the state.

Suggested modifications:

- **2030 Sunset:** Like other large scale projects that develop in North Dakota, data centers can take years to come to fruition. Data projects can require extraordinary due diligence periods and in some cases large scale infrastructure projects need to coincide with development of the facility. Extending the sunset 10 years will allow projects the time needed to develop.

- **Removing the 4 data center limit:** There are several different types of data centers that could be a good fit throughout the state. Large scale (Amazon as an example), interruptible (artificial intelligence as an example), and Co-location to name a few. Some of these operations would be fantastic fit for rural communities throughout the state due to the possibility of lower workforce requirements. To open opportunity for all, the state should limit the incentive to 4 per regional council territory. This modification will provide statewide opportunity but would limit the overall number of projects approved. Extremely large data centers are rare thus limiting projects with capital investments exceeding \$150,000,000.00 is not in the best interest of the state.
- **Adjusting the qualified data center requirement to 15,000 FT²:** Adjusting the requirement to 15,000 FT² aligns with how typical buildings are built.
- **Removing the uninterrupted power requirement:** In recent years data center technology has changed allowing them to take excess energy when available then shut down when needed. As North Dakota finds itself in a situation where transmission is constrained, having a user able to use available stranded power will benefit all energy users by lowering cost for all.
- **Requiring the Data Center to have 50% of its space dedicated computing equipment:** Data centers require significant support space for cooling, staffing and other back of house operations. However, the old data center tax incentive did not have a minimum space requirement as it relates to actual computing. In theory, a facility could have qualified if it met all of the requirements but had very little space dedicated to computers. The proposed language is intended to make sure we are encouraging true data centers.

With the passage of SB 2137 electrical utilities, data providers, economic developers, and other stakeholders can form a coalition to create a targeted marketing effort and work together to attract additional data centers to the state of North Dakota.

Thank you for your service and please let me know if there is any additional information we can provide.

Sincerely,



Matthew Marshall

Economic Development Administrator

Office: (701) 795- 4224

Cell: (701) 630- 4658

mmarshall@minnkota.com