

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 3M



ROLL NUMBER

DESCRIPTION

1265

2001 HOUSE FINANCE AND TAXATION

HB 1265

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1265

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 23, 2001

Tape Number	Side A	Side B	Meter #
1	X		60
Committee Clerk Signature <i>Janie Stein</i>			

Minutes:

**REP. AL CARLSON, CHAIRMAN,** Opened the hearing.

**REP. MATT KLEIN, DIST. 40, MINOT,** Introduced the bill. He stated that as the electric industry competition committee studied the taxing of the electrical systems, they noticed a loop hole in the present system. Taxes on certain transmission lines have not been increased in over twenty three years. Any home owner, business owner or farmer cannot say the same thing. Investor Owned Utility transmission lines, are taxed under a centrally assessed system. The average taxes on transmission lines of 230,000 volts and up, are about \$776 per MDU's lines, about \$950 per mile for Otter Tail Power's lines and about \$7,340 for Northern States Power lines. These variations are due to the types of land and its value where these lines cross. Many of the larger lines cross right across the farmers' fields, many of the smaller ones follow section lines. MDU's lines are mostly in the poorer grazing land, while NSP's lines are near mega cities and in the Red River Valley. REC transmission lines of 230,000 volts and up, were first taxed in

1965, at a \$150 per mile. That increased to \$225 per mile in 1977. The loop hole is this, in 1965 there were no transmission lines in North Dakota above 230,000 KV. Since then the larger lines were installed. These lines transmit considerably more power than the 230,000 KV lines. The larger lines transmit nine times as much as the 230,000 KV lines do. If you are comparing transmission lines to size of pipe or roadways, it should be taxed based on its capacity. A single road out in the country shouldn't be taxed the same as a six lane interstate highway. It should be recognized that eight percent of the power which is generated in North Dakota, goes out of the state. The goal of this study is to tax all transmission lines the same, so that a real comparison can be made of who pays what share. The REC's in North Dakota, pay a three percent gross revenue tax. The IOU's pay a centrally assessed property tax. When you try to compare who owns what and what they pay, you can't, it is apples and oranges. Eventually, the entire system should be taxed by function.

**REP. AL CARLSON, DIST. 41, SOUTHWEST FARGO,** Testified in support of the bill.

He stated he was on the interim committee studying the electric utility industry. The study was to deal with the overall picture of deregulation, but also, to make the first step to try to come up with a uniform method of taxation for the electric utility industry.

He submitted a handout relating to the summary of electric utility industry transmission taxation proposals and transmission line taxation history. Attached. He referred to the graduated scales in the handout. We propose a very modest \$100 per mile change for the lines that are larger than 230,000 KV. We have to differentiate that by function, the larger the line, the more it can carry, there should be a different taxing function. I am not sure if \$100 is enough or too little. We need to begin the process and say, there is a difference. In the final tax proposal we will bring to this

committee next time, we will be able to have a consensus. There will be some changes then.

This bill is an attempt to start the direction that there is a differentiation, and there should be a different value charged to a larger line.

**BOB GRAVELINE, UTILITY SHAREHOLDERS OF NORTH DAKOTA,** Testified in support of the bill. See attached written testimony.

**JOHN DWYER, LIGNITE ENERGY COUNCIL,** Testified in opposition of the bill.

Stated he thought Rep. Klein and Rep. Carlson were moving in the right direction. There is a principal that the Lignite Energy Council has followed for the past twenty years, it doesn't matter whether they are IOU members, or EFC members or mine company members. The principal is that we are opposed to any cost that impacts the entire position of lignite. Emission costs, reclamation fees, transmission costs do impact the competitive position of the lignite industry. Transmission, is our delivery system for lignite. Just like the railroads are the transmission system for out of state coal that goes to North Dakota.

**HARLAN FUGLESTEN, NDAREC,** Testified in opposition of the bill. He stated he had heard the fiscal note was \$198,000, it may be correct, but by his estimation, it would be more like \$122,000 based upon the miles of lines owned by the REC's of over 230,000 KV. There were also some figures mentioned by rate of transmission, one proposal would tax transmission at the rate of 1.9 million dollars another one up to 4.9 million dollars. I think it is important to understand, that during the past two and half to three years, under the electric industry competition committee study, we have been looking at a comprehensive tax bill that would apply equally to the investor owned utilities and the rural electric cooperatives. When we talked about transmission line taxes, we talked about something other than just 230,000 KV taxes or higher.

We were talking about taxing on a line mile basis, under a comprehensive proposal, transmission line miles of over ten thousand miles from the level of 41.6 KV to 400 KV. We were talking about a much larger system than what this bill is dealing with. We were not only talking about the rural electric cooperatives, but also the investor owned utility systems. We need to make sure our figures are accurate. I agree with Rep. Klein and Rep. Carlson, that in some ways, we are dealing with apples and oranges, and very complex tax systems. The high voltage transmission tax is only one tax paid by the rural electric cooperatives. The gross receipts tax is far and away the most significant tax, that tax generates in the area of six million dollars per year to counties and other political subdivisions in the state. To single out the high voltage transmission system and then draw a direct comparison from that and some investments and taxes under the centrally assessed systems, is simply not a fair comparison. We do feel strongly, that we ought to wait, and get the job done during the interium.

**REP. ROBERT HEUTHER, DIST. 27, SOUTHEAST NORTH DAKOTA,** Testified in opposition of the bill. He felt we have come a long way in the interium committee they served on. We take electricity for granted. When we look at the west coast and the current position they are in, we have to be very cautious how we deal with the legislative process and the pressure we put on the industry. What is happening on the west coast right now, could very likely happen on the east coast next summer. This is one issue which we need to put pressure on this next interium and really try to come to a final solution. We are given the responsibility for the next two years yet, to study this. This has to be a part of the study.

**ROBERT MARKEE, ENERGY UNLIMITED, INC.,** Testified in opposition of the bill.

They are wind developers working here in North Dakota to explain wind development. He encouraged the committee to be very cautious with putting taxes on transmission. Transmission is very expensive now and it would be an undue burden on the wind development here in North Dakota. I would like you to consider this being premature, there is a lot of emphasis on rationalizing the transmission in this country, regionally. Let that develop over the next two years.

**MARCY DICKERSON, UTILITY TAX APPRAISER, STATE TAX DEPARTMENT,**

Appeared to answer questions.

**REP. CARLSON** Asked about the fiscal note - the fiscal note shows a figure of \$198,000, and someone thought it was more like \$120,000, is that including all lines?

**MARCY DICKERSON** Explained that this fiscal note was calculated using just the lines owned by Basin, (couldn't understand), and \_\_\_\_\_?, it was submitted to your interim committee where I got the miles from each line. It was only the co-op owned lines separated from 230,000 KV and larger than 230,000 KV. We had 832.89 - 230,000 KV lines, 991.89 larger than 230,000 KV lines. Multiplying the 230,000 by \$225 per mile and the larger than 230,000 KV by \$325 per mile, came up with a proposed tax of \$509,764.50, from that I subtracted the current tax of \$410,582.25, which resulted in a proposed increase for one year of \$99,182.25 multiplied by 2 was the biennium figure.

**HARLAN FUGLESTEN** Returned to comment, that the figures he quoted were based on a one year total instead of the biennium.

With no further testimony, the hearing was closed.

**COMMITTEE ACTION 1-30-01 Tape #2, Side A, Meter #1160**

**REP. CARLSON** Explained the history behind the time spent, and reasons for this bill taxing transmission lines. Committee members felt this was a good start for legislation which will probably happen in the future.

**REP. NICHOLAS** Made a motion for a **DO NOT PASS.**

**REP. RENNER** Second the motion. **MOTION CARRIED.**

12 YES 2 NO 1 ABSENT

**REP. NICHOLAS** Was given the floor assignment.



## FISCAL NOTE

Requested by Legislative Council  
01/23/2001

### REVISION

Bill/Resolution No.: HB 1265

Amendment to:

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$245,076					

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1265 changes the rate at which certain transmission lines are taxed. The provisions of HB 1265 would increase county revenue by \$245,075.50 during the 01-03 biennium. (All revenue is deposited in the county general fund.) NOTE: This fiscal note has been revised because of new information received by the Tax Department.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn L. Strombeck	Agency:	Tax Department
Phone Number:	328-3402	Date Prepared:	01/24/2001

**FISCAL NOTE**  
Requested by Legislative Council  
01/16/2001

Bill/Resolution No.: HB 1265

Amendment to:

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$198,365					

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1265 changes the rate at which certain transmission lines are taxed. The provisions of HB 1265 would increase county revenue by \$198,365 during the 01-03 biennium. (All revenue is deposited in the county general fund.)

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Department
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/22/2001

Date: 1-30-01  
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1265

House FINANCE & TAXATION Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Rep Nicholas Seconded By Rep. Renner

Representatives	Yes	No	Representatives	Yes	No
CARLSON, AL, CHAIRMAN	1	✓	NICHOLAS, EUGENE	✓	
DROVDAL, DAVID, V-CHAIR	✓		RENNER, DENNIS	✓	
BRANDENBURG, MICHAEL	✓		RENNERFELDT, EARL	✓	
CLARK, BYRON	✓		SCHMIDT, ARLO	✓	
GROSZ, MICHAEL	✓		WIKENHEISER, RAY	✓	
HERBEL, GIL	✓		WINRICH, LONNY	A	
KELSH, SCOT	✓				
KROEBER, JOE	✓				
LLOYD, EDWARD		✓			

Total (Yes) 12 No 2

Absent 1

Floor Assignment Rep. Nicholas

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
January 30, 2001 4:46 p.m.

**Module No: HR-16-1964**  
**Carrier: Nicholas**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1265: Finance and Taxation Committee (Rep. Carlson, Chairman) recommends DO NOT PASS (12 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). HB 1265 was placed on the Eleventh order on the calendar.**

2001 TESTIMONY

HB 1265

19289.01

Prepared by the North Dakota  
Legislative Council staff for the Electric  
Industry Competition Committee  
June 2000

## SUMMARY OF ELECTRIC UTILITY INDUSTRY TRANSMISSION TAXATION PROPOSALS SUBMITTED TO THE ELECTRIC INDUSTRY COMPETITION COMMITTEE

This memorandum summarizes the electric utility industry transmission taxation proposals that have been submitted by the Association of Rural Electric Cooperatives and the state's investor-owned utilities to the Electric Industry Competition Committee. The memorandum also includes the current transmission line tax as well as the proposal developed by the committee at its March 3, 2000, meeting. This memorandum is applicable to transmission lines as defined by North Dakota Century Code Section 49-21.1-01.1 which provides that "[e]xcept for purposes of transmission facility siting under chapter 49-22 and regulatory accounting including the determination of the demarcation between federal and state jurisdiction over transmission in interstate commerce and local distribution, for purposes of this title [49] and chapters 57-33 and 57-33.1, lines designed to operate at a voltage of 41.6 kilovolts or more are transmission lines, and lines designed to operate at a voltage less than 41.6 kilovolts are distribution lines."

Current Law	Association of Rural Electric Cooperatives Proposal A	Association of Rural Electric Cooperatives Proposal B	Investor-Owned Utilities Proposal	Committee Proposal
North Dakota Century Code Section 57-33.1-02 (2) establishes the current transmission line tax on lines of 230 kilovolts or larger - \$225 per mile x 1,824.8 miles = \$410,580	<ul style="list-style-type: none"> <li>Transmission lines under 75 kilovolts - \$100 per mile x 6,364.71 miles = \$636,471</li> <li>Transmission lines from 75 to 149 kilovolts - \$200 per mile x 1,335.68 miles = \$267,136</li> <li>Transmission lines from 150 to 224 kilovolts - \$300 per</li> </ul>	<ul style="list-style-type: none"> <li>Transmission lines under 50 kilovolts - \$75 per mile x 3,779.15 miles = \$283,436.25</li> <li>Transmission lines from 50 to 99 kilovolts - \$150 per mile x 2,585.56 miles = \$387,834</li> <li>Transmission lines from 100 to 199 kilovolts - \$300 per mile x</li> </ul>	<ul style="list-style-type: none"> <li>Transmission lines of 41.6 kilovolts - \$200 per mile x 3,779.15 miles = \$755,830</li> <li>Transmission lines of 57 kilovolts - \$300 per mile x 443.07 miles = \$132,921</li> <li>Transmission lines of 69 kilovolts - \$500 per mile x 2,142.49 miles =</li> </ul>	<ul style="list-style-type: none"> <li>Transmission lines under 50 kilovolts - \$125 per mile x 3,779.15 miles = \$472,393.75</li> <li>Transmission lines from 50 to 99 kilovolts - \$300 per mile x 2,585.56 miles = \$775,668</li> <li>Transmission lines from 100 to 199 kilovolts - \$500 per</li> </ul>

		mile x 0 miles = \$0 • Transmission lines from 225 to 299 kilovolts - \$400 per mile x 1,313.94 miles = \$525,576 • Transmission lines of 300 kilovolts or more - \$500 per mile x 1,078.71 miles = \$539,355	1,335.68 miles = \$400,704 • Transmission lines from 200 to 299 kilovolts - \$450 per mile x 1,313.94 miles = \$591,273 • Transmission lines from 300 to 399 kilovolts - \$600 per mile x 819.08 miles = \$491,448 • Transmission lines of 400 kilovolts or more - \$900 per mile x 259.63 miles = \$233,667	\$1,071,245 • Transmission lines of 115 kilovolts - \$600 per mile x 1,335.68 miles = \$801,408 • Transmission lines of 230 kilovolts - \$800 per mile x 1,313.94 miles = \$1,051,152 • Transmission lines of 345 kilovolts - \$1,000 per mile x 819.08 miles = \$819,080 • Transmission lines of 400 kilovolts - \$1,200 per mile x 259.63 miles = \$311,556	mile x 1,335.68 miles = \$667,840 • Transmission lines from 200 to 299 kilovolts - \$700 per mile x 1,313.94 miles = \$919,758 • Transmission lines from 300 to 399 kilovolts - \$900 per mile x 819.08 miles = \$737,172 • Transmission lines of 400 kilovolts or more - \$1,200 per mile x 259.63 miles = \$311,556
<b>Total</b>	\$410,580.00	\$1,968,538.00	\$2,388,362.20	\$4,943,192.00	\$3,884,387.70



January 11, 1999

## ✓TRANSMISSION LINE TAXATION HISTORY

### SUMMARY OF TRANSMISSION LINE TAXATION

Taxation of electric transmission lines under current law can be separated into three categories:

1. Transmission lines owned and operated by investor-owned electric utility companies are subject to ad valorem taxation. Assessments are made by the State Board of Equalization, and transmission lines are subject to property tax rates in taxing districts in which the lines are located, based upon the valuation established by the State Board of Equalization.
2. a. Transmission lines of a cooperative with a carrying capacity of less than 230 kilovolts or which do not carry power from an electrical generating unit with a capacity of 100,000 kilowatts or more are considered part of the personal property of the cooperative not subject to ad valorem taxes. Cooperatives in this category pay a two percent gross receipts tax that is in lieu of taxes on personal property, and transmission lines are considered exempt as personal property.
- b. Transmission lines owned and operated by a cooperative having one or more electrical generation plant with a capacity of 100,000 kilowatts or more, and which carry power from the plant, are subject to a tax of \$225 per mile, which is in addition to the two percent gross receipts tax

on operation of the generation plant or plants.

#### 1941 Legislation

Before 1941, all transmission lines were subject to assessment by the State Board of Equalization and levy of property taxes by local taxing jurisdictions. In 1941 North Dakota Century Code Chapter 57-33 was enacted to impose a two percent gross receipts tax on electric cooperatives and their transmission lines were classified as personal property, exempting those lines from property taxes.

#### 1965 Legislation

In 1965 North Dakota Century Code Chapter 57-33.1 was created to provide for separate taxation of receipts of cooperative electrical generation plants of 100,000 kilowatts or more. The two percent gross receipts tax rate was continued for these facilities, but a transmission line tax of \$150 per mile was imposed on lines of 230 kilovolts or larger, with the entire proceeds of the transmission line tax to be deposited in the county general fund of the county in which line is located.

#### 1977 Legislation

An Interim Legislative Council study recommended 1977 legislation that was enacted to increase the transmission line tax on these transmission lines owned by cooperatives from \$150 to the present rate of \$225 per mile.



# Utility Shareholders of North Dakota

## BOARD OF DIRECTORS

Bob Pile  
*Fargo*

Harold Brusche  
*Wahpeton*

Clarence Storseth  
*Dickinson*

Gary Hovdestad  
*Minot*

Larry Hanson  
*Williston*

John M. Olson  
*Bismarck*

Molne Gates  
*Grand Forks*

Richard Kunkel  
*Williston*

Charles Axtman  
*Jamestown*

Bob Graveline, President  
*Bismarck*

Comments before the House Finance and Taxation Committee, 1/23/2001  
RE: HB-1265

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS BOB GRAVELINE OF THE UTILITY SHAREHOLDERS OF NORTH DAKOTA. OUR ASSOCIATION REPRESENTS THE INTERESTS OF MORE THAN 1,100 NORTH DAKOTANS WHO OWN SHARES OF STOCK IN OTTER TAIL POWER COMPANY, XCEL ENERGY COMPANY, OR MDU RESOURCES, THE THREE INVESTOR OWNED UTILITY COMPANIES PROVIDING SERVICE TO NORTH DAKOTA CONSUMERS.

I APPEAR IN SUPPORT OF HB-1265

SEVERAL YEARS AGO, BY ORDER OF THE FEDERAL ENERGY REGULATORY COMMISSION (FERC), THE SALE AND TRANSPORTATION OF WHOLESALE ELECTRICITY WAS DEREGULATED. WITH THIS CHANGE, LARGE COMMERCIAL CUSTOMERS IN SOME AREAS BEGAN SHOPPING FOR THE BEST PRICES FOR THEIR ELECTRIC ENERGY NEEDS, AND CREATED NEW COMPETITIVE MARKETS.

GENERATORS FROM ALL ACROSS THE COUNTRY BEGAN LOOKING FOR NEW CUSTOMERS, AND THESE MARKET FORCES ALLOWED LARGE PURCHASERS OF ELECTRICITY TO DRIVE THEIR ENERGY COSTS DOWN. THESE NEW MARKET FORCES ALSO CAUSED WHOLESALE PRICES TO FLOAT SO THE GENERATION COMPANY WITH THE SHARPEST PENCIL GETS THE BUSINESS.

HB-1265 IS A STEP IN THE RIGHT DIRECTION TO ELIMINATE AN UNJUST SITUATION IN NORTH DAKOTA'S ENERGY MARKETS. TRANSMISSION LINES OWNED BY COOPERATIVES PAY A SET FEE OF \$225 PER MILE OF LINE FOR

P.O. Box 1856  
Bismarck, ND 58502  
701-8864  
Fax 701-258-8865  
1-800-981-5132  
E-mail [usnd@usnd.org](mailto:usnd@usnd.org)  
[www.usnd.org](http://www.usnd.org)

TRANSMISSION LINES OF 230 KV OR LARGER. AND THIS FEE HAS NOT BEEN CHANGED SINCE IT WAS IMPLEMENTED IN THE 1970'S.

TRANSMISSION LINES OWNED BY INVESTOR OWNED UTILITIES, AND DELIVERING ENERGY IN COMPETITION TO THE COOPERATIVES, ARE CENTRALLY ASSESSED ON AN AD VALOREM BASIS, AND TAX PAYMENTS ARE CONSIDERABLY HIGHER THAN THE PER MILE FEE PAID BY COOPERATIVES.

TESTIMONY PRESENTED BY MARCY DICKERSON OF THE STATE TAX DEPARTMENT ON APRIL 7, 1998 BEFORE THE INTERIM ELECTRIC INDUSTRY COMPETITION COMMITTEE CLEARLY SHOWS THE COOPERATIVES COMPETITIVE TAX ADVANTAGE ON TRANSMISSION LINES.

MS. DICKERSON'S TESTIMONY REVEALED THAT, AT THAT TIME, THE INVESTOR OWNED UTILITIES WERE PAYING THE FOLLOWING TAX AMOUNTS ON SIMILAR INSTALLATIONS:

MDU --        BETWEEN \$104 AND \$867 PER MILE FOR 230 KV  
              BETWEEN \$717 AND \$1,430 PER MILE FOR 345 KV

OTTER TAIL        BETWEEN \$217 AND \$1,597 PER MILE FOR 230 KV  
                  BETWEEN \$815 AND \$968 PER MILE FOR 345 KV

XCEL (NSP)        PAYING \$621 PER MILE FOR 345 KV

BY LOOKING AT THESE DIFFERENT TAX PAYMENTS, IT IS EASY TO UNDERSTAND THE COOPERATIVES' COMPETITIVE ADVANTAGE IN TRANSPORTATION COSTS FOR ELECTRICITY.

OPPONENTS TO ANY TAX INCREASE IN TRANSMISSION LINE TAXES WILL FREQUENTLY RAISE THE SPECTOR OF COMPETITION BETWEEN NORTH

DAKOTA LIGNITE AND OUT-OF-STATE COAL RESOURCES. AND WHILE THERE MAY BE SOME LOGIC TO THEIR ARGUMENT, IT JUST DOESN'T SEEM FAIR FOR THE STATE TO COLLECT DIFFERENTLY FROM TWO ENTITIES ON THE SAME TYPES OF PROPERTIES. FURTHER, BOTH COMPETITORS ARE USING THE SAME NORTH DAKOTA LIGNITE TO GENERATE ELECTICITY.

IF \$225 PER MILE OF LINE IS THE FAIR PAYMENT TODAY FOR A 230 KV TRANSMISSION LINE, THEN WHY TAX THE NEW 230 KV LINE UNDER CONSTRUCTION BETWEEN HARVEY AND GLENBORO AT AN EXPECTED \$1,800 PER MILE? AND YES, THE ENERGY TO BE CARRIED ON THAT LINE WILL BE GENERATED USING NORTH DAKOTA LIGNITE.

ANOTHER EXAMPLE OF THE INEQUITY OF THE CURRENT METHOD OF TAXATION IS FOUND ON A 345 KV LINE RUNNING FROM THE COAL FIELDS TO EASTERN NORTH DAKOTA. FOR THE PORTION OF THE LINE OWNED BY MINNKOTA POWER COOPERATIVE, THE STATE RECEIVES \$225 PER MILE. BUT A PORTION OF THE LINE IS OWNED BY OTTER TAIL POWER COMPANY.

AND WHEN I SAY A PORTION, I MEAN A PORTION. OTTER TAIL OWNS TEN FEET OF THE TOWER, THREE OF THE SIX CONDUCTORS, AND SOME OF THE INSULATOR BELLS FOR A DISTANCE OF 47.8 MILES. OTTER TAIL'S TAX BILL FOR THESE 47.8 MILES TOTALS MORE THAN \$39,000, OR MORE THAN \$815 PER MILE. MINNKOTA PAYS \$10,755 FOR THE SAME LINE FOR SAME DISTANCE.

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE. THE UTILITY SHAREHOLDERS OF NORTH DAKOTA ENCOURAGES A DO PASS ON HB-1265 AS A GOOD FIRST STEP TOWARD EQUITY IN A COMPETITIVE MARKET PLACE.