

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1387

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1387

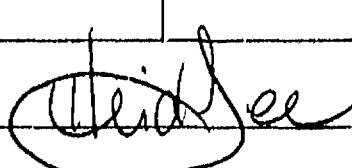
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1387

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Feb.6, 2001

Tape Number	Side A	Side B	Meter #
1		X	15
2	X		-27.89
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Rep Bill Pietsch: Sponsoring bill relating to jurisdiction of Public Service Commissioners over rural electric co-op irrigation electric rates. **Written testimony.**

Ralph T. Thompson: **Written testimony in support.**

Vice-Chairman Keiser: Why do you feel the co-op failed you? Was the .01 guaranteed?

Thompson: We feel like we aren't heard and we weren't guaranteed but they said it was no cost.

Duane Dows: **Written testimony in support.**

Rep Lemieux: Have you used automatic low-pressure systems?

Dows: We use low-pressure but they aren't easily automated.

Rep Lemieux: If you're buying on off-peak rate, you do you deserve a break?

Dows: We only get one chance to create a yield.

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number HB 1387

Hearing Date Feb. 6 2001

Robert Thompson: **Written testimony in support.**

Mike Clemms: I support on behalf of corn growers and we would like the power on by 10pm

Sen. Harvey Tallackson:(43.9) I oppose this because of special treatment. I feel the rates are fair.

Written testimony in opposition to bill.

Scott Handy: *Cass Co. Electric* **Written testimony in opposition.**

Chairman Berg: What is the cost?

Handy: 14% for 5 years or \$12/hp which ever is higher.

Rep Kasper: What will reduce the rates?

Handy: A change in frequency of load control.

Chairman Berg: Is there a uniform policy on irrigation?

Handy: No two rates are the same anywhere in ND.

Jay Jacobson: **Written testimony in opposition.**

Bruce Carlson: (13.0) **Written testimony opposed.**

Rep Froseth: Do you compare rates?

Carlson: Certainly by both demand and energy.

William Thompson: **Written testimony in support.**

Bernard Sculick: I also support this bill.

Chairman Berg: We'll close the hearing on HB 1387.

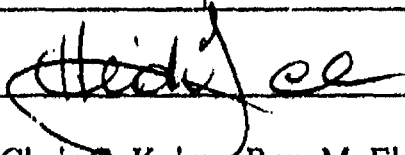
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1387(B)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Feb. 14, 2001

Tape Number	Side A	Side B	Meter #
2	X		10.6-23.7
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Kelsor, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Rep Pietsch: Supplied testimonial information.

Rep Lemieux: I move a do not pass.

Rep Froelich: I second.

14 yea, 1 nay, 0 absent

Carrier Rep Lemieux

FISCAL NOTE
Requested by Legislative Council
02/02/2001

REVISION

Bill/Resolution No.: HB 1387

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	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$40,000	\$0	\$0	\$0
Appropriations	\$0	\$0	\$40,000	\$0	\$0	\$0

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
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

The aspect of the measure that causes an impact is the responsibility to ensure just, reasonable and nondiscriminatory rates for electricity from cooperatives used for irrigation purposes.

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.*

Revenues would come only from the filing of tariffs, at \$50 per filing. The total per biennium is estimated to be an insufficient amount to meet the \$5000 fiscal note threshold

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.*

The \$40,000 above represents the **midpoint** of the range of impact \$0 to \$80,000. The cost of implementation will depend on the method used to implement the policy which in turn

depends on legislative intent. If initial irrigation rates are set for each of the state's 17 electric cooperatives, either a consultant would have to be hired to assist the utilities staff with the 17 rate cases (at a cost estimated to be well over \$150,000) or one entry-level FTE should be added for one biennium, probably an accountant. We estimate the cost of one entry-level accounting position at \$80,000 per biennium. Once initial rates are set, we do not project any need for additional staff on a going forward basis. If irrigation rates are addressed only on a case by case complaint basis, the estimated fiscal impact would be zero since we believe those could be handled by existing staff. A middle ground alternative would be to set parameters for irrigation rates by promulgating rules, with some assistance from an intern or student on a part time or temporary basis.

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.*

The explanation from the expenditures section applies here. An appropriation would be required to add an FTE, as well as to allow for the hiring of temporary or part time assistance.

Name:	Illona Jeffcoat-Sacco	Agency:	PSC
Phone Number:	328-2407	Date Prepared:	02/01/2001

FISCAL NOTE

Requested by Legislative Council
01/23/2001

Bill/Resolution No.: HJ 1387

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	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$40,000	\$0	\$0	\$0	\$0	\$0
Appropriations	\$40,000	\$0	\$0	\$0	\$0	\$0

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
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

The aspect of the measure that causes an impact is the responsibility to ensure just, reasonable and nondiscriminatory rates for electricity from cooperatives used for irrigation purposes.

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

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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.*

The explanation from the expenditures section applies here. An appropriation would be required to add an FTE, as well as to allow for the hiring of temporary or part time assistance.

Name:	Ilona Jeffcoat-Sacco	Agency:	PSC
Phone Number:	328-2407	Date Prepared:	02/01/2001

Date: 2-14-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1387

House Industry, Business and Labor Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Lemieux Seconded By Froelich

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser	✓		Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich	✓		Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch		✓
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total (Yes) 14 No 1

Absent 0

Floor Assignment ~~Rep. Matt Klein~~ Rep. Lemieux

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

REPORT OF STANDING COMMITTEE (410)
February 14, 2001 1:01 p.m.

Module No: HR-27-3332
Carrier: Lemieux
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1387: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends
DO NOT PASS (14 YEAS, 1 NAY, ABSENT AND NOT VOTING). HB 1387 was
placed on the Eleventh order on the calendar.

2001 TESTIMONY

HB 1387

Mary E. Thompson

14221 19th St SE

Page, ND 58064-9783

To: Industry, Business and Labor Committee
North Dakota House of Representatives

From: Mary E. Thompson

Date: February 6, 2001

Subject: Testimony In Support Of House Bill 1387

My name is Mary Thompson; I am a person who wears many hats, including farmer, irrigated landowner, wife and mother. Today I would like to speak to you concerning my most important occupation, that of a farm wife and mother.

While raising our six children on the farm, my main objective was to see that all of my family were safely cared for during play time and work time.

Irrigation season is a labor-intensive season on our farm. With my husband and myself and our two sons farming, we are busy from early in the morning on throughout the day. However, a new policy has been thrust upon us, that of not allowing us to run our irrigation systems during the hours of 11:00 am to 11:00 pm during the critical growing season for our crops.

This policy means that my family is exposed to unnecessary risks in starting up irrigation systems with 480 volts of electricity in the middle of the night. We have learned to be extremely careful with electricity and water, and I am very proud of my family for their safety precautions, but a third factor has been inserted that we cannot control, that of darkness.

As the principal accountant for our farm, I know that we need to run our irrigation systems in a timely manner in order to be economically viable. In analyzing our records I realize cooperative electricity is extremely expensive and I conclude that state law should regulate irrigation rates to be reliable and affordable. Along with reliable and affordable, I would add a third objective - SAFETY. Therefore, I am greatly disturbed by the policy that has forced us into the irrigation fields during the midnight hours to get the systems running in order to shut them off the next morning.

I support House Bill 1387 for the protection of my family. Thank you.

To: Industry, Business and Labor Committee
North Dakota House of Representatives

From: Charlene Hiam
Eastern Dakota Irrigation District

Date: February 6, 2001

Subject: House Bill 1387

Committee member;

My husband and I are owners of a 4th generation farm in which we have been trying to continue the lifestyle that was started many years ago by my grandfather. It has become extremely difficult to encourage our children to continue in this business when everything the farmers need to make a good living have risen uncontrolled. We were encouraged to start irrigating our crops in order to improve our yields but now we find ourselves being penalized for these improvements.

Safety has become a concern when my husband is asked by our cooperatives to wait until 11 PM to start our irrigators after having worked a 17-hour day. I do not feel it is safe for him to be working extremely long hours during the already stressful time of harvest. It seems that a small minority of farmers have to pay the price of a demand charge for a large majority of home air conditioning usage.

When we first installed our irrigation systems we were told by our cooperatives that we would have to pay a horsepower charge to pay for the equipment, it has now been 23 years and we are still paying this charge. We feel we have paid more than our share of the costs. We would like to see these costs eliminated or reduced.

We would like to see more cooperation within the cooperatives and better communications with the irrigators. We never knew when a demand charge was on which made it difficult to plan ahead.

Sincerely,

Charlene Hiam

TESTIMONY IN FAVOR OF HOUSE BILL 1387

**INDUSTRY, BUSINESS, AND LABOR COMMITTEE
HOUSE OF REPRESENTITIVES**

**STEPHEN AND MICHELLE THOMPSON, IRRIGATORS
SCOTT THOMPSON, IRRIGATOR**

FEBRUARY 6, 2001

As recent NDSU graduates and young farmers who are in the fifth year of our farming career, we understand the economic importance of irrigation to agriculture.

We irrigate in the Page area with electricity from two different electrical cooperatives. Each of our home farmsteads use the same amount of KWH of electricity as the average of our irrigation accounts; however the irrigation accounts cost more than twice the average of our farmstead's account. Attaching the word irrigation to an electrical account automatically tells the cooperative to charge an indefinite flat tax from now on.

The very high demand charge forces a mandatory off-peak for irrigation. Homes and farmsteads use a cycling of power off and on for air conditioning to meet cooperative guidelines at no additional inconvenience to the customer. Our family life has indeed been inconvenienced by the mandatory off-peak of irrigation electricity.

Stephen has taken 480 volts on one occasion and does not appreciate starting irrigation systems at midnight in the dark. Electrical cooperatives used to care about the safety of its customers and we now wonder why we are being put in danger.

The Public Service Commission must regulate the cooperative irrigation electrical rate.

We would appreciate your support of HB 1387

House Bill 1387

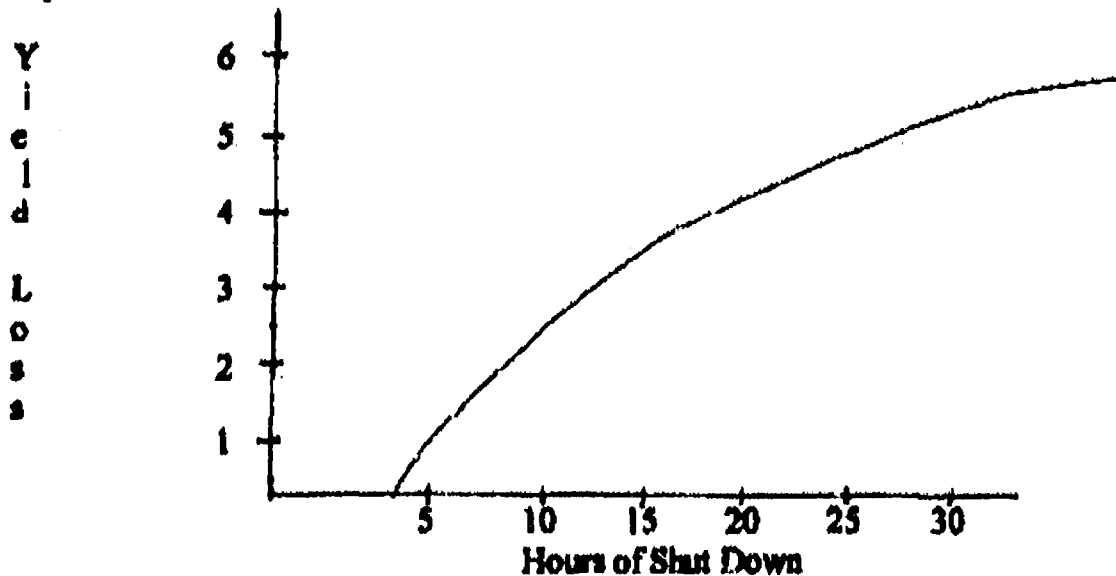
Mr. Chairman and Committee members.

My name is Duane Dows - I am from the Page area and utilize irrigation on my farm.

There are many issues connected with this bill and irrigation electrical service, I would like to point out one of them today.

This past Summer, at times, irrigators were forced to make the decision to choose between substantially higher electrical costs or turning off their irrigation systems. If we would choose to continue to run our irrigators during the high demand, high rate periods the cost of doing so would be easy to calculate as it would show up in a future electrical bill.

If we would choose to shut off our irrigators during the high rate period we would run the risk of lower yields. This cost is harder to determine but an educated estimate can be developed.



One bushel loss on 132 acres @ \$1.75	= \$231
Two	= \$462
Three	= \$693
Four	= \$924
Five	= \$1155
Six	= \$1386

This chart shows potential yield loss on a 132-acre corn field if irrigation is shut down during a high electrical rate period, realizing that high rate periods are normally associated with hot, dry weather. As you can see the revenue loss can be substantial. It is also important to point out that in this business we only get one chance at creating yield. Lost yield can not be made up sometime else during the year.

My message today is that irrigators need reliable, cost effective electrical power. This bill is a step in that direction.

To: Industry, Business and Labor Committee
North Dakota House of Representatives

From: Gary Hiam
Eastern Dakota Irrigation District

Date: February 6, 2001

Subject: House Bill 1387

Committee member;

My wife and I are owners of a 4th generation farm in which we have been trying to continue the lifestyle that was started many years ago by my wife's grandfather. It has become extremely difficult to encourage our children to continue in this business when everything the farmers need to make a good living have risen uncontrolled. We were encouraged to start irrigating our crops in order to improve our yields but now we find ourselves being penalized for these improvements.

Safety has become a concern when we farmers are asked by our cooperatives to wait until 11 PM to start our irrigators after having worked a 17-hour day. It seems that a small minority of farmers have to pay the price of a demand charge for a large majority of home air conditioning usage.

When we first installed our irrigation systems we were told by our cooperatives that we would have to pay a horsepower charge to pay for the equipment, it has now been 23 years and we are still paying this charge. We feel we have paid more than our share of the costs. We would like to see these costs eliminated.

It has come to our attention that irrigation rates within a cooperative have been significantly different. It seems unfair to charge different rates for different farmers. We would like to see more cooperation within the cooperatives and better communications with the irrigators.

I would have liked to address you personally but because of prior commitments I could not be there in person.

Sincerely,

Gary Hiam

TO: Industry, Business and Labor Committee
North Dakota House of Representatives

FROM: Robert Thompson, President
Eastern Dakota Irrigation District

DATE: February 6, 2001

SUBJECT: Support of House Bill 1387

The Eastern Dakota Irrigation District requested the introduction of North Dakota House Bill 1387 authorizing the Public Service Commission the power to regulate irrigation electrical rates of Public Utilities and Rural Electric Cooperatives for the benefit of all North Dakota irrigators statewide. Irrigators throughout the state are subsidizing other electrical users and will reach the threshold of abandoning electrical service in 2002 unless changes are made immediately. Other electrical users will pay higher costs if irrigators use alternative sources of energy.

According to NDSU Extension Service, upon study of all cooperative irrigation electrical rates in North Dakota, they have found that rates in eastern North Dakota are less than the rest of the state; therefore, we are looking at a statewide problem.

Would you buy a \$10,000 car for \$23,000? The average cooperative rate for irrigation electricity in the Eastern Dakota Irrigation District is 2.3 times more expensive than the local public utility's irrigation electricity. Also, the local public utility does not off-peak or charge demand; whereas, the cooperatives charge extremely high demand rates unless irrigation is shut down 25% of the time.

The spring 14% investment charge for wire, transformer, and meter or the \$12/horsepower charge, if higher, has paid the cooperative's fixed cost of supplying electricity on an average of 2 1/2 times. We have paid this investment charge for over 20 years even though it amortized to zero (principle and interest) after 9 1/2 years or less. The investment charge is 38.6% of the irrigators bill; whereas, demand is 19.9% and electricity amounts to only 41.5% of the bill. The elimination of the investment charge requires no research and should have been done years ago.

The number of irrigators are a minority group of electrical users using above average kwh of electricity and the cooperative board of directors has not been responsive to the irrigators. Economic development has been a figure of speech but not an active policy with respect to irrigation. The irrigator must invest in value-added agriculture rather than pay for electrical equipment a third time.

The North Dakota Rural Electric Cooperative Board of Directors needs new direction. Today, we need to look at equitable electrical rates, combining of cooperative areas, more power plants, purchasing more power, and better response to customer needs (including irrigators) at a reliable and affordable cost.

The State of North Dakota has awarded \$400-500/acre grant funds for \$1500/acre irrigation and the federal government provides 1/4 cent/kwh electricity for the same acres. The 140,000 acres already irrigated in North Dakota were developed with private funds at \$400-500/acre total cost and pay 40 times higher electrical rates at 10 cents/kwh. At the present time, some irrigation systems are idle because of \$11/acre electrical costs. Something is wrong here.

The Public Service Commission needs to regulate North Dakota irrigation rates. The irrigator is presently being stonewalled by the electrical cooperatives and deserves a fair rate. Litigation could be an alternative for the irrigator; however, electrical cooperatives have hundreds of thousands of dollars of our money to spend against the irrigator and we end up funding both sides of the litigation.

We ask your support for House Bill 1387 giving irrigators a chance to continue using electricity as a power source.

Thank you.

**North Dakota House of Representatives
Industry, Business and Labor Committee**

Testimony on House Bill 1387

Representative Bill Pietsch, District 22

February 6, 2001

Mr. Chairman and members of the IBL Committee, I stand before you today in support of House Bill 1387. I introduced this bill on behalf of the leadership of the Eastern North Dakota Irrigation District. If enacted into law, this act would place the regulation of irrigation electric rates charged by rural electric cooperatives under the jurisdiction of the North Dakota Public Service Commission.

SECTION 1 of the bill would amend 49-02-01. of the Century Code, and add "Rural electric cooperatives with respect to irrigation electric rates and service" to the general jurisdiction of the PSC.

SECTION 2 of the bill would amend 49-02-01.1. by removing the exception of rural electric cooperative irrigation electric rates and service from PSC regulation.

SECTION 3 of the bill would amend 49-02-03. and place "irrigation electric rates of rural electric cooperatives" under the power of the PSC to supervise public utility rates.

Mr. Chairman and members of the IBL Committee, I urge you to seriously ponder the testimony of farmers who use electricity to power their irrigation units and give House Bill 1387 your serious consideration.

Thompson, Ralph T.

North Dakota House of Representatives-Industry, Business and Labor Commission

From: Ralph Thompson-14174-20 St SE, Page, North Dakota 58064

Re: Support of House Bill 1387

We began irrigating in 1978. At the time, the farm was on OtterTail Power. Cass County Electric was interested in economic development and had a surplus of energy during the summer. The proposal was that they would capitalize the installation of wire, transformer, and meter over ten years as a horsepower charge and they thought they could provide electricity for one cent per kilowatt, all profit to them. We still continue to pay a horsepower charge.

Our irrigation systems were designed to minimize the capitalization charge by installing one transformer for two or three quarters and we paid to trench the water and electricity to the second and third quarters ourselves.

We have a medium soil, supplemental irrigation. We knew that if it didn't rain, that we could not keep up, irrigating one hundred per cent of the time. Things went well, and we had good service for over twenty years.

Our electric co-op decided they had to put the irrigators on load control for the year 2000. They thought it would only be three or four times during the summer. It turned out to be eight or nine times, plus many more days that it could have gone either way. We really couldn't leave the farm during July and August.

We purchased an alarm, and if the alarm goes off, we have to shut down the systems. We were all busy with combining, and no one left to monitor the alarm, so we would know when we could turn them back on, usually around 11 PM-12 PM.

We would load up our 4-wheeler in the pickup, drive to the field, unload, drive to the pivot, turn on, wait for the pipes to fill with water, pressurize, turn to automatic, drive out 4-wheeler, load in pickup, and drive to the next system. Usually took an hour to an hour and a half, plus the fact that we are getting farther behind irrigating.

The situation has changed from the co-op wanting irrigators to use electricity to actually discouraging it. They expect load control charges to quadruple in the next ten years.

We feel that our concerns are not being addressed by our local electrical co-op, therefore, we would like irrigation power to come under the jurisdiction of the Public Service Commission.

Thank you for your consideration of this matter.

Ralph Thompson

TO: Industry, Business and Labor Committee North Dakota House of Representatives

**FROM: J. Raymond Mewes, Ralph E. Mewes, Randall A. Mewes, Jason K. Mewes
Eastern Dakota Irrigation District**

DATE: February 6, 2001

I'm sure you are all well aware that these aren't the best of times for the farming industry. With the currently depressed commodity prices and the continued rising costs of inputs such as fuel, chemicals, fertilizer, machinery and energy the only way to stay in business is to become more efficient, put in longer working hours, and cut back on expenses wherever possible.

As irrigators, the load-control policy established by Minnkota Power and passed on through Cass County Electric Co-op and Sheyenne Valley Electric Co-op is extremely counter-productive to our operations. We have invested large amounts of money in our irrigation systems to enable us to grow more profitable crops that we would not normally attempt to grow without a dependable source of water. The key word here is dependable. When we established our irrigation systems, we were promised a dependable source of electric power and that is no longer the case. As of last summer we are being asked to shut off our systems during peak energy load conditions. These peak load conditions coincide with the peak water demands of our crops - hot and dry weather. We were asked to shut down from late morning to late evening on several occasions or suffer the consequences in the form of horrendous demand charges.

Although the irrigation season only last about three months, it also coincides with the harvest of small grains. This means shutting off the combine just after getting started for the day and going out to turn off systems when the co-ops indicate they are under load control. Also, someone has to keep checking with the co-ops to find out when these conditions are occurring. It also means that after putting in a long day and coming in to eat supper around 10:00 pm we get to go back out in the dark and bugs into even darker corn fields and restart our systems and then maybe get to bed by midnight if everything goes okay. The co-ops seem to think this procedure could be done automatically but this is not the case in the real world. We work hard for what we have and all this certainly doesn't add to the quality of our lives besides the danger involved when working with the high voltages irrigation systems require.

Another point of concern is what the co-ops call 'Horsepower Charge'. After we have paid off the line construction charges over a ten year period they continue to levy a \$12 per horsepower charge before we even use our systems. We feel this is an unfair charge and should be reduced or eliminated altogether.

On January 1 of this year Sheyenne Valley Electric Co-op merged with Nodak Electric Co-op. The irrigators that were in Nodak have very attractive irrigation rates with no off-peak control. The irrigators that were in Sheyenne Valley are not being offered this option but will remain under SVEC's old rate schedule. We feel this is grossly unfair.

We strongly urge you to vote in favor of House Bill 1387 for the above stated reasons.

Eastern Dakota Irrigation District

Robert Thompson
HB1387

	Name	Description of Land	Acres
1	Reuben & Viola Bontrager	NE 1/4 13-142-50	135
2	Reuben & Viola Bontrager	NW 1/4 18-142-59	110
3	Douglas Bower	NW 1/4 18-143-54	133
4	Douglas Bower	SW 1/4 18-143-54	120
5	Douglas Bower	NW 1/4 19-143-54	133
6	Douglas Bower	NE 1/4 19-143-54	135
7	Douglas Bower	SE 1/4 19-143-54	135
8	James Brosen	NW 1/4 21-143-60	130
9	Duane Dows	NE 1/4 28-143-54	132
10	Duane Dows	NE 1/4 34-143-54	132
11	John Dows	SW 1/4 22-143-54	132
12	Dows Farm Co Inc.	NW 1/4 11-143-55	132
13	Dows Farm Co Inc.	SW 1/4 11-143-55	132
14	Dows Farm Co Inc.	W 1/2 E 1/2 11-143-55	132
15	Feder Properties L.L.P.	NW 1/4 6-141-54	135
16	Feder Properties L.L.P.	NE 1/4 1-141-55	120
17	Feder Properties L.L.P.	NW 1/4 12-141-55	135
18	Feder Properties L.L.P.	NE 1/4 11-141-55	135
19	Daniel M. Gamas	SE 1/4 2-142-55	138
20	Ruth L. Gamas & Daniel M. Gamas	NE 1/4 31-143-54	127
21	Ruth L. Gamas & Daniel M. Gamas	SE 1/4 31-143-54	124
22	Ruth L. Gamas & Donald M. Gamas	SE 1/4 28-143-54	149
23	Ruth L. Gamas & Donald M. Gamas	SW 1/4 28-143-54	149
24	Ruth L. Gamas & Donald M. Gamas	SE 1/4 36-143-55	149
25	Ruth L. Gamas & Donald M. Gamas	NE 1/4 36-143-55	142
26	Ruth L. Gamas & Donald M. Gamas	NW 1/4 18-143-54	151
27	Ruth L. Gamas & Donald M. Gamas	NE 1/4 18-143-54	151
28	Ruth L. Gamas & Donald M. Gamas	NW 1/4 10-143-54	157
29	Ruth L. Gamas & Donald M. Gamas	SW 1/4 32-143-54	140
30	Jerome Johnk	NE 1/4 30-143-54	132
31	Audrey F. Johnk	SW 1/4 20-143-54	132
32	Jerome Johnk	W 1/2 NW 1/4 29-143-54	66
33	Brad & Sue Johnk	E 1/2 NW 1/4 29-143-54	66
34	Johnson Farm Ent	S 1/2 10-143-54	270
35	Steve & Lori Johnson	NW 1/4 15-143-54	135
36	Sherwood & Sharon Johnson	SW 1/4 15-143-54	135
37	Sherwood & Sharon Johnson	NW 1/4 22-143-54	135
38	Sherwood & Sharon Johnson	NE 1/4 33-143-54	130
39	Sherwood & Sharon Johnson	W 1/2 34-143-54	270
40	Sharon Johnson	Section 21-142-54	405
41	Lindsay McBride	SW 1/4 28-144-55	135
42	Lindsay McBride	NW 1/4 28-144-55	135
43	Aldene Mewes	SW 1/4 28-144-55	132
44	Aldene Mewes	NE 1/4 33-144-55	132
45	Aldene Mewes	SW 1/4 27-144-55	132
46	Aldene Mewes	SE 1/4 27-144-55	132
47	Aldene Mewes	NW 1/4 34-144-55	132
48	Aldene Mewes	SW 1/4 29-144-55	180
49	Ralph Raymond Randal Mewes	SW 1/4 34-144-55	132
50	Terry & Lisa Nelson	NW 1/4 9-142-54	135

Eastern Dakota Irrigation District

51	Terry & Lisa Nelson	NW 1/4 17-142-54	100
52	Terry & Lisa Nelson	SW 1/4 18-142-54	135
53	Matt Ostad	NE 1/4 2-143-54	135
54	Matt Ostad	NW 1/4 2-143-54	135
55	Vera Smart	NE 1/4 27-144-54	135
56	Vera Smart	SE 1/4 22-144-54	135
57	Charles & Darlene Satrom	NW 1/4 3-143-55	132
58	Charles & Darlene Satrom	NE 1/4 3-143-55	132
59	Charles & Darlene Satrom	NW 1/4 2-143-55	132
60	Darlene Satrom	SW 1/4 23-143-54	132
61	Darlene Satrom	SE 1/4 23-143-54	132
62	Charles & Darlene Satrom	SW 1/4 15-144-55	132
63	Gary & Charlene Hiam	SE 1/4 15-144-55	132
64	Charles & Darlene Satrom	NW 1/4 23-144-55	132
65	Charles & Darlene Satrom	SW 1/4 23-144-55	132
66	Charles & Darlene Satrom	NE 1/4 27-144-55	132
67	Charles & Darlene Satrom	NW 1/4 28-144-55	132
68	Charles & Darlene Satrom	SE 1/4 25-144-55	132
69	Charles & Darlene Satrom	NE 1/4 38-144-55	132
70	Michael & Nancy Satrom	SE 1/4 30-144-54	130
71	Kevin Satrom	SW 1/4 30-144-54	120
72	Michael, Nancy, Kevin, Hilbert, Vivian Satrom	NE 1/4 30-144-54	120
73	Michael, Nancy, Kevin, Hilbert, Vivian Satrom	NW 1/4 32-144-54	100
74	Ralph Thompson	E 1/2 9-142-54	135
75	Ralph Thompson	S 1/2 9-142-54	135
76	Ralph Thompson	NW 1/4 18-142-54	151
77	Ralph Thompson	SW 1/4 15-142-54	143
78	Ralph Thompson	SE 1/4 15-142-54	143
79	Ralph Thompson	NE 1/4 15-142-54	75
80	Ralph Thompson	NW 1/4 14-142-54	19
81	Mildred Thompson	SW 1/4 14-142-54	136
82	Mildred Thompson	NW 1/4 23-142-54	143
83	Robert Thompson	NW 1/4 11-142-54	135
84	Robert Thompson	NE 1/4 11-142-54	135
85	Robert Thompson	SW 1/4 2-142-54	120
86	Robert Thompson	NE 1/4 1-142-54	135
87	Robert Thompson	SE 1/4 1-142-54	135
88	Robert Thompson	NE 1/4 10-142-54	135
89	Robert Thompson	NW 1/4 10-142-54	135
90	Robert Thompson	NE 1/4 18-142-54	135
91	Robert & Mary Thompson	NE 1/4 27-143-54	135
92	Robert & Mary Thompson	SE 1/4 27-143-54	135
93	Robert & Mary Thompson	NW 1/4 35-143-54	135
94	Mary Thompson	SE 1/4 22-143-54	135
95	Mary Thompson	NE 1/4 28-143-54	135
96	Mildred Thompson	NW 1/4 15-142-54	135
97	Mildred Thompson	SW 1/4 10-142-54	115
98	Kathleen Ivesdal	SE 1/4 4-142-54	135
99	Stephen Thompson	SW 1/4 11-143-54	135
100	Scott Thompson	NE 1/4 11-143-54	135
101	Sidney & Berniece Holden	NW 1/4 3-142-54	135

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Draft for Harvey Tallackson for testimony on House Bill 1387 at a hearing in the Peace Garden room on Tuesday, February 6, 2001, beginning at 10:00 a.m.

Mr. Chairman, committee members: My name is Harvey Tallackson. I live near Grafton, North Dakota. I am a State Senator from District 16, and I am a member of the Nodak Electric Cooperative Board of Directors. I oppose HB1387 because it gives special treatment to one group of electric consumers and it duplicates rate oversight, which is already in place.

At Nodak Electric Cooperative, our board of directors is responsible for the final approval of any electric rate revisions. Our rates are based on cost of service studies conducted by an outside rate consultant. In recent years, we have used the services of Power System Engineers, a nationally recognized rate consultant, to perform our cost of service studies. I am very confident with the information derived from these studies, and the work of our management staff, that our rates are fair and equitable to each and every customer class.

As a board member elected by the consumers of our cooperative, I am obligated to treat all consumer classes equally. I cannot support legislative action that would give preferential treatment to one group of consumers. If HB1387 is passed, Nodak Electric will be subject to rate regulation for the irrigation customers. The added cost to our cooperative because of this regulation will be significant, and the work performed by the Public Service Commission will duplicate what is already being performed by our elected board of directors.

Mr. Chairman and members of the committee, passage of HB1387 will not benefit the irrigation customers or any other cooperative customers, and I ask that you vote "no" on this proposed bill.

HB1387
Testimony before the House Industry Business and Labor Committee
Scott Handy, Chief Operating Officer, Cass County Electric
Cooperative
February 6, 2001

Mr. Chairman and members of the committee, good morning. My name is Scott Handy, and I serve as chief operating officer for Cass County Electric Cooperative, headquartered in Kindred, North Dakota. I am here today in opposition to House Bill 1387.

Cass County Electric Cooperative takes a firm stand against such legislation, for several reasons. The first is the general and long-standing principle that electric cooperatives are, and of right should be, locally regulated. Each cooperative has an elected board of directors whose duty is to ensure the fairness and appropriateness of each rate class. The North Dakota Attorney General's office recently reaffirmed this principle in the matter of the merger between Sheyenne Valley Electric Cooperative and Nodak Electric Cooperative. Local regulation has worked well and is a fair, democratic and low-cost rate setting principle that should remain in place.

The second reason to leave irrigation rates under local regulation is cost. Regulation by a state agency is costly, and requires expensive consultants. Many cooperatives would be additionally burdened to employ in-house expertise to work with these regulatory issues. All these additional costs of state agency regulation would need to be added to the irrigation rates, which would only serve to make them more expensive.

The third, and perhaps the most compelling reason to leave irrigation rates under local regulation is that irrigation rates are already as low as they can be. Rates are

set based on cost of service studies performed by financial experts such as the Eide Bailly accounting firm to ensure minimal cross subsidies exist.

Irrigation electricity requirements are without exception the highest cost of all the customer classes any cooperative has. Each irrigation system requires an extension of costly three phase power lines in sparsely-populated areas, and the resulting energy sales are very low relative to the plant investment. For example, a typical Cass County Electric Cooperative irrigation customer in 2000 used about 300 kwh for each kva of installed transformer capacity. By comparison, a typical farmstead account, which uses electricity 12 months out of the year, used about six times that amount. It's no wonder that the cost per kwh is higher for irrigation, it uses only one sixth the amount of energy (relative to the investment) as other customer classes.

It is our understanding, gained from many hours of discussions with irrigation members, that irrigators want lower electric operating costs, lower or no annual fixed costs, and no load management requirements. We understand and acknowledge those desires, but they are not realistic in today's energy environment. The only way to lower irrigation rates is to heavily subsidize them from other customer rate classes, and our board has appropriately taken a strong stand against cross-subsidization.

In particular, the issue of a fixed cost rate component seems to be bothersome to irrigation customers, whether it is based on a percentage of the line extension cost or on a per horsepower basis. In reality, the annual fixed charge is simply a substitute for the monthly basic charge found in all other three-phase rates. The annual fixed charge could certainly be converted to a monthly charge if that would make it more palatable to the irrigation customers. In any event, all rates must

have a fixed cost component to ensure minimal revenue recovery when energy use varies.

We continue to work with the irrigators to find solutions. In partnership with our power supplier, Minnkota Power Cooperative, we will be offering an irrigation rate alternative in 2001 that will both reduce costs and greatly reduce the hours of load control compared to 2000. We are also engaged in a comprehensive irrigation investment study to ensure the fixed cost charges are appropriate and no higher than necessary.

Cass County Electric Cooperative has worked tirelessly to bring profitability to the agricultural sector of our business. We have been deeply involved in the High Value Irrigated Crop Task Force, the group that has orchestrated the movement of irrigated potato production into the central part of North Dakota. We think that was a landmark accomplishment and continue to work on new industries and ideas to make irrigated agriculture a success in North Dakota.

The answer to this dilemma is not a new regulatory method. The answer is the good old-fashioned cooperative principle of working together with our member-owners to find fair and appropriate solutions. While we acknowledge the challenges and concerns, we are committed to continue working with this special customer group.

In summary, Cass County Electric Cooperative urges your **DO NOT PASS** recommendation for House Bill 1387.

Thank you for your time today.

HB 1387

**Testimony before the House Industry, Business and Labor Committee
Jay Jacobson, General Manager, Dakota Valley Electric Cooperative
February 6, 2001**

Mr. Chairman and members of the committee, good morning. My name is Jay Jacobson. I am the general manager of Dakota Valley Electric Cooperative, with headquarters in Edgeley and Milnor, North Dakota.

Dakota Valley Electric Cooperative is opposed to House Bill 1387. Foremost among the reasons for our opposition is the belief that the change proposed by this bill is unnecessary. The present process for establishing irrigation rates at electric cooperatives is fair and comprehensive, and promotes member consumer participation. I would like to illustrate this point with a description of our cooperative's recent rate setting activity.

Dakota Valley Electric Cooperative was formed on January 1, 2000, with the consolidation of RSR Electric Cooperative and James Valley Electric Cooperative. The two cooperatives that consolidated had differing rate structures, and thus it was necessary for Dakota Valley to adjust all of its electric rates. To carry out the detail work of developing rate recommendations, our 18 member board of directors appointed a rate committee comprised of six directors. The bulk of the rate committee's work was done in a series of meetings held in September, November and December.

The rate committee started its work with technical information provided by recent cost of service studies. These cost of service studies, performed by an independent engineering firm, detailed the amount of revenue required to pay for the services and facilities used by each category of customer at the cooperative. As much as we would like it different, the cost of service studies time after time show that certain types of loads, whether due to load patterns or electrical system investment, impose greater costs upon the cooperative.

Dakota Valley adheres to the principle that each consumer should pay for those costs, and only those costs, that the consumer imposes on the system. Each class of consumer – whether irrigator, commercial, industrial, farmer or residential consumer – rightfully does not want to subsidize the rates of another class of consumer. The cost of service study's technical allocation of costs therefore forms the basis for each rate, and it is the rate committee's responsibility to review the facts of the study.

Much of the work of the rate committee involved determining what rate structure most fairly allocates those costs among the member consumers within each rate category. For example, the rate committee spent much time examining the irrigation rate options available to the cooperative. One irrigation rate option that was studied had only energy and demand charges, whereas another rate option utilized an annual charge in addition to an energy and demand charges. Both rates

were technically correct and both rate options could deliver the same amount of revenue to the cooperative. The rates, however, had differing impacts on individual irrigators depending on how the irrigator operated his system, or depending on whether it was a wet year or a dry year. It was left to the rate committee the difficult decision as to what rate structure was most fair to most of the irrigators in our area. Their discussions on this issue were aided by the fact that one of the members of the rate committee is an irrigator.

As the rate work progressed, the rate committee would report each month to the entire cooperative board. Rate committee members would review the work of the committee and seek guidance from the board in further rate adjustment work. During this time, the entire membership was kept abreast of the committee's work through a series of update reports printed in the monthly REC magazine. These updates explained the purpose of the rate committee, and encouraged the cooperative members to call in or contact their directors with suggestions or concerns about cooperative rates. A number of members did just that, and their comments were brought in to the rate committee's discussions.

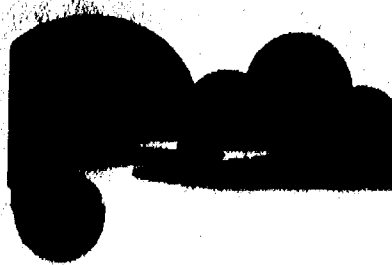
In December of last year, the cooperative board approved some of the recommended rate adjustments developed by the rate committee. The board, however, directed that proposed irrigation rates be sent out to all of the irrigators in our service area, and that a series of irrigation meetings be held in February to

solicit comments and suggestions from the irrigators on the proposed rate adjustments. These comments and suggestions are to be brought back to the board for consideration before a decision is made on irrigation rate adjustments.

In summary, I would like to emphasize a couple of points. The methods used to establish rates at an electric cooperative are based on thorough technical study and provide ample opportunity for consumer participation through the cooperative board of directors. Electric cooperatives seek to fairly allocate the costs of the cooperative among all rate classes, and to separate out one rate class from this process would lead to disparities and increased rate making costs. The current rate setting process at cooperatives would not be improved by removing it from local control, but would instead be made more burdensome through the addition of an unnecessary regulatory layer.

Dakota Valley Electric Cooperative urges a Do Not Pass recommendation on House Bill 1387.

Thank you.



DAKOTA VALLEY ELECTRIC COOPERATIVE, INC.

February 2, 2001

To: All Irrigators in the Dakota Valley Service Area

From: Jay Jacobson

Subject: Irrigation Rate Meetings

The Dakota Valley Electric Cooperative board is planning to revise the irrigation electrical service rates in order to have standard irrigation rates all across the Dakota Valley system. As with our other rate changes, the planned rate change is not designed or intended to increase overall revenues to the cooperative.

At this time, Dakota Valley has developed a preliminary set of irrigation rates to replace the rates currently in place. The board has requested that I review these preliminary rates with you, and bring your comments and suggestions back to the board before final approval of the rate.

I have scheduled two irrigation meetings in February for this discussion. The dates, times and locations are as follows:

Monday, February 12 – Milnor Community Center starting at 12:00 noon

Wednesday, February 14 – LaMoure Community Room in the Omega City Plaza starting at 12:00 noon

For your review before the meeting, I have enclosed a summary that shows the present rates along with a listing of the new proposed rates.

Lunch will be served at the start of the meeting. In order for us to better plan for the lunch, we would appreciate a call at 1-800-342-4671 if you will be attending either meeting. I look forward to seeing you there.

7296 Highway 281 • Edgeley, ND 58433-9503 • (701) 493-2281 • Fax: (701) 493-2454
14051 Highway 13 • Milnor, ND 58060 • (701) 427-5242 • Fax: (701) 427-5244
Toll Free: 1-800-342-4671 • E-Mail: www.dvec@dakotavalley.com

A Touchstone Energy® Cooperative



A Message from the General Manager

During this last month, the Dakota Valley's board rate committee met to review study information relating to unifying the cooperative's general service electrical rates. Much more work remains in order to complete rate unification by the end of the year. As this rate work proceeds, however, I want to keep you updated on the direction of rate discussions.

Rate unification is the process of bringing together the old James Valley and old RSR electric rates so that each member rate category has the same rate all across the Dakota Valley system. This has been accomplished for some of the rates, most notably the electric heat and dual heat rates. The main rates of the cooperative, including the general service single-phase and three-phase rates, still remain to be unified.

Again, it is important to emphasize that the cooperative remains committed to the goal of overall revenue neutrality. That is, any increase that occurs with one member because of a rate structure change will be offset by similar decreases with other members. Additionally, as a related goal, the cooperative is striving to minimize the size of these changes -- whether up or down -- that may take place among members.

As expected, minimizing the cost shifts among members is the biggest challenge in unifying the rates. Primarily, this is because each member -- each rate payer -- has an electrical usage pattern that is unique in terms of how much energy is used and when it is used. Within the cooperative, for example, the single-phase general service rate category has members that use only a few kilowatt-hours each month, while other members within the same rate category use thousands of kilowatt-hours. To illustrate, a rate adjustment that effects the basic service charge will have less of an impact on the large user, and more of an impact on the smaller user. On the other hand, a rate adjustment that focuses on the excess energy rate will have more of an impact on the large user.

An important reference point for the rate committee during their discussions is the cost of service study. This type of study analyses the cost components involved in providing service to each rate category and addresses how much revenue should be received from each rate charge. As the rate committee compares the different rates presently in place, it strives to make adjustments that remain consistent with the cost of service study.

Information compiled for the rate committee showed that the present single-phase general service rates -- former rates from James Valley and from RSR -- are close in terms of the revenue amount that each derives from the average member. Nevertheless, one of the rates has a higher basic service charge and an offsetting lower excess energy rate than the other rate that is in place. The rate committee has asked that further data be developed to show which of these two rates will best minimize the

shifts among all the members in the single-phase rate category, and whether a rate somewhere between these two existing rates will better serve this purpose.

Another single-phase rate presently in place includes a demand charge component when the load exceeds a specific kilowatt level during the month. The Dakota Valley board has clearly heard that the present single-phase demand arrangement is not regarded by the members as an equitable rate structure. The rate committee has directed management to refine information showing the impact to larger users of eliminating the demand component for the single-phase category.

As this single-phase rate information is further developed, it will be brought back to the rate committee for discussion and preparation of a rate recommendations to the full board. The Dakota Valley rate committee also is continuing work on adjustments that will be necessary to unify three-phase rates, irrigation rates, large commercial rates and controlled generator rates. Information on all these rates will be highlighted on these pages and in other ways over the coming months.

**Testimony of Bruce R Carlson
Manager of Verendrye Electric Cooperative
To the House Industry, Business and Labor Committee
House Bill 1387**

February 6, 2001

Mr. Chairman and members of the committee, my name is Bruce Carlson, General Manager of Verendrye Electric Cooperative, headquartered in Velva, North Dakota. Verendrye provides electrical service to nearly 10,000 meters in parts of six counties. A nine-member board of directors, elected from the membership, currently governs our business. These nine directors set rates and policies for the cooperative. Currently one of our directors rents his land to our largest irrigator.

As part of this 10,000-meter customer base, we also provide service to 50 center irrigation pivots. Most of these pivots are supplied with water using an electric pump ranging from 50 hp to 250 hp in size. All of them are served on our three-phase rate schedule. This schedule is the same rate that serves our three phase grain dryers. We do offer an off-peak option to this rate schedule, if a member is willing to have service to his pump interrupted during peak demand periods. The off-peak option is not used very often. Since we are billed on a monthly peaking rate from our power suppliers, customers that utilize the off-peak option are required to be controlled monthly. Potatoes are the primary crop of our irrigation customers and they require lots of water, making it almost impossible to go on a controlled rate during this crop rotation.

One Verendrye Electric customer owns 75% of our irrigation systems. Over the past five years, this customer has been changing from diesel engines to electric pumps, which he says are more dependable and cost effective than diesel. This partner also likes the fact that Verendrye's irrigation rate has not increased since 1985. We have not had a single

irrigation rate or service complaint in the years that I have been manager of Verendrye Electric. In fact, as part of our \$450,000 year-end refund to our members, VEC refunded over \$6,000 to our irrigation customers. Several of our irrigation customers have served on our member advisory board and most of them regularly attend our annual meeting in June. There obviously is not a cry for Public Service Commission control of VEC's irrigation rates and services.

I encourage a "do not pass" recommendation on HB 1387 and ask you to leave control of Verendrye's irrigation accounts under the leadership of the cooperative's board of directors.

KIP FARMS GROWS...

POTATOES ON THE PRAIRIE



KIP Farms partners include (left to right) Rod Holth, Rich Johnson and Mike Suda of Grafton and Bob Knorr, Sawyer.

by Candi Helseth

This region has long been thought of as wheat and barley country. But just north of Karlsruhe, KIP Farms is proving that potatoes are a viable, profitable product.

Now in its 12th year, KIP Farms produces 110 million pounds of potatoes each year, employing about 60 people during peak harvest periods. During the peak, 110 to 120 semitrailers loaded with potatoes leave KIP Farms on a daily basis. KIP produces two types of potatoes—the russet and shepardy—on 42 quarters of land fed by 36 irrigation systems.

KIP is an acronym for Karlsruhe Irrigation Project, an irrigation venture that required Verendrye Electric Cooperative to provide three-phase electrical power to a remote area of North Dakota. KIP's irrigation system is electrically based, and 23 of the 27 wells that pump the water are electric. Rod Holth, one of five partners in the KIP enterprise, says "electric pumps have less maintenance and can be automated much better than the traditional diesel engine pump. Besides, Verendrye's irrigation rate is the same as it was in 1985, making electric pumps more cost-effective than diesel."

"You don't find much of that three-phase electricity anywhere in North Dakota, but Verendrye has proven they can meet our needs and they've been really good to work with," Holth said. "They also really worked cooperatively with us in the beginning to make this all come together."

And KIP Farms has definitely "come together." The arrangement would be a sweetheart deal from the perspective of most farmers. KIP potatoes are contracted in advance at a predetermined price. While AVIKO USA in Jamestown buys some of the product, most of it goes to Simplot, one of the two largest processors of frozen potato products in the United States.

"Eighty-eight percent of our market is food service," explained Holth. "Almost everything

we produce is used in frozen food products such as french fries, hash browns and tator tots. Simplot's and AVIKO's biggest customers are McDonald's, Wendy's, Hardee's and Burger King."

Feeding the forces

Feeding the french fry needs of the American population is a big job. KIP has grown to meet the demands of the industry as well as the challenge of producing potatoes in a rural market.

About four years ago, the five partners built two large buildings on the main grounds. One consists of offices and living quarters for the partners and a commercial kitchen and dining room that can feed up to 100 people. The second building has 12 bathrooms and space for 44 employees to sleep. KIP staff feed all the workers. Both buildings are heated with electric heat on Verendrye's electric heat rate. Four 120-gallon super-insulated electric water heaters provide hot water to the 12 bathrooms. Verendrye's off-peak rate means additional savings.

"We have migrant workers and truckers who essentially live here during the season and there wasn't enough housing in the area," said Holth. "At any one time, at least three and often all of us partners are also here. We also do a lot of entertaining in here (the office). We've had people here from all over the United States, as well as Europe, looking us over. We're still kind of a spectator sport in this area of the country. We give a lot of tours."



The August potato harvest was just under way in this photo. Large trucks deliver dug potatoes for workers to remove foreign materials before the spuds are elevated to a semi which either hauls them to market or to the KIP warehouse for storage.

Bringing together the brains

Sawyer area farmer Bob Knorr, who also owns a chili pepper farm in Arizona, custom farmed the property for four years before he and Holth teamed up with potato growers Paul and Mike Suda, and former potato grower Rick Johnston, all of Grafton, to form KIP Farms.

"This land is sandy soil, which is good for potatoes," explained Holth. "We also have lots of water because we sit on top of the New Rockford aquifer here. We go down only 15 to 30 feet to hit water."

The partners personally handle the irrigation systems and are working managers whose hands get just as dirty as their employees' hands. But each of them also brings a special talent to the business. Holth, with his banking background, handles finances and accounting. Johnston, who owns a computer business, oversees the numerous computer programs that are used to track yields, crops and other data. Johnston even wrote a software program that has been purchased by other potato growers.

Because potatoes must be rotated every third year, Knorr plans and manages the rotation crop farming and secondary crops that are planted. The Sudas, as well as Johnston, are experts in the day-to-day operation of growing good potatoes and getting them to market.

Taking the product to market

Equipment and manpower are both essential to getting the job done. In the spring, migrant workers and area employees do the planting. The migrant workers move to the Red River Valley for sugar beet growing season, then return for potato harvest, which began in August and will continue through October.

Windrowers and harvesters are used to pick up the potatoes in the field and transport them into a truck. During peak season, the windrowers and harvesters are handling up to 28 rows of pota-



Rod Holth stands in front of worker housing (left) and the office building, both constructed recently by the KIP Farms partners.

atoes simultaneously. Workers clean dirt and foreign materials from the potatoes by hand as the potatoes are funneled out of the truck, and then carried up a belt where they are dumped into the semitrailer.

*Verendrye has proven
they can meet our needs
and they've been really
good to work with.
They also really worked
cooperatively with us in
the beginning to make
this all come together.'*

—Rod Holth

Semitrucks transport most of the potatoes to Grand Forks. KIP also has potato warehouses for storage in Karlsruhe. The large potato warehouses are heated and cooled on Verendrye's off-peak crop conditioning rate. Some potatoes are stored at AVIKO, a Dutch-owned cooperative in Jamestown.

Computerization is an integral component in their success, said Holth. Their potato warehouses are computerized to maintain the correct temperature, computers are used for finances and accounting and computer data tracks all the crops.

"If we have a bin of potatoes that is breaking down, we can check our program and know exactly what field those potatoes came from and what was done to them," said Holth.

For years, eastern North Dakota was considered the state's only potato-growing country. Now the example of KIP Farms as one of the area's first potato producers has led other farmers into the potato market, and potatoes are gaining stature as a profitable alternative to wheat and barley.

TO: Industry, Business and Labor Committee
North Dakota House of Representatives

FROM: William Thompson
Eastern Dakota Irrigation District

DATE: February 6, 2001

SUBJECT: Support of House Bill 1387

Mr. Chairman, Members of the Committee;

My name is William Thompson. I am a member of the Eastern Dakota Irrigation District and have been involved with irrigation for about 20 years.

I support House Bill 1387 because it would put the rural electric cooperatives under the same jurisdiction as public utilities with respect to irrigation electric rates and services. This may require the rural electric co-ops to explain and justify their service charges and rates to the public service commission. This is very important because irrigators are a minority group within a rural electric co-op.

Some areas of concern with rural electric co-ops are as follows:

1. The percentage of investment recovery costs and the horsepower charge - These are annual minimum hookup charges with no credit towards annual energy use and with no expiration date.
2. Load control for irrigation - The year 2000 had control periods from approximately 11:00 am to 11:00 pm during early August [6 out of 7 consecutive days]. Irrigation systems had to be shut down and not be restarted until near midnight or the customer would incur an expensive demand charge. This was not a reasonable schedule for irrigation.
3. Lack of communication - During 2000 the demand charge was not determined until after the irrigation season. I am also concerned that rural electric co-ops will not disclose the length of time required to recover costs of services that were installed 20 years ago. They are still charging minimums in addition to energy use on these systems.

Thank you for your time and consideration.

TO: Industry, Business and Labor Committee
North Dakota House of Representatives

FROM: Larry Wilcox
Eastern Dakota Irrigation District Board Member
Ayr, North Dakota

DATE: February 6, 2001

SUBJECT: House Bill 1387

I am an irrigator in the Ayr, North Dakota area. I would like to relate to you my experiences with irrigation electricity. There seems to be a misunderstanding between the regional supplier and local cooperative resulting in the irrigator taking the loss.

Last year I paid my horsepower charges (for an investment that has already been paid for) and electrical charges; however, it wasn't feasible for me to irrigate during eight days of off-peak, which were supposed to be three days as stated by local cooperative employees. This indecision resulted in substantial yield losses even with the investment of irrigation equipment and electricity.

I have always supported cooperatives; however, I think it is time for the Public Service Commission to regulate electrical irrigation rates.

I urge a do pass for House Bill 1387.

Thank you.

Thompson, Ralph T.

To: Industry, Business and Labor Commission

From: Cleo Thompson

Re: Support of House Bill 1387

I am a farm wife, and I help out during harvest by operating a combine. This past summer, our irrigation electrical provider put us on load control-which meant that someone(you can guess who), had to monitor the alarm, call and let Ralph know there was going to be load control and the systems would need to be shut off. This happened not only when it was hot here, but when it was hot somewhere else in the country.

This did not help our quality of life, and was most inconvenient for us, but worse than that was the danger my husband was in by having to start up irrigators after dark when he was tired and it was very late. (They aren't just push button starters, and remember this is electricity and water).

Our irrigators are supplemental, there is no way they can put enough water on a crop when they have to be shut off half a day, and we use the same wells to water more than one quarter.

We ask your consideration for putting us under the jurisdiction of the Public Service Commission.

Thank you

Cleo Thompson

Douglas Bower
RR 1 Box 78
Page ND 58064

North Dakota House of Representatives
Industry, Business and Labor Commission

In Support of House Bill 1387

I have been irrigating for over 25 years using power from Cass County Electric and have had good service. However, I can see our co-operative becoming less and less rural and more and more of a city utility. If all they are concerned about is easy profits, they aren't doing what a rural electric co-operative was designed to do. It was my understanding that the rural co-operatives were started to provide service to areas that could not otherwise afford it or did not have access to it.

Irrigation accounts should be treated fairly and equally across the entire State of North Dakota.

Respectfully,

Douglas Bower

Douglas Bower

Randal and Michelle Thompson
14159 20th St SE
Page ND 58064

North Dakota House of Representatives
Industry, Business and Labor Commission

In Support of House Bill 1387

Last summer, 2000, Cass County Electric, told us we would have shut our irrigation systems down during peak electrical periods or we would have to pay a demand charge. They weren't sure what the demand charge would be, but their first estimates were so high there was no way we could afford to run through the demand periods. We were told we had to purchase an alarm for \$250 to signal when these off-peak periods occurred.

What we've learned from one summer of off-peak irrigation is that it doesn't work. It's not possible for us to keep up to the crop water use if we have to shut down every-time the air-conditioners are peaking electrical use.

I see our electric co-operative selling power at extremely low rates, and in some cases, with special provisions to Fargo customers only because they have competition in Fargo. If Cass Electric has no competition and no regulation, what will determine our rates.

When Cass Electric needed summer load, they encouraged irrigation. Now that they have more attractive sales and we have made our \$500/acre commitment, they would charge what they like. What should we do?

Respectfully,

Randal Thompson

Randy and Michelle Thompson

DATE: February 12, 2001

TO: ND House of Representatives, Industrial, Business, and Labor Committee

FROM: Loren DeWitz
3855 34th Street SE
Tappen, ND 58487
Phone: (701) 327-9310



RE: HB1387

Chairman Berg and IBL Committee Members:

I am opposed to HB1387 because it will cost our co-ops and irrigators a lot of time, effort and money to present our information to the Public Service Commission.

I was reluctant to testify during the hearing on this bill last week as area irrigators and our co-ops were in the middle of annual winter informational meetings. Since the conclusion of those meetings, I have visited with several area irrigators, in both KEM Electric Co-op and Northern Plains Electric Co-op, to get their input. Everyone that I visited with said they would like cheaper power, but feel that we now have a good working relationship with our co-ops. Any change should not be made without a lot more input from irrigators all across the state.

We in KEM Electric Co-op have a lot of empathy for the members of Cass County Electric as we went through the same situation, with lack of communications and distrust, in the late 70's and early 80's. We spent about six years working to change the co-op Board of Directors and the general attitude toward irrigation. Our efforts were successful, as we now have an annual meeting with all irrigators, and a committee of four irrigators who meet quarterly with the co-op Board of Directors. The Irrigation Committee and annual meetings have given both the co-op and irrigators a better understanding of each other's needs and problems.

KEM Electric Co-op now offers electricity to irrigators priced at three different levels:

- (1) Total control – where the co-op controls power supply whenever they reach a preset demand peak;
- (2) Time control – where irrigation systems are on 48 hours and off 24 hours on an annually predetermined scheduled;
- (3) Non-controlled.

Irrigators must opt for one of these rate structures prior to the start of the irrigation season to allow the co-op time to develop the schedule for the timed control rate. For further explanation of these rates, see the attachment.

Northern Plains Electric Co-op has a much smaller irrigation load and offers only the total control and non-controlled rates.

Again, we feel that we have a workable program with our electric co-ops and are opposed to HB1387.

KEM Electric Co-op Irrigation Power Costs

Power Charges consist of there components:

1. A meter charge which is charged every month regardless of electric use. This charge is \$35 plus \$1.50 times the highest KW demand during the previous season.
 For a 50 KW demand – $\$35 + (\$1.50 \times 50) = \$110/\text{month}$
 For a 100 KW demand – $\$35 + (\$1.50 \times 100) = \$185/\text{month}$
 This meter charge is charged on all three rate structures 12 months a year.
2. KW charge for electricity used at a rate of 3.65¢ per KW. This rate is the same for all three rate structures.
3. A KW demand charge this charge is computed from the highest demand during that month and charged only that month.
 Total control rate is \$0.
 Time control rate is \$2.00 per KW demand.
 Non-control rate is \$10.00 per KW demand.

The following table shows both a 50 KW and 100 KW demand under each of the rate structures assuming that they all operated 300 hours that month.

50 KW	Monthly Meter Charge	Electricity Charge	Demand Charge	Total
Total Control	\$110	\$547.50	-0-	\$657.50
Time Control	\$110	\$547.50	\$100.00	\$757.50
Non-Control	\$110	\$547.50	\$500.00	\$1157.50

100 KW	Monthly Meter Charge	Electricity Charge	Demand Charge	Total
Total Control	\$185.00	\$1095.00	-0-	\$1280.00
Time Control	\$185.00	\$1095.00	\$200.00	\$1480.00
Non-Control	\$185.00	\$1095.00	\$1000.00	\$2280.00

Of the 143 accounts on the Tappen and Steele substations in 2000,

- 20 were on total control,
- 85 were on time control, and
- 38 were on non-control.

Time Control is popular because it allows the irrigator to know exactly when he will have power for the entire season and the co-op can reduce its load by 33% through scheduling.

Eastern Dakota Irrigation District14221 19" SI SE
Page, ND 58064-9783**FACSIMILE TRANSMITTAL**

Date and Time:	Tuesday, February 13, 2001 6:56 AM
To:	Representative Bill Pletsch
Company:	Industry, Business and Labor Committee North Dakota House of Representatives
Fax No.:	701-328-1271
From:	Robert Thompson
Company:	Eastern Dakota Irrigation District
Phone No.:	701-668-2760
Fax No.:	701-668-2755
No. of Pages:	7 pages

SUBJECT: Supplemental Testimony and Exhibits
DO PASS House Bill 1387

Industry, Business and Labor Committee
North Dakota House of Representatives

FROM: Robert Thompson, President
Eastern Dakota Irrigation District

DATE: February 6, 2001

SUBJECT: Support of House Bill 1387
Supplemental Testimony and Exhibits

The State of North Dakota provides protection of its citizens through laws and regulations as established by the North Dakota Legislature. The irrigator is a minority group being discriminated against by the cooperative electrical supplier. The North Dakota Attorney General's office has recently ruled the cooperative consumer has no recourse in the North Dakota Century Code as written. We need Public Service Commission protection.

Our opposition is our employees, not other users of electricity. The board of directors of our electrical cooperatives are hearing the same nonsense dialog you heard at the hearing and we saw and heard in Kindred, Oakes, Edgeley, Page, Fargo, and Grand Forks. One irrigator, in the early 80's, lost his life in a automobile accident on his way to see a cooperative board member about his irrigation bill. The board members do not understand irrigation rates and the employees are not responsive because of their monopolistic protection given them by the North Dakota Century Code.

Our budget is \$5000, which is \$5000 more than last year. Cooperatives are spending \$6255 per page for newspaper ads telling good things about themselves.

Bill Schlossman of the Vogel law firm generally represents the cooperatives in our area and Ohnstad, Twitchell represents the regional supplier. We had to tear the telephone book apart to find legal council that had not been used by the electrical suppliers. Is this the intent of the North Dakota Century Code?

We are the strongest electrical cooperative members in the state of North Dakota. Irrigation was given to the cooperatives because of this strong alliance. At the present time, the cooperatives are using us and we have no means of receiving a fair rate.

House Bill 1387 provides for equitable rates and a process for negotiating transmission rates when North Dakota receives its fair share of federal hydropower. The cooperatives do not have the desire or capabilities of negotiating a fair rate for irrigation. The federal government pays the transmission rate of 2 1/4 cents per kwh for 1/4 cent kwh project pumping power, up from the 1 cent transmission rate earlier (2 3/4 cent/kwh total cost no demand or off-peak). The state board of directors of electrical cooperatives bit on this hook line and sinker; however, rejected our offer of the firm rate of federal hydropower at 1.45 cents/kwh (no demand or off-peak) (pays the cost of federal project pumping power) plus a negotiated transmission rate with the cooperative. The 2 1/4 cent/kwh transmission rate was okay from the federal government; however, the electrical cooperative would not negotiate with the irrigator.

This stonewalling by employees of electrical cooperatives has been a problem for 25 years. It's time to correct the problem. We need a do pass on HB 1387.

The Cost of Service Study presented by Dave Stende of Eide Helmeke has never been presented to the irrigators of the area of study. Upon review of information presented to the House IBL committee, it is obvious that the accountants were told what to put in the study. The \$79.60 monthly fixed charge must be what they collect from the irrigator, not what the fixed costs are. Irrigators have already paid the fixed costs.

Nodak Electric Cooperative charges a fixed cost of \$22 per month. A \$22 a month fixed cost, subtracted from \$79.60, would provide and does provide \$125,143 to subsidize other users of cooperative power from the irrigator's fixed costs. The \$1,473,792. investment amounts to the total cost of putting in irrigation service beyond the original 3 phase line constructed in the 40's (191 times \$7716.19). Since this has been paid by the irrigators, the total used to subsidize the other users reaches \$171,594 or 100% earnings of plant investment. You must remember plant investment in 1998 was at record high because of the ice storm in spring 1997; whereas, completely new 3 phase lines were constructed in eastern Cass county where 3 phase service is seldom used. The Barnes county underground system has resulted in high maintenance in that area. Our original lines (we call them baling wire lines) have more 3 phase connections than single phase resulting in a very efficient electrical service system.

Most irrigation areas are very low cost maintenance because electricity is used during times of the year when the ground isn't frozen, temperatures are warm, seasonal service, not used during inclement weather, and customers are somewhat experienced in electricity. Meters are read once a year contrary to commercial accounts where they are read by the cooperative 12 times a year. Irrigators are in complete disbelief when cooperative employees talk about irrigation fixed costs.

The cooperatives like to talk about the \$50 payback to a few irrigators, but, they fail to mention the \$50 surcharge on all meters last year.

The off-peak program of 2000 was a complete disaster. The rules changed nearly every day. The farm off-peak was supposed to be the same signal as the irrigation signal. Most of the aquifer was shut down one day before the cooperative told us they changed their mind. They weren't going to shut down on weekends, but, shut down twice on the same Saturday. The cooperative stated off-peak would be three to four times in the summer; however, one day in July, Aug. 8-9-10-11-12-14-23 were off-peak days. The irrigator lost crop and lost trust in the cooperative. The insult on top of injury was the complaint by the cooperative that we did not use as much electricity because of the off-peak.

In November 2000, EDID asked CCEC for their 2001 irrigation rates. The response was; December, January 15, January 29, February 12, February 28, and so on. If this isn't stonewalling, what is.

Farming is a purely competitive industry buying and selling products through monopolies at prices beyond their control. Electrical cooperatives are using the North Dakota Century Code in exercising its monopolistic powers in dictating their rates. The minority irrigator is once again at the mercy of set rates with no reasonable access to provide input.

During the water convention last December, we visited with an irrigator from Griggs County who had decided to not irrigate last year and next year because of high electrical costs. This situation is happening in isolated areas of North Dakota. It is a downright shame that the cooperatives have not worked with the irrigators.

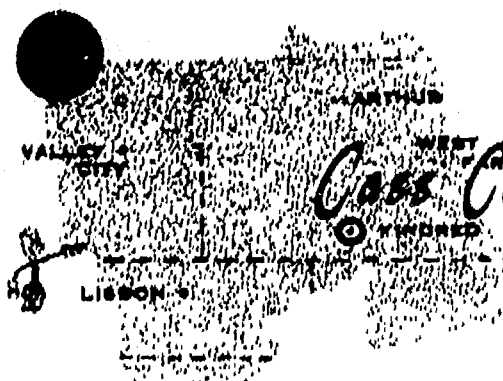
Electric Rate Comparison

40,000 kwh power	2000 rates	100 horsepower pump
Cass County Electric Coop.		
\$12/horsepower	1200.00	
demand (off 50% of off-peak)(\$24/kw)	1044.00	
40,000 kwh @ 3.70 cents/kwh	1480.00	\$3724.00
Otter Tail Power Co.(no off-peak or demand)		
Horsepower .29*Hp*5months@100Hp	145.00	
Investment paid @ installation instead of over time.		
40,000 kwh @ 3.912 cents/kw .		\$1709.80
Nodak Electric Coop.(no off-peak or demand)		
\$22/month	264.00	
40,000 kwh @ 5.5 cents/kwh	2200.00	\$2464.00
Nodak Electric Coop (Sheyenne Valley Electric)		
\$12/horsepower	1200.00	
demand (off 50% of off-peak)(\$24/kw)	1044.00	
40,000 kwh @ 4.70 cents/kwh	1880.00	\$4124.00

40,000 kwh power	2001. proposed rates	100 horsepower pump
Cass County Electric Coop.		
\$12/horsepower	1200.00	
demand \$30/kw (\$36/kw in 2002)	2610.00	
34,000 kwh @ 3.70 cents/kwh	1258.00	
6000 kwh @ 16.7 cents/kwh	1002.00	\$6070.00
Otter Tail Power Co.(no off-peak or demand)		
Horsepower .29*Hp*5months@100Hp	145.00	
Investment paid @ installation instead of over time.		
40,000 kwh @ 3.912 cents/kw .	1564.80	\$1709.80
Nodak Electric Coop.(no off-peak or demand)		
\$22/month	264.00	
40,000 kwh @ 5.5 cents/kwh	2200.00	\$2464.00
Nodak Electric Coop (Sheyenne Valley Electric)		
\$12/horsepower	1200.00	
demand \$30/kw (\$36/kw in 2002)	2610.00	
34,000 kwh @ 4.70 cents/kwh	1598.00	
6,000 kwh @ 17.7 cents/kwh	1062.00	\$6470.00

Reasons the Public Service Commission must regulate irrigation electrical rates.

1. The SVEC rate of Nodak is nearly 4 times the Otter Tail Power rate.
2. The SVEC rate of Nodak is over 2 1/2 times higher than the standard Nodak rate used within the same cooperative district.
3. Cass Co Elect costs over 3 1/2 times Otter Tail Power.



Cass County Electric Cooperative, Inc.

PHONE 428-3292

KINDRED, NORTH DAKOTA 58051

Box 676

West Fargo, North Dakota 58078

282-4127

October 12, 1976

Robert G. Thompson
Page, ND 58064

A/C 40-14B

Dear Mr. Thompson:

Enclosed you will find agreement for electric service, application for service and right-of-way easement that we would like signed and returned as soon as you receive your water permit. We have checked each form where we would like your signature.

You will note that your annual minimum will be \$600. We bill you this amount in the spring of the year. In the fall we read the meter and bill you for all the K. W. H. used at 1¢ per K. W. H.

If you have any further questions, please advise.

Sincerely,

Leonard Kirkhoff
Manager of Public & Member Relations

LK:he

Enc.

COST ESTIMATE

10-11-16

CASS COUNTY ELECTRIC COOPERATIVE INC.

PORT THOMPSON

A/C 40-14B

PAGE, N. DAK.

N.W. 11- RICH.

Preliminary Engineering

New Right Of Way

Labor Cost:

Construction

Removal

Overhead Construction Costs

Material Used: 1320 FT. EXTENSION

Q'ty.	Description	Unit Cost	
3960 FT.	1/0 U. R. D. CABLE	.60/FT.	2376.
1	75 K. V. A. TRANSFORMER		2074
1	TRANSFORMER PAD		156
1	METERING SET UP		300

Miscellaneous Materials

70171-1-16

#4906

Materials Recovered:

Q'ty.	Description	Unit Cost	
	#4906 X 1200 =	\$589	
	75 H.P. X 8' = 600 - MINIMUM		

Equipment Expense:

Miscellaneous Expense:

TOTAL

Total Cost	Year 1	Electrical Costs									
		2	3	4	5	6	7	8	9	10	11
\$ 1,000.00	\$ 930.00	\$ 860.00	\$ 780.20	\$ 694.81	\$ 603.45	\$ 505.89	\$ 401.09	\$ 289.17	\$ 169.41	\$ 41.27	\$ (86.96)
\$ 0.07	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00
Interest	\$ 70.00	\$ 60.20	\$ 54.61	\$ 48.84	\$ 42.24	\$ 35.40	\$ 28.06	\$ 20.24	\$ 11.80	\$ 2.89	\$ (8.71)
Principal	\$ 70.00	\$ 79.80	\$ 86.39	\$ 91.36	\$ 97.76	\$ 104.60	\$ 111.92	\$ 119.76	\$ 128.14	\$ 137.11	\$ 146.71

The cooperative interest rate is 7%.

It takes 9.295 years to amortize 14% investment costs of transformer, cable, and metering.

It takes 4 to 9.295 years to amortize \$12/horsepower costs of transformer, cable, and metering.

There is absolutely no reason for this charge after 10 years of service.

Some early systems had an investment charge of 12% however, the horsepower charge was generally higher.