

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1435

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Yolanda Rickford  
Operator's Signature

10/16/03  
Date

2003 HOUSE NATURAL RESOURCES

HB 1435

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10/6/03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1435

House Natural Resources Committee

Conference Committee

Hearing Date February 7, 2003

Tape Number	Side A	Side B	Meter #
3	xx		1,875-end
3		xx	0-338
Committee Clerk Signature <i>Gia Myers</i>			

Minutes:

**Chair Nelson** called the hearing on HB 1435 an act to provide a renewable energy production incentive; and to provide an appropriation to order.

**Rep. Severson:** Introduced HB 1435. Referred questions to other sponsors.

**Rep. Monson:** Referred most questions to other experts.

**Rep. Kelsh:** (See Attached Testimony labeled 9a) Testified as to the importance of creating a wind energy program that keeps the profits in state.

**Rep. Solberg:** This is only directed at privately owned.

**Rep. Kelsh:** This is limited to local landowners under 2 kW.

**Rep. Solberg:** Would that affect co-ops?

**Rep. Kelsh:** The large wind energy producers mostly from out of state. This is designed for smaller operators with ownership in North Dakota.

**Rep. Solberg:** Would this amendment change the intent of the bill?

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*Jo Costa Richardson*  
Operator's Signature

*10/16/03*  
Date

Page 2  
House Natural Resources Committee  
Bill/Resolution Number 1435  
Hearing Date February 7, 2003

**Jay Haley:** Architect. Testified in favor of HB 1435. This bill is a seed pouring exercise.

**Chair Nelson:** Is there any difficulty plugging this into the grid.

**Jay Haley:** Transmission is definitely an issue for power generation in North Dakota. They have to request from the local utility. They have to pay any costs of studies of putting the electricity into the grid. They would have to live up to the requirements of the utility company.

**Chair Nelson:** How does this work in practice?

**Jay Haley:** This is happening all over the country today.

**Rep. Solberg:** Are they required to accept this power?

**Jay Haley:** If they can meet the requirements they have the right to put the power on the line and the local utility has to receive it from the qualifying facility.

**Rep. Keiser:** It seems to me with all of the requirements on these producers we may have to this on larger scale than one single operator. What are the problems we run into with transmission and over capacity on the local utility.

**Jay Haley:** These are 2 mw size or less. You see this in other parts of the country. This can be beneficial because there is generation on the end. This small distributed generation type of an application and Edgely and Ellendale. That is an entirely different effect on the grid.

**Rep. Keiser:** What is the typical cost of the study?

**Jay Haley:** It is hard to say because this has not been standardized yet in the country. There has been an attempt to. It is within the financial feasibility of the project where there is some standardized project.

Page 3  
House Natural Resources Committee  
Bill/Resolution Number 1435  
Hearing Date February 7, 2003

**Rep. Nottestad:** The utilities are mandated to take the power. Is there any responsibility to pay for updates.

**Jay Haley:** If the new generator causes problems. They are responsible for impact studies and upgrade costs. The last guy on will be responsible for upgrades.

**Rep. Solberg:** Do you have many individual investors check into the possibility of these projects?

**Jay Haley:** There has been a steady stream of interested parties.

**Rep. Solberg:** What is the cost for the equipment for one of these generator.

**Jay Haley:** About a million dollars a megawatt.

**Kathy Oz:** Xcel energy. Testified in support of HB 1435 with proposed an amendment. The bill needs to be amended so that all interested parties can participate in this program.

**Rep. Keiser:** This changes the whole ball game from the little guy to helping the big guy.

**Rep. Solberg:** How many states do you operate in?

**Kathy Oz:** 12

**Brian Kramer:** ND Farm Bureau: Testified in support of HB 1435. We are firm supporters of wind energy development. We hope you are too and will support this bill with us.

**Chair Nelson:** What do you think of the amendment?

**Brian Kramer:** Difficult to answer. We are looking at this for the impact of the landowners.

**Rep. Drovdal:** Spoke about the difficulty of finding investment capital.

**Mark Sitz:** North Dakota Farmer's Union. Testified in support of HB 1435. This is a supplemental income to remain on the land.

**Chair Nelson** closes the hearing on HB 1435.

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*J. Costa Richardson*  
Operator's Signature

10/16/03  
Date

Page 4  
House Natural Resources Committee  
Bill/Resolution Number 1435  
Hearing Date February 7, 2003

**Chair Nelson** reconvened HB 1435 for afternoon committee work.

**Chair Kelsh** moved an amendment. Secdonded by **Rep. DeKrey**.

**Rep. Drovdal**: Why remove an investment capital source?

**Rep. Kelsh**: The purpose is to encourage landowner farmer investment in a project.

**Rep. Klein**: The utilities can push out the little guys.

Amendment passes by voice vote.

**Rep. Porter**: I cannot support this bill because of the funding sources we have to use for this bill. We have to turn down other projects to make ends meet. We have a huge concern over the flat economy and the money situation. Numerous pieces of legislation in Human Services that have had less funding than 1/2 million dollars. They were good programs that have been defeated because of the budget concerns. I would otherwise support it.

**Rep. Kelsh** proposed an amendment creating a contingent that the project would have to live up to in order to receive the incentive.

Passed by voice vote.

**Rep. Klein** moved a **Do Pass with Amendment**.

**Rep. Kelsh** seconded.

The motion carried by a vote of 12-1-1. **Rep. Kelsh** will carry.

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SoCoeta Rickford  
Operator's Signature

10/16/03  
Date

**FISCAL NOTE**  
 Requested by Legislative Council  
 03/19/2003

Amendment to: HB 1435

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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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.

Engrossed HB 1435 with Senate Amendments establishes an incentive program for renewable wind energy production. The owner of a qualified wind energy conversion facility is entitled to incentive payments of one and one-half cents per kilowatt hour of electricity produced by the facility. While the total amount of incentive payments is limited to \$500,000 for the 2003-05 biennium, any incentive payment is contingent upon an increase in income tax revenues from the qualified wind energy facilities. Therefore, the net fiscal impact to the state is zero.

The Tax Department has some concerns with the confidentiality of income tax records that may be required to be certified under Section 7 of Engrossed HB 1435.

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>	03/20/2003

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*K. Costa*  
 Operator's Signature

10/16/03  
 Date

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/11/2003

Amendment to: HB 1435

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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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.

Engrossed HB 1435 establishes an incentive program for renewable wind energy production. The owner of a qualified wind energy conversion facility is entitled to incentive payments of one and one-half cents per kilowatt hour of electricity produced by the facility. While the total amount of incentive payments is limited to \$500,000 for the 2003-05 biennium, any incentive payment is contingent upon an increase in individual income tax revenues from the qualified wind energy facilities. Therefore, the net fiscal impact to the state is zero.

The Tax Department has some concerns with the confidentiality of income tax records that may be required to be certified under Section 7 of Engrossed HB 1435.

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>	02/13/2003

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*Krista Richard*  
 Operator's Signature 10/16/03  
Date



**FISCAL NOTE**  
 Requested by Legislative Council  
 01/21/2003

Bill/Resolution No.: HB 1435

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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$500,000	\$0	\$500,000	\$0
Appropriations	\$0	\$0	\$500,000	\$0	\$500,000	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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.

This bill requires incentive payments for qualifying wind generators and requires the Public Service Commission to establish and maintain a system for identifying and paying those who qualify for the incentive payments.

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.

No revenues are expected.

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.

Expenditures are expected to equal the appropriated amount.

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 bill includes a \$500,000 appropriation for the 2003-2005 biennium. We assume the same appropriation for the 2005-2007 biennium.

Name:	Ilona A. Jeffcoat-Sacco	Agency:	PSC
Phone Number:	328-2407	Date Prepared:	01/29/2003

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*Ilona A. Jeffcoat-Sacco*  
 Operator's Signature

10/16/03  
 Date

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1435

Page 1, after line 13, insert:

d. Owned by an electric public utility defined at section 49-03-01.5;

Page 1, line 14, replace "d" with "e."

Page 1, line 15, replace "e" with "f"

Renumber accordingly

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Yolanda Richardson  
Operator's Signature

10/16/03  
Date

30538.0201  
Title.

Prepared by the Legislative Council staff for  
Representative S. Kelsh  
February 7, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1435

Page 5, line 8, after the second boldfaced period insert:

"1."

Page 5, after line 12, insert:

- "2. The appropriation provided in subsection 1 is contingent upon an increase in income tax revenues to the state from qualified wind energy conversion facilities in an amount sufficient to fund the appropriation. The tax commissioner shall certify to the state treasurer the amount of income tax revenue deposited in the state general fund from qualified wind energy facilities at least annually, beginning May 1, 2004. The state treasurer may not release more state general fund moneys than the amounts certified by the tax commissioner under this subsection during the 2003-05 biennium or the amount appropriated by subsection 1, whichever is less."

Renumber accordingly

Page No. 1

30538.0201

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John Costa Richardson  
Operator's Signature

10/16/03  
Date

Date: 2/7/03  
Roll Call Vote #:

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1935

House House Natural Resources Committee

Check here for Conference Committee

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

Action Taken Do Pass with Amended recessed

Motion Made By Klein Seconded By Hanson

Representatives	Yes	No	Representatives	Yes	No
Chairman Jon O. Nelson					
Vice-Chairman Todd Porter					
Rep. Byron Clark					
Rep. Duane DeKrey					
Rep. David Drovdal					
Rep. Lyle Hanson					
Rep. Bob Hunskor					
Rep. Dennis Johnson					
Rep. George Keiser					
Rep. Scott Kelsh					
Rep. Frank Klein					
Rep. Mike Norland					
Rep. Darrell Nottestad					
Rep. Dorvan Solberg					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

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Loiseta Rickford 10/6/03  
Operator's Signature Date

Date: 2/7/03  
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1435

House House Natural Resources Committee

Check here for Conference Committee

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

Action Taken Do Pass with Amendments

Motion Made By Klein Seconded By Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Jon O. Nelson	✓				
Vice-Chairman Todd Porter	✓				
Rep. Byron Clark	✓				
Rep. Duane DeKrey	✓				
Rep. David Drovdal	✓				
Rep. Lyle Hanson	✓				
Rep. Bob Hunsakor	✓				
Rep. Dennis Johnson	✓				
Rep. George Keiser		✓			
Rep. Scott Kelsh	✓				
Rep. Frank Klein	✓				
Rep. Mike Norland	✓				
Rep. Darrell Nottestad	✓				
Rep. Dorvan Solberg	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Kelsh

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

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To Costa Rickford 10/6/03  
Operator's Signature Date

**REPORT OF STANDING COMMITTEE (410)**  
February 10, 2003 8:36 a.m.

Module No: HR-25-2073  
Carrier: S. Kelsh  
Insert LC: 30538.0202 Title: .0300

**REPORT OF STANDING COMMITTEE**

**HB 1435: Natural Resources Committee (Rep. Nelson, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HB 1435 was placed on the Sixth order on the calendar.**

Page 1, line 14, remove "d. Owned by a municipal utility or cooperative electric association;"

Page 1, line 15, replace "e." with "d."

Page 5, line 8, after the second boldfaced period Insert:

"1."

Page 5, after line 12, insert:

"2. The appropriation provided in subsection 1 is contingent upon an increase in income tax revenues to the state from qualified wind energy conversion facilities in an amount sufficient to fund the appropriation. The tax commissioner shall certify to the state treasurer the amount of income tax revenue deposited in the state general fund from qualified wind energy facilities at least annually, beginning May 1, 2004. The state treasurer may not release more state general fund moneys than the amounts certified by the tax commissioner under this subsection during the 2003-05 biennium or the amount appropriated by subsection 1, whichever is less."

Renumber accordingly

2003 SENATE NATURAL RESOURCES

HB 1435

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La Costa Rickford  
Operator's Signature

10/16/03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1435

Senate Natural Resources Committee

Conference Committee

Hearing Date 3-7-03

Tape Number	Side A	Side B	Meter #
1	X		42.9 - end
1		X	0.0 - 3.0
Committee Clerk Signature <i>Janet James</i>			

Minutes:

**Senator Thomas Fischer**, Chairman of the Senate Natural Resources Committee opened the hearing on HB 1435 that provides a renewable energy production incentive program; and to provide an appropriation.

All members of the committee were present.

**Representative Dale Severson** of District 23 cosponsor of HB 1435 introduced the bill stating it deals with tax incentives for wind development as wind is the best natural resource in the state.

The PSC has questioned the list on Page 2 which has required two lists, a first list and a secondary list which is patterned after Minnesota law. An amendment will take out the second list that is not needed in North Dakota.

**Representative David Monson** of District 10 cosponsor of HB 1435 stated he agreed with Rep. Severson.

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*Volcosta Rickford*  
Operator's Signature

*10/16/03*  
Date



Page 2  
Senate Natural Resources Committee  
Bill/Resolution Number HB 1435  
Hearing Date 3-7-03

**Representative Scott Kelsch** of District 11 cosponsor of HB 1435 stated the bill is a replication of Minnesota state law that provides for farmers, ranchers, rural land owners, non profit organizations, tribes or political sub divisions to own their own utility scale wind turbine. The bill grants a ½ cent per kilowatt hour generated payment for the first 10 years of the expected 25-30 year life span of the turbine. This project would have to be between 100 kilowatt and 2 megawatts in size. This bill provides for ownership guidelines as well. An amendment in the house states the appropriations part of the bill lies at such time the state will collect income tax revenue from other wind projects that have already been announced. The wind energy is asked to sustain itself and pay for its own incentives when it comes to farmers and ranchers. He made it clear this does not apply to those who sell the power. The turbine owners must secure their own power purchase agreement and transmission access. The facility must be in operation before it qualifies for this incentive.

**Jay Haley** representing the Wind Energy Council testified in support of HB 1435 stating this bill will help simulate wind energy development and help allow small projects owned by one or two ranchers financially feasible.

**Terry Schaunaman** representing the Dakota Resources Council testified in support of HB 1435 (see attached testimony).

There was no opposing testimony on HB 1435.

**Ilona A. Jeffscoat-Sacco**, the Director of Public Utilities Division of the Public Service Commission testified in a neutral position of HB 1435 (see attached testimony). She also presented an amendment that removes the second unnecessary list (see attached).

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10/16/03  
Date

Page 3

Senate Natural Resources Committee

Bill/Resolution Number HB 1435

Hearing Date 3-7-03

Joe Becker of the North Dakota Tax Department testified on HB 1435 stated that with appropriation to the bill they became interested as to the sufficiency of funding and how it s dealt with if the funds become short.

Representative Scott Kelsch stating in talking with the Minnesota Commerce who administers the program found out that their incentive is capped by the 100 megawatt production. North Dakota does not supply continual appropriation, so it is capped by the dollar amount.

Senator Ben Tollefson Vice Chairman of the committee closed the hearing on HB 1435.

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Yolanda Richardson  
Operator's Signature

10/6/03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1435

Senate Natural Resources Committee

Conference Committee

Hearing Date 3-14-03 Discussion and Action

Tape Number	Side A	Side B	Meter #
1		X	14.1 - 17.0

Committee Clerk Signature

*Jamit Jamur*

Minutes:

**Senator Thomas Fischer** opened the discussion on HB 1435.

All members of the committee were present.

**Senator Joel Heltkamp** made a motion to accept the amendment 30538.0302.

**Senator Michael Every** second the motion.

Roll call vote #1 was taken indicating 7 YEAS, 0 NAYS AND 0 ABSENT OR NOT VOTING.

**Senator Ben Tollefson** made a motion for Do Not Pass as Amended of HB 1435.

**Senator John Traynor** second the motion.

Roll call vote # 2 was taken indicating 5 YEAS, 2 NAYS AND 0 ABSENT OR NOT VOTING.

**Senator Tollefson** will carry HB 1435.

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*Yolanda Rickford*  
Operator's Signature

*10/16/03*  
Date

30538.0302  
Title.0400

Adopted by the Natural Resources  
Committee  
March 14, 2003

*JEB*  
3-14-03

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1435

Page 2, remove lines 29 through 31

Page 3, remove lines 1 through 6

Page 3, line 7, replace "5." with "4."

Page 3, line 19, replace "6." with "5." and replace "5" with "4"

Page 3, line 25, replace "7." with "6."

Renumber accordingly

Page No. 1

30538.0302

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*Ja Costa Rickford*  
Operator's Signature

*10/16/03*  
Date

Date: 3-14-03  
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1435

Senate Senate Natural Resources Committee

Check here for Conference Committee

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

Action Taken To accept A program PSC

Motion Made By Heitkamp Seconded By Every

Senators	Yes	No	Senators	Yes	No
Senator Thomas Fischer	✓		Senator Michael A. Every	✓	
Senator Ben Tollefson	✓		Senator Joel C. Heitkamp	✓	
Senator Layton Freborg	✓				
Senator Stanley W. Lyson	✓				
Senator John T. Traynor	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment \_\_\_\_\_

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

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Salvatore Riccardi Operator's Signature 10/16/03 Date

LR

Date: 3-14-03  
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1435

Senate Senate Natural Resources Committee

Check here for Conference Committee

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

Action Taken Do Not Pass as Amended

Motion Made By Tollefson Seconded By Wagoner

Senators	Yes	No	Senators	Yes	No
Senator Thomas Fischer	✓		Senator Michael A. Every		✓
Senator Ben Tollefson	✓		Senator Joel C. Heitkamp		✓
Senator Layton Freborg	✓				
Senator Stanley W. Lyson	✓				
Senator John T. Traynor	✓				

Total (Yes) 5 No 2

Absent 0

Floor Assignment Tollefson

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

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LoCosta Rickford 10/16/03  
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)  
March 18, 2003 9:13 a.m.

Module No: SR-48-4998  
Carrier: Tollefson  
Insert LC: 30538.0302 Title: .0400

**REPORT OF STANDING COMMITTEE**  
HB 1435, as engrossed: Natural Resources Committee (Sen. Fischer, Chairman)  
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends  
**DO NOT PASS** (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed  
HB 1435 was placed on the Sixth order on the calendar.

Page 2, remove lines 29 through 31

Page 3, remove lines 1 through 6

Page 3, line 7, replace "5." with "4."

Page 3, line 19, replace "6." with "5." and replace "5" with "4"

Page 3, line 25, replace "7." with "6."

Renumber accordingly

(2) DESK, (3) COMM

Page No. 1

SR-48-4998

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Salvatore Riccardi  
Operator's Signature

10/16/03  
Date

2003 TESTIMONY

HB 1435

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Calista Rickford  
Operator's Signature

10/16/03  
Date



**Exhibit 9A**  
**600 KW Wind Turbine Electrical Generation Project**  
**Projected Annual Production 1600000 Kwh's**

Revenue	1	2	3	4	5	6	7	8	9	10	11-30
Energy Sales	\$112,000	\$112,000	\$112,000	\$112,000	\$112,000	\$112,000	\$112,000	\$112,000	\$112,000	\$112,000	\$64,000
<b>Total Revenue</b>	<b>\$112,000</b>	<b>\$112,000</b>	<b>\$112,000</b>	<b>\$112,000</b>	<b>\$112,000</b>	<b>\$112,000</b>	<b>\$112,000</b>	<b>\$112,000</b>	<b>\$112,000</b>	<b>\$112,000</b>	<b>\$64,000</b>
<b>Expenses</b>											
Insurance	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Land Rent	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
O&M	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500
Spare Parts	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Elec. Usage	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
<b>Total Oper. Exp.</b>	<b>\$11,750</b>	<b>\$11,750</b>	<b>\$11,750</b>	<b>\$11,750</b>	<b>\$11,750</b>	<b>\$11,750</b>	<b>\$11,750</b>	<b>\$11,750</b>	<b>\$11,750</b>	<b>\$11,750</b>	<b>\$11,750</b>
<b>Gross Oper. Profit</b>	<b>\$100,250</b>	<b>\$100,250</b>	<b>\$100,250</b>	<b>\$100,250</b>	<b>\$100,250</b>	<b>\$100,250</b>	<b>\$100,250</b>	<b>\$100,250</b>	<b>\$100,250</b>	<b>\$100,250</b>	<b>\$52,250</b>
Debt Service	\$86,200	\$86,200	\$86,200	\$86,200	\$86,200	\$86,200	\$86,200	\$86,200	\$86,200	\$86,200	\$0
Owners Equity Paymt.	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0
<b>Cash Flow</b>	<b>\$4,050</b>	<b>\$4,050</b>	<b>\$4,050</b>	<b>\$4,050</b>	<b>\$4,050</b>	<b>\$14,050</b>	<b>\$14,050</b>	<b>\$14,050</b>	<b>\$14,050</b>	<b>\$14,050</b>	<b>\$52,250</b>

**Assumptions**  
 \$594,000 Total Project Cost  
 Down Payment \$50,000  
 Debt - \$544,000 @ 10% for 10 years  
 Energy @ \$.07 for first 10 years and \$.04 for last 20 years = \$.05 levelized over 30 year contract  
 Wind Projects of 2 Megawatts or less are exempt from Property Tax  
 Expected production levels based on 7.5 m/s with a turbine hub height at 80 meters representing a 30% capacity factor  
 Wind Turbine Design Life of 30 Years  
 Cash flow does not consider any depreciation tax benefits, state production payments, or tax credits

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Operator's Signature

*Roberta Rickford*

10/10/83

Date

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uncertainty of exact locations, this analysis estimates that the affected counties will see an increase of between \$200,000 and \$400,000 per year in tax revenue for each 100 megawatts of development that occurs.

**Job Creation**

Construction jobs for a wind project are relatively short-term assignments during the construction phase of the development process. Construction time for a wind project is generally a year or less depending on the size of the project. For each of the 100 megawatt projects outlined in the analysis, the equivalent of 65 to 85 full-time jobs may be created during the construction phase. This number varies due to the additional transmission and distribution requirements for the different phases. Local contractors and suppliers are often used for some of the construction activities. The use of local equipment, supplies and services provided to the crew also benefit the local economy during the construction period. This analysis has concluded that during construction on each of the 100 megawatts that are developed, approximately \$1.5 million will be expended on construction materials and supplies and between \$850,000 and \$1 million will be expended on local goods and services.

The number of people employed by a wind power plant during commercial operation depends on the number of turbines and the administrative structure of the project. This analysis finds that 10 full-time operations and maintenance jobs will be created for every 100 megawatts of installed wind power capacity. The operation of a wind project results in the purchase of local goods and services in the form of construction materials, construction equipment, maintenance tools and supplies, maintenance equipment, and manpower essentials such as food, clothing, safety equipment, and other articles. Support services such as accounting, banking, and legal assistance are also required. This report estimates that approximately \$400,000 per year will be expended to the local economy from operations and maintenance for each 100 megawatts of development.

**Disbursed Generation**

Wind power projects can provide economic opportunities for local residents not only through royalty payments and jobs but also through community investment in locally-owned wind power projects that sell the electricity to a utility. Under the right circumstances, locally owned wind power projects could provide a way for local communities to gain additional economic benefits from wind energy development by retaining the return on investment and energy sales profit that might otherwise leave the area with a private developer. Wind turbines under local ownership could be located either in clusters or disbursed widely across many farms, similar to those now commonly found in parts of northern Europe. This analysis shows that, provided access to the required capital, locally owned disbursed generation can produce 25 to 150 more jobs and \$700 thousand to \$4.3 million in total value added than the Phase II scenario and can have a much larger impact on the local economy in the form of retained revenues from the local ownership of the turbines. The study provides a detailed cash flow analysis and local economic impact projections for this type of development.

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Salvatore Riccardi  
Operator's Signature

10/12/03  
Date

Testimony, House Bill 1435

Senate Natural Resources Committee

March 7, 2003

Dakota Resources Council submits this testimony in support of HB 1435, which would provide a renewable energy production incentive program and to provide an appropriation.

HB 1435 helps to fill in the gap to allow eligible wind energy generating facilities between 100 kilowatts and 2 megawatts an opportunity to receive a one and one-half cent per kilowatt-hour payment for electricity generated.

On the federal level Fiscal 2003 is the first year ever that the federal budget funded renewable energy projects in the Farm Bill. This funding is in Section 9006 in the Energy Title (Title IX) of Farm Bill, which Congress funded for five years. This section shall make low-interest loans, loan guarantees, and grants to farmers, ranchers, and rural small businesses to purchase and install renewable energy systems and make energy efficiency improvements.

Dakota Resource Council recommends this committee to keep in mind the benefits of Section 9006 in formulating HB 1435. The ability for farmers, ranchers, and landowners to be able to combine state and federal benefits in bringing more local economic development to rural North Dakota from small wind projects deserves strong consideration.

Dakota Resource Council also recommends including small wind generators with nameplate capacity under 100 kilowatts and municipal utilities into this bill. Small wind generators and municipalities will greatly benefit from receiving this additional one and one-half cent per kilowatt-hour payment. I know of at least one municipality that is interested in generating their own electricity from wind but when the provision to include municipalities was previously deleted from this bill they had to re-evaluate their plans.

The payment that farmers, ranchers, landowners, and municipalities would receive to generate their own wind energy under this bill would provide much needed economic development to rural North Dakota.

Dakota Resource Council urges that the committee consider these recommendations and to vote a "do pass" on HB 1435.

**H.B. 1435**

**Presented by:** Illona A. Jeffcoat-Sacco  
Director, Public Utilities Division  
Public Service Commission

**Before:** Senate Natural Resources Committee  
Honorable Tom Fischer, Chairman

**Date:** 7 March 2003

**TESTIMONY**

Mr. Chairman and committee members, my name is Illona Jeffcoat-Sacco. I am the director of the Public Service Commission's Public Utilities Division. The Public Utilities Division administers the Commission's jurisdiction over telephone, gas and electric public utilities in North Dakota. The commission is neutral on Engrossed HB 1435 but asked me to appear here today to point out some questions that we have about the bill.

It is unclear to the Commission why the bill proposes two different lists. In addition, the bill is not clear about whether payments should be allocated in some fashion if funds are insufficient to pay all qualifying facilities. Perhaps the intent behind the second list was to accommodate qualifying facilities for which no funds were available, but the bill does not specify that.

We have prepared a proposed amendment to delete the second list. It is our understanding that if the second list is deleted, facilities will be placed on the first list on a first come, first served, basis, and will receive payments in the same way. If this is not the intent you desire, we would be happy to assist in drafting alternative amendments to clarify your intent.

This completes my testimony. I will be happy to answer any questions you may have.

Prepared by Public Service Commission

PROPOSED AMENDMENT TO ENGROSSED HOUSE BILL NO. 1435

Page 2, remove lines 29 through 31

Page 3, remove lines 1 through 6

Renumber accordingly

Legal/2003HB Testimony/AmendmentEngrossed HB1435.doc

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Yolanda Richardson  
Operator's Signature

10/16/03  
Date