

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1093

2007 HOUSE FINANCE AND TAXATION

HB 1093

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1093 A

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 10, 2007

Recorder Job Number: 861 24min 17sec

Committee Clerk Signature *Mickie Schmidt*

Minutes:

Chairman Belter: I'll call the committee back to order. We'll open the hearing on HB 1093.

Karlene Fine, Executive Director & Secretary for the ND Industrial Commission, testified in support of 1093. See attachment #1.

Chairman Belter: Any questions?

Representative Froseth: Could you give us a brief explanation of the purposes?

Karlene Fine: That is coal conversion and John Dwyer will go into more detail.

Chairman Belter: Any further testimony in support?

John Dwyer, President of the Lignite Energy Council, testified in support of HB 1093. (See attachment #2.)

Representative Grande: When you talked on the 2-tier and how you were getting the 15% of first quarter mill. Does this affect the county share?

John Dwyer: No, this does not affect the county share at all. Each fiscal year the biennium is projected to turn in about 55 million dollars overall. The counties would get 3million dollars a year. All that's affected in this Bill is the general funding portion.

Representative Weiler: It says at the bottom of page 1, what's in it for the state and why is it important? Towards the top of page one, it says every state dollar invested has resolved in \$6

dollars of industry match. This program is also funded by 10 cents per ton severance tax. If we don't pass this, is that going to affect the 3 million more tons of coal produced, the 1300 more jobs, 140 million more business dollars, will this be affected or is it going to happen anyway?

John Dwyer: Yes, and it doesn't just impact what's on the bottom of page 1, it goes to the 2 power plant projects. On the top of page 2, it also impacts the Spirit wood and the coal to liquids projects. It's very important for the success of these projects.

Representative Brandenburg: This could not also only impact what's on the radar screen right now, but it could impact future ones.

John Dwyer: It is very important. This program started 5 years ago. What this has done is demonstrated the states commitment that's matched by the industry on a 6 to 1 basis and the larger projects will be on a 10 to 1 basis. So yes, it's an important part of the natural resource development strategy the Legislature has supported and we hope it will be enhanced.

Chairman Belter: Any other questions? Any other support? Any opposition? Any neutral? At the federal and state level, are there things happening at the federal level that is encouraging the development of coal usage so as to help in this energy independent move that's undertaking in this country?

John Dwyer: I think there are some very positive signs at the federal level. There are incentives in there for lignite. This is the first time lignite's been singled out for incentives by its own. There's authorization in there for the coal combined cycle gasification projects, which are basically zero emission plants in the future. There're operations in there for that type of activity in the lignite fields of ND. I think with the incentives that are being put in place, we're very optimistic. These are large capital projects. The cost of capital is critical to the success of these projects.

Chairman Belter: In the Tribune they were saying that China has a new coal fire plant coming on line every ten days.

John Dwyer: I don't know the exact time table but it's obvious that they have a lot of people over there. They're becoming a competitive society for all of its people. Coal based electricity is the primary means of heating, in India as well.

Chairman Belter: Any other testimony on HB 1093? Hearing none, we'll close the hearing on HB 1093.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1093 B

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 10, 2007 pm

Recorder Job Number: 911 10min 32sec

Committee Clerk Signature

Mickie Schmidt

Minutes:

Chairman Belter: We'll open the hearing on HB 1093. This Bill is relating to the coal tax conversion.

Vice Chairman Drovdal: Did you say that this is in the Governor's budget?

Chairman Belter: Yes, for half of the amount that the Coal Industry wanted.

Vice Chairman Drovdal: Does the Governor's budget include half of what's on this Bill?

Chairman Belter: No. The amount that's in here is in the Governor's budget.

Representative Pinkerton: The Bill talks about itself as a research and development Bill, but it seems like it's mostly a developing marketing Bill. I don't see much indication of research here.

Vice Chairman Drovdal: Some of the research was technology to convert coal to liquids and to make ethanol. It's just money for grant money.

Representative Pinkerton: I don't see what institutes are doing in research, whether it's the institute at Grand Forks or the Universities?

Representative Weiler: It is called the Lignite Research and Development Program. In this particular case it might be more development than research, but I do know that the program is a very worthwhile program. They do spend a lot of money on research.

Representative Grande: I do believe that a lot of it's done in an Industry Research. If you look on page 3, the existing ones where you talk about on-going projects such as the FEED study for the coal-to-liquids project or research on the feasibility and permitting to whether or not it's feasible for these business's to come to ND. But the projects that you're looking at are the ones that don't necessarily talk about what would be done in the new projects. Another part of their research is how to do CO2 capture and storage and how to utilize it afterwards.

Representative Owens: The Bill specifically states that the money allocated has to be as defined in this section. Such monies must be used for contracts for land reclamation, research projects and for research development marketing of lignite products provided from lignite industry. At no point does it say that it has to done at one of the Universities.

Chairman Belter: A lot of it gets done at the EERC.

Representative Brandenburg: At UND in Grand Forks, they're doing a lot clean coal technology. I believe that a lot of that money as well as federal money is going to work in participation, and this would be right on track of what they're trying to do.

Representative Wrangham: I just wanted to mention that the money is used for investors decide that they might want to put a plant here, it can cost millions of dollars to do the research and testing to find out if it's feasible to put a plant there. The Lignite Council does some matching of funds for companies who are putting something on the drawing board to help them get into a feasibility study to find out if they can before they invest the total amount.

Representative Pinkerton: Apparently the Industrial Commission has over side on it, and there's reconciliation on how the money is spent.

Representative Schmidt: It talks about liquid coal and I would like to see that.

Chairman Belter: Do we have a motion on 1093?

Representative Wrangham: I move a Do Pass.

Representative Brandenburg: I second it.

Chairman Belter: Is there any discussion? If not, will the clerk read the roll for a Do Pass for HB 1093?

12-y, 1-n, 1-absent, with Rep. Froseth carrying the Bill.

Chairman Belter: We'll close the hearing on HB 1093.

FISCAL NOTE
Requested by Legislative Council
04/24/2007

Amendment to: Engrossed
 HB 1093

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$1,750,000)	\$1,750,000	(\$2,500,000)	\$2,500,000
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engr. HB 1093 with Conference Committee Amendments transfers three and one-half percent of the state general fund share of coal conversion tax to the lignite research fund for the 2007-09 biennium, and five percent of the state general fund share in subsequent biennia.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The provisions of Engr. HB 1093 with Conference Committee Amendments will result in an estimated decrease in state general fund revenues of \$1.75 million in the first biennium, and \$2.5 million in subsequent biennia. (The general fund may receive \$500,000 back from the lignite research fund, depending on the initiation of certain lignite-related litigation.)

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.*

\$1.25 million for the 2007-09 biennium has been 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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	04/24/2007

FISCAL NOTE
Requested by Legislative Council
03/16/2007

Amendment to: Engrossed
 HB 1093

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$1,750,000)	\$1,750,000	(\$2,500,000)	\$2,500,000
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engr. HB 1093 with Senate Amendments transfers three and one-half percent of the state general fund's share of coal conversion tax to the lignite research fund for the 2007-09 biennium.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The provisions of Engr. HB 1093 with Senate Amendments will result in an estimated decrease in state general fund revenues of \$1.75 million in the first biennium, and \$2.5 million in subsequent biennia.

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.*

\$1.25 million for the 2007-09 biennium has been 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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	03/16/2007

FISCAL NOTE
Requested by Legislative Council
02/14/2007

Amendment to: HB 1093

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$1,250,000)	\$1,250,000	(\$2,500,000)	\$2,500,000
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engr. HB 1093 transfers two and one-half percent of the state general fund's share of coal conversion tax to the lignite research fund for the 2007-09 biennium.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The provisions of Engr. HB 1093 will result in an estimated decrease in state general fund revenues of \$1.25 million in the first biennium, and \$2.5 million in subsequent biennia.

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.*

The \$1.25 million for the 2007-09 biennium has been 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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/14/2007

FISCAL NOTE

Requested by Legislative Council

01/10/2007

REVISION

Bill/Resolution No.: HB 1093

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$1,250,000)	\$1,250,000	(\$2,500,000)	\$2,500,000
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1093 transfers five percent of the state general fund's share of coal conversion tax to the lignite research fund.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The effective date of the act allows for the transfer(s) to the lignite research fund to occur only in the second year of the 2007-09 biennium, but annually thereafter until 2018. This will result in an estimated decrease in state general fund revenues of \$1.25 million in the first biennium, and \$2.5 million in subsequent biennia.

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.*

This fiscal note has been revised only to include the statement that the \$1.25 million for the 2007-09 biennium has been 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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/10/2007

FISCAL NOTE
Requested by Legislative Council
12/27/2006

Bill/Resolution No.: HB 1093

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$1,250,000)	\$1,250,000	(\$2,500,000)	\$2,500,000
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1093 transfers five percent of the state general fund's share of coal conversion tax to the lignite research fund.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The effective date of the act allows for the transfer(s) to the lignite research fund to occur only in the second year of the 2007-09 biennium, but annually thereafter until 2018. This will result in an estimated decrease in state general fund revenues of \$1.25 million in the first biennium, and \$2.5 million in subsequent biennia.

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, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/09/2007

Date: 1-10-07
Roll Call Vote #: 1093

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

House _____ Finance & Tax _____ Committee

☐ Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Do Pass

Motion Made By Rep. Wrangham Seconded By Rep. Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich		
Vice Chairman Drovdal	✓		Rep. Kelsh	✓	
Rep. Brandenburg	✓		Rep. Pinkerton	✓	
Rep. Froseth	✓		Rep. Schmidt	✓	
Rep. Grande	✓		Rep. Vig	✓	
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler		✓			
Rep. Wrangham	✓				

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep. Froseth

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

REPORT OF STANDING COMMITTEE (410)
January 11, 2007 9:15 a.m.

Module No: HR-07-0432
Carrier: Froseth
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1093: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS (12 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HB 1093 was placed on the Eleventh order on the calendar.

2007 HOUSE APPROPRIATIONS

HB 1093

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1093

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1526

Committee Clerk Signature



Minutes:

Rep. Kempenich opened the hearing on HB 1093.

Rep. Belter explained that HB 1093 takes 5% of funds paid to the general fund from the coal conversion tax and puts it into the lignite research fund. It amounts to \$1, 250,000 in the second year of the next biennium and the following bienniums it would amount to \$2.5 million – money that would not go into the general fund. The Finance and Tax Committee felt that it is important in ND to support renewable energies and research and the development of our coal and oil industry.

John Dwyer, President, Lignite Energy Council presented testimony (Attachment A) in support of HB 1093 (Ref. 4:50). Mr. Dwyer focused on the Lignite Vision 21 program. Mr. Dwyer explained that this is important seed money to show ND's commitment to these projects. The seed money is matched and there is a payback to the state if the project is successful. The state benefits from the jobs and the economic opportunity and increased tax revenue from these projects.

Rep. Carlson: What was your original request to the Governor?

Mr. Dwyer: Double what this bill includes. We settled on \$12.5 million.

Rep. Klein: What is the amount per biennium you get from tax?

Mr. Dwyer: From the coal severance tax, Representative & D gets \$.10/ton which is \$6 million per biennium. That's divided between the marketing and demonstration.

Rep. Skarphol: Are we talking about two different taxes?

Mr. Dwyer: Yes, the coal severance tax and coal conversion tax.

Rep. Kroeber: Collections from coal severance tax are under projections. Why?

Mr. Dwyer: Depends on plant outages, but overall the coal production in ND has been stable.

Rep. Skarphol: Why is there a division between the bienniums?

Mr. Dwyer: HB 1093, Line 18 talks about the effective date.

Rep. Skarphol: If projects do not go forward, would money be left over?

Mr. Dwyer: There could be. It would be in the R & D fund.

Rep. Skarphol: If one project falls off would another one fill in and pick up unused portion of funds?

Mr. Dwyer: That could happen.

Rep. Glassheim: Is this money going for feasibility studies or research?

Mr. Dwyer: The money is going to the demonstration portion of the lignite R & D program. It would be used for construction activities.

Rep. Monson: Who does the research?

Mr. Dwyer: EERC in Grand Forks does most of the research (Ref. 30:04).

Rep. Kempenich: Are there any other bills that would impact the conversion and severance tax?

Mr. Dwyer: Not aware of any that would impact the severance tax. There is a bill that would impact the sales and use tax.

Rep. Jeff Delzer spoke in support of concept of HB 1093. The impact of investing in lignite coal to the state of North Dakota would be positive. Does have one issue -- \$1.25 million would

come out of the coal conversion tax this biennium and \$2.5 million each of the next five bienniums. This will be a direct impact to the general fund each of those five bienniums.

Amendment .0102 (Attachment B) takes money and puts it into the fund up front and takes the tax off so there would not be the conversion tax change in the future bienniums. We set the money aside now while we have it and in the future you would have that tax dollars into the general fund. If the money isn't used at the end of that time frame, it would go back to the general fund – just that \$12.5 million.

Rep. Kerzman: You have a percentage of projected income. It makes more sense to keep them to want to increase that income for their betterment. If you take that incentive away, they might not work as hard. And a lot of times when you figure the cost of money up front you discount for inflation and things like that. Have you taken that into consideration?

Rep. Delzer: Yes. The first issue is up to Lignite Council and I cannot imagine that that would be the case because this would give them the money to proceed at a faster rate if they have to. The present value chart says you could get by with slightly over \$11 million and do the same thing, but that's banking on interest being the same or better.

Karlene Fine, Executive Director and Secretary of the Industrial Commission distributed testimony (Attachment C) in support of HB 1093 as it was presented to the Committee.

Rep. Kempenich closed the hearing on HB 1093.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1093

House Appropriations Committee
Government Operations Division

☐ Check here for Conference Committee

Hearing Date: 2/7/07

Recorder Job Number: 2997

Committee Clerk Signature

Kanya Voegeli

Minutes:

Chairman Carlson opened the hearing on House Bill 1093.

John Dwyer spoke in support of House Bill 1093.

John Dwyer: I think I heard the question, what will the money be used for?

Chairman Carlson: That's correct.

John Dwyer: As I previously testified in the testimony of 1093 and 1014, this will be used for lignite Vision 21 demonstration projects.

Chairman Carlson: How does this tie to the research fund?

John Dwyer: It ties to the research fund in the sense that the Industrial Commission has determined that they are going to have a lignite vision21 program. To assist the feasibility and to get these projects started, they are matching what ever it is, at least 10-1 to get the project built.

Representative Skarphol: Can you tell me what the Industrial Commission does to encourage companies like Marathon Oil, Sampson Resources and some of these to drill for oil in North Dakota?

John Dwyer: I am not sure.

Representative Glassheim: Where is the \$26million that the Industrial Commission has?

Where did it come from?

John Dwyer: Right now there is about \$.10 per ton out of the \$.40 per ton service tax. They get it from existing revenue.

Representative Skarphol: Are you happy with the bill as drafted or would you like us to change the effective date to 2007 and send it out as a do pass.

John Dwyer: Anything you will give us we will be happy.

Chairman Carlson: I have a different question on the same topic. How about if on line 15, it says 2.5% of all funds for the 07-09 biennium and 5% for all biennium there after and with the effective date of July 1 2007, which would give you the money right away.

John Dwyer: I don't have any opposition to that.

A motion was made by Vice Chairman Carlisle, seconded by Representative Thoreson to adopt the amendment 78107.0103. Motion carried by voice vote.

A motion was made by Vice Chairman Carlisle, seconded by Representative Thoreson to DO PASS AS AMENDED House Bill 1093. The committee vote was 7 Yeas, 0 Nays, 1 Absent and Not Voting. The bill will be carried by Representative Skarphol.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1093

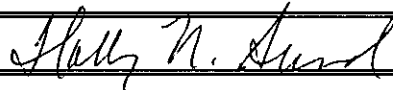
House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 8, 2007

Recorder Job Number: 3162

Committee Clerk Signature



Minutes:

Chm. Svedjan opened the hearing on HB 1093.

Rep. Skarphol explained the bill and the changes presented in amendment .0103 (Attachment A). The amendment allows them to start to receive the money at the outset of this upcoming biennium as opposed to one year into the biennium. **Rep. Skarphol motioned to adopt amendment .0103. Rep. Carlisle seconded the motion.**

Rep. Kempenich: With this going through 2018, they'll get more than \$12.5 million.

Rep. Skarphol: I don't think so. There will be four biennia that get \$2.5 million. I think actually they'll get \$11.25 million with the language that's in the bill.

Rep. Carlson: If you take the coal severance tax, the counties get \$7.69 million, the coal development trust fund gets \$1.28 million and the lignite research gets \$3 million for a total of \$11.9 million. The coal conversion tax where most of the money is collected – \$3.76 million goes to the counties, \$24.04 million goes to the general fund for a total of \$27.8 million. The total collection on those taxes is just about \$40 million. We are asking for \$1.2 million of that from the coal conversion from our \$24.04 million to go for the Vision 21 projects. It's a good investment to move the industry forward. We want them to be able to access the money right away that's why the amendment cut the tax in half and moved it from 2008 to 2007.

Chm. Svedjan: You moved it to 2.5% for the first year and 5% thereafter?

Rep. Carlson: Yes. They'll get the same amount of money, but they will have access to the money right away.

Rep. Williams: We are switching from one revenue side to another. They're still going to have to do some bonding to balance their needs. This is a good bill.

The motion carried by voice vote and amendment .0103 was adopted.

Rep. Skarphol motioned a Do Pass as Amended by .0103. Rep. Carlisle seconded the motion. The motion carried by a roll call vote of 23 ayes, 0 nays and 1 absent and not voting. Rep. Skarphol was designated to carry the bill.

(B)

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1093

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation to the lignite research fund.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$12,500,000, or so much of the sum as may be necessary, to the lignite research fund for the purposes described and as limited for the lignite research fund in section 57-61-01.5, for the period beginning July 1, 2007, and ending June 30, 2018. The industrial commission shall provide for a separate accounting of the moneys deposited in the lignite research fund under this Act, and the state treasurer shall transfer any funds from this appropriation which are unexpended on June 30, 2018, to the state general fund."

Renumber accordingly

Date: 2/7/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1093

House Appropriations- Government Operations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 18993

Action Taken Do Pass As Amended

Motion Made By Carlisle Seconded By Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Al Carlson	X		Vice Chairman Ron Carlisle	X	
Rep Keith Kempenich	X		Rep Bob Skarphol		
Rep Blair Thoreson	X		Rep Eliot Glassheim	X	
Rep Joe Kroeber	X		Rep Clark Williams	X	

Total Yes 7 No 0

Absent 1

Floor Assignment SKARPHOL

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

February 7, 2007

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1093

Page 1, line 3, remove "to provide an effective date;"

Page 1, line 15, replace "Five" with "From July 1, 2007, through June 30, 2009, two and one-half percent of all funds allocated to the state general fund pursuant to this chapter must be allocated to the lignite research fund and after June 30, 2009, five" and replace "paid" with "allocated"

Page 1, line 16, after "fund" insert an underscored comma

Page 1, remove line 18

Renumber accordingly

Date: 2/8/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1093

House Appropriations Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 78107.0103

Action Taken Adopt. Amendment. 0103

Motion Made By Skarphol Seconded By Carlisle

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Representative Wald			Representative Aarsvold		
Representative Monson			Representative Gulleon		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Poliert			Representative Ekstrom		
Representative Bellew			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice Vote - Carries

Date: 2/8/07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1093

House Appropriations Full Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 78107.0103

Action Taken DP as amended

Motion Made By Sharphol Seconded By Carlisle

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Representative Wald	✓		Representative Aarsvoid	✓	
Representative Monson	✓		Representative Gulleson	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson	✓		Representative Glassheim	✓	
Representative Carlisle	✓		Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom	✓	
Representative Bellew	✓		Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 23 No 0

Absent 1

Floor Assignment Sharphol

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

REPORT OF STANDING COMMITTEE

HB 1093: Appropriations Committee (Rep. Svedjan, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (23 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1093 was placed on the Sixth order on the calendar.

Page 1, line 3, remove "to provide an effective date;"

Page 1, line 15, replace "Five" with "From July 1, 2007, through June 30, 2009, two and one-half percent of all funds allocated to the state general fund pursuant to this chapter must be allocated to the lignite research fund and after June 30, 2009, five" and replace "paid" with "allocated"

Page 1, line 16, after "fund" insert an underscored comma

Page 1, remove line 18

Renumber accordingly

2007 SENATE APPROPRIATIONS

HB 1093

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1093

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 03-014-07

Recorder Job Number: 5054

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1093 with roll call.

Karlene Fine, Executive Director, Industrial Commission, distributed written testimony (1) in support of HB 1093. She indicated in 1988 the Legislature authorized the establishment of a partnership between the state and lignite industry in the form of lignite research. She then read the remainder of her testimony.

John Dwyer, President, Lignite Council, distributed written testimony (2) testifying in support of HB 1093. He discussed a background of Lignite R&D program, background of Lignite Vision 21 Program, Projects under contract with ND Industrial Commission, existing NDIC Commitments, rationale for HB 1093 and why HB 1093 in the state's interest.

Chairman Holmberg asked if the budget was in the Governor's Budget. The response was it is in the Governor's Budget.

Chairman Holmberg stated then if we pass this it will have no impact on the governor's Budget. The response was correct.

Senator Mathern indicated he had been hearing things around the country of people objecting to our coal use, is it possible we should be doing more research. The response was we are not filling our capacity. The biggest challenge the lignite industry faces is controlling the carbon emissions. There is research on that and the department of Energy has future projects

planned, we are headed toward O emission power plant. He described other projects they are doing; the CO2 capture. There is a need for a test facility in ND.

Senator Wardner indicated the subcommittee dealing with the Industrial Commission has an amendment that was distributed .0201. He discussed the amendment changes. The bottom line impact is an additional \$500,000 out of the general fund.

John Dwyer discussed the amendment indicating again the additional amount is not in the Governor's budget. He then discussed the Minnesota legislation for mandated CO2 reductions and litigation. He indicated they had talked with the Attorney General's office about hiring an expert in this type of proceedings and fees for a Minnesota Counsel to help prosecute such a case. This is being brought to the attention of the Legislature because it would be adverse to ND.

Senator Mathern indicated he is concerned that Minnesota will have another bill that will counter this one and it will keep escalating, have we entered into negotiations, as both states have a stake in this. The response was that we have not exhausted all of the possibilities. This fund is a contingency in case.

Chairman Holmberg questioned if there is no lawsuit, where will the money go. The response was it will not be spent.

Senator Grindberg referenced Litigation from years ago. The response was ND paid and it was matched by the Lignite Research Fund.

Senator Grindberg asked if the Lignite Council had funds to do this on their own. The response was you are not privy to that but we don't have the funds. In this case, the Attorney would prosecute and be supplemented by the Lignite Council.

Senator Grindberg asked if there would be any problem to having the funds in the Attorney General's budget and not the Lignite Council. The response was there is no problem.

Senator Bowman asked if they thought of shutting the power off to Minnesota. The response was there would be too much liability to do that.

Senator Krauter indicated he felt comfortable after research to leave this in the Lignite Fund and we would have a schedule to account for it next session. Discussion followed as to where the money would be at the end of the biennium.

Senator Wardner asked that John share what the cost of an expert witness would be. The response was from \$200,000-\$250,000 is what it was in the past.

Senator Fischer asked if this suit is the same as previous. The response was that was an administrative hearing regarding the constitutionality, interstate commerce clauses etc. It is similar, but not the same.

Seantor Mathern indicated the bill moves us from 2.5% to 5% as a permanent thing, is this \$500,000 part of the sunset in the first biennium or does this go on. The response is sthis would not continue. Additional discussion took place.

Chairman Holmberg asked if we are wading into a battle with the House or has this been discussed with them. Would you be available if this gets to a conference committee. The rewspons was yes.

Chairman Holmberg closed the hearing on HB 1093.

Senator Wardner moved a do pass on the amendment .0201, Senator Fischer seconded. There was discussion. An oral vote was taken resulting in a do pass.

Senator Wardner moved a do pass on HB 1093 as amended, Senator Christmann seconded.

A roll call vote was taken resulting in 14 yes, 0 no and 0 absent. The motion passed and

Senator Wardner will carry the bill.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1093

Page 1, line 3, after "fund" insert "; to provide legislative intent"

Page 1, line 15, replace "two" with "three"

Page 1, after line 19, insert:

"SECTION 2. LEGISLATIVE INTENT - LIGNITE LITIGATION. It is the intent of the legislative assembly that \$500,000 of the amount allocated to the lignite research fund in section 1 of this Act is to be used to pay for fees associated with lignite litigation which may be brought by the state to protect and promote the continued development of lignite resources."

Renumber accordingly

Date: 3/14
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1093

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

DP 1093 as amended

Motion Made By

Ward

Seconded By

Christ

Senators	Yes	No	Senators	Yes	No
Chairman Ray Holmberg	✓		Senator Aaron Krauter	✓	
Vice Chairman Bill Bowman	✓		Senator Elroy N. Lindaas	✓	
Vice Chairman Tony Grindberg	✓		Senator Tim Mathern	✓	
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Wardner

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

REPORT OF STANDING COMMITTEE

HB 1093, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1093 was placed on the Sixth order on the calendar.

Page 1, line 3, after "fund" insert "; to provide legislative intent"

Page 1, line 15, replace "two" with "three"

Page 1, after line 19, insert:

"SECTION 2. LEGISLATIVE INTENT - LIGNITE LITIGATION. It is the intent of the legislative assembly that \$500,000 of the amount allocated to the lignite research fund in section 1 of this Act is to be used to pay for fees associated with lignite litigation which may be brought by the state to protect and promote the continued development of lignite resources."

Renumber accordingly

2007 HOUSE FINANCE AND TAXATION

CONFERENCE COMMITTEE

HB 1093

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1093 A

House Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: March 28, 2007

Recorder Job Number: 5592

Committee Clerk Signature	<i>Micki Schmidt</i>
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Minutes:

Rep. Weiler called the committee to order and had the clerk take the roll; everyone was present. Conference Committee: Chairman Weiler, Rep. Grande, Rep. Pinkerton; Sen. Wardner, Sen. Christmann, Sen. Tallackson.

Representative Weiler: HB 1093 was passed out of the House and you amended it. I'd like some kind of explanation of what your amendments do and why they were put on?

Sen. Wardner: If you take a look at the amendments it's dated March 13, 2007, and has my name on it, #0201. What we did was simply replace the two in the two percent with three, so that it would read 3%. Its on line 15, if you read that it says from July 1, 2007 through June 30, 2009, that used to say two and one-half percent, it now says three. What does that mean? It means that we're going to that changing one percent means that we're going to put in \$500,000 less out of the general fund and put it into a contingency fund. It's going to be set aside. So it affects the general fund at \$500,000. What is the money for? Why is it there? Well, as it says there, it is to be used for fees associated with lignite litigation. Now this came after you people had and all fairness to the House, this came in after you people had heard the Bill. And when it was over on the Senate side. There is a State, very close to us that is passing legislation that would have a negative impact upon the Lignite Industry in ND. They want more

green energy, which I have no problem with, but they want to curtail the energy that is generated by fossil fuels such as lignite coal. So what this is is money that is set aside so that the State is ready in case they have to bring expert witnesses to the hearings and things of that nature and order to attend the State's right to generate electricity with lignite coal. Mr. Dwyer relayed to us that an expert witness that they have used in the past, cost them \$200,000. So it's not paying for the attorneys, because the Attorney General's office will do the work, but it's to take care of any other expenses that they may have. So, that's why it's there. As you know Mr. Chairman, the lignite Industry will end up being very important to the State of ND. So that's the rational of why we put it in at the request of Attorney General.

Representative Weiler: I have two questions. One, how do you get to become one of these expert witnesses? Second, what happens to the money if there is no litigation? Do they keep the money or how does that work?

Sen. Wardner: It can be use only for this and it just lays there. If it isn't used, then we would be able to come back and revert back to the general fund. I don't know if we have to state that we asked that same thing. But if the money is not spent, it has to be revisited next biennium. This is only a two year appropriation.

Representative Weiler: That wording is not any where in here. I understand that that might be the intent but there is no wording that specifically states that if the money is not spent, that it needs to go back to the general fund.

Sen. Wardner: I guess I would read it the same way and with your permission I would request that Sandy Tabor make a comment about that and she worked in the Attorney General's office plus she works for the lignite Counsel now and then if we need intent language, I don't think we have a problem with that at all.

Representative Weiler: That would be fine.

Sandy Tabor, Lignite Energy Council: (can't hear) It is the intent to go back and if you want it automatic, then you would need language. And we are fine with that.

Representative Weiler: Any other questions? At this point we're not going to succumb to your amendment. We need to discuss this.

Sen. Christmann: Just a reminder, there was a previous legislative effort in a neighboring state and it was called "externalities" and a similar process was litigated that was successful. But they had an implement to stop that. So there's a history of this kind of effort.

Representative Weiler: Sandy, do you have some people in Minnesota working to fight this.

Sandy Tabor: We have a lobbyist hired through a group. (Can't hear) That group is working pretty hard to give some real recognition to this. We want to avoid litigation. Gov. Polente has a Bill that includes a stakeholder process to review how to move forward on???

Representative Pinkerton: Is there some reason that we can't tax Minnesota? (Can't hear)

Sandy Tabor: I'd think we would end up in the same boat as Minnesota.

Representative Weiler: It's my understanding that some of the laws they're attempting to put into place are ridiculous.

Sandy Tabor: The one we're concerned about is the carbon emission registry for ND Electric Plants.

Representative Pinkerton: (Can't hear)

Representative Weiler: If this does happen, where would this like be, Federal Court?

Sandy Tabor: Yes, Federal court.

Representative Weiler: Do you know of similar laws that have been attempted by other states?

Sandy Tabor: I know that California has done some carbon emissions standard control. It is my understanding that there are discussion about filing some lawsuits.

Representative Weiler: Any other questions? At this point we're going to adjourn and meet again.

Sen. Wardner: Are you going to draft the language then? Or do you want us to do that?

Representative Weiler: I will do it if it needs to be done.

Sen. Wardner: Just a final statement; we feel pretty strongly about the Lignite Industry and protecting it so, we feel that the Lignite Council, they're not going to spend this money unless they absolutely have to and if they do, we want to give them the tool to be able to depend on the State.

Representative Weiler: Ok, Thank you and we'll adjourn.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1093 CC

House Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: April 20, 2007

Recorder Job Number: 6232

Committee Clerk Signature

Mickie Schmitt

Minutes:

Conference Committee:

Chairman Weiler opened the conference on HB 1093 and asked the clerk to take the roll; all were present.

Chairman Weiler: We have discussed this somewhat. I have an amendment that I'd like to pass out. We're on version 0300. **(See Attachment #1)** What we're doing here is just simply changing section 2, for the intent for the 500 thousand dollars allocated to the Lignite Research Fund. But basically the edition to this amendment is in the last sentence where it says if activities associated with the litigation are not initiated by January 1, 2009, the \$500,000 shall be returned to the general fund. We did mention that briefly if you recall when we were here the first time. It's just to make it very clear that if this litigation doesn't take place that the money generated by this tax be returned to the general fund. Any questions?

Sen. Wardner: I don't think we have a problem with that; we'll be back in session if there is a problem. We'll be reappropriating money to take care of if need be. I don't see a problem, we're not going to cap over this, I'll tell you that. In fact this is probably alright because some of us have poor memories and we might forget about it, isn't that right Rep. Weiler?

Chairman Weiler: If you're referring to me, I'm not sure I have a very bad memory, but there are a few others on the committee that might be directing that. They may be offended but you can apologize to them later. Any other questions or comments because it is the House's desire to put an end to this and wrap it up. So at this time I would entertain any motions.

Rep. Grande: I would like to make a motion that the Senate recede from it's amendments as printed on page 1068 of the House Journal and page 863 of the Senate Journal and the engrossed House Bill 1093 be amended as follows.

Sen. Wardner: I'll second that.

Chairman Weiler: is there any discussion?

Sen. Christmann: Is amendment number 0201 the one we have adopted? That we're receding from?

Chairman Weiler: I believe it is although as you can see that other language is in there. When I read section 2, legislative intent, I failed to read the top 3 lines above that which is the exact language.

Sen. Christmann: We'd be receding from it, so we'd have to add it back in. if this is the amendment that we adopted, I'm fine with this.

Sen. Wardner: Mr. Chairman, it is word for word.

Chairman Weiler: Thank you Senator. Any other discussion? Will the clerk take the roll on a Do pass a Amended and that the Senate recede from its amendments; 6-y; 0-n; 0-absent; Rep. Weiler will carry the Bill. We will adjourn now.

**REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)**

Bill Number HB 1093 (, as (re)engrossed):

Date: March 28, 2007

Your Conference Committee House Finance & Tax

For the Senate:

For the House:

Roll:		YES / NO		YES / NO	Roll:
✓	Sen. Wardner		Rep. Weiler		✓
✓	Sen. Christmann		Rep. Grande		✓
✓	Sen. Tallackson		Rep. Pinkerton		✓

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) _____ -- _____

_____, and place _____ on the Seventh order.

_____, adopt (further) amendments as follows, and place _____ on the
Seventh order:

_____, having been unable to agree, recommends that the committee be discharged
and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: _____

CARRIER: _____

LC NO.	of amendment
LC NO.	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: _____

SECONDED BY: _____

VOTE COUNT ___ YES ___ NO ___ ABSENT

Revised 4/1/05

*No Action
taken! ...*

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1093

That the Senate recede from its amendments as printed on page 1068 of the House Journal and page 853 of the Senate Journal and that Engrossed House Bill No. 1093 be amended as follows:

Page 1, line 3, after "fund" insert "; to provide legislative intent"

Page 1, line 15, replace "two" with "three"

Page 1, after line 19, insert:

"SECTION 2. LEGISLATIVE INTENT - LIGNITE LITIGATION. It is the intent of the legislative assembly that \$500,000 of the amount allocated to the lignite research fund in section 1 of this Act is to be used to pay for fees associated with lignite litigation which may be brought by the state to protect and promote the continued development of lignite resources. If activities associated with the litigation are not initiated by January 1, 2009, the \$500,000 shall be returned to the general fund."

Renumber accordingly

Conference Committee Amendments to Engrossed HB 1093 (78107.0203) - 04/20/2007

That the Senate recede from its amendments as printed on page 1068 of the House Journal and page 853 of the Senate Journal and that Engrossed House Bill No. 1093 be amended as follows:

Page 1, line 3, after "fund" insert "; to provide legislative intent"

Page 1, line 15, replace "two" with "three"

Page 1, after line 19, insert:

"SECTION 2. LEGISLATIVE INTENT - LIGNITE LITIGATION. It is the intent of the legislative assembly that \$500,000 of the amount allocated to the lignite research fund in section 1 of this Act is to be used to pay for fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources. If activities associated with the litigation are not initiated by January 1, 2009, the \$500,000 must be returned to the general fund."

Renumber accordingly

**REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)**

Bill Number 1093 (, as (re)engrossed):

Date: 4-20

Your Conference Committee House Finance & Tax

For the Senate:		For the House:		Roll:
Roll:	YES / NO	YES / NO	Roll:	
✓ Sen. Wardner	✓	Chairman Weiler	✓	✓
✓ Sen. Christmann	✓	Rep. Grande	✓	✓
✓ Sen. ^{O'Connell} Fallack SA	✓	Rep. Pinkerton	✓	✓

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) 1068 -- 1068

_____, and place _____ on the Seventh order.

✓ adopt (further) amendments as follows, and place 1093 on the Seventh order:

_____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: 4-20
CARRIER: Rep. Weiler

LC NO. <u>78107. 0202</u> of amendment
LC NO. _____ of engrossment
Emergency clause added or deleted
Statement of purpose of amendment

MOTION MADE BY: Rep. Grande

SECONDED BY: Sen. Wardner

VOTE COUNT 6 YES 0 NO 0 ABSENT

REPORT OF CONFERENCE COMMITTEE

HB 1093, as engrossed: Your conference committee (Sens. Wardner, Christmann, O'Connell and Reps. Weiler, Grande, Pinkerton) recommends that the **SENATE RECEDE** from the Senate amendments on HJ page 1068, adopt amendments as follows, and place HB 1093 on the Seventh order:

That the Senate recede from its amendments as printed on page 1068 of the House Journal and page 853 of the Senate Journal and that Engrossed House Bill No. 1093 be amended as follows:

Page 1, line 3, after "fund" insert "; to provide legislative intent"

Page 1, line 15, replace "two" with "three"

Page 1, after line 19, insert:

"SECTION 2. LEGISLATIVE INTENT - LIGNITE LITIGATION. It is the intent of the legislative assembly that \$500,000 of the amount allocated to the lignite research fund in section 1 of this Act is to be used to pay for fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources. If activities associated with the litigation are not initiated by January 1, 2009, the \$500,000 must be returned to the general fund."

Renumber accordingly

Engrossed HB 1093 was placed on the Seventh order of business on the calendar.

2007 TESTIMONY

HB 1093

1-10-07

HB 1093

#1



INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven
Governor

Wayne Stenehjem
Attorney General

Roger Johnson
Agriculture Commissioner

Testimony for House Bill No. 1093
House Finance and Taxation Committee
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
January 10, 2007

*Save
given to
House
Appropriations
+
Senate
Appropriations*

Mr. Chairman and members of the Finance and Taxation Committee, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. I appear today on behalf of the Industrial Commission and ask your support for House Bill 1093.

Back in 1988 the Legislature authorized the establishment of a partnership between the State and the lignite industry in the form of the Lignite Research, Development and Marketing Program. That Program is funded from a portion of the Coal Trust Fund and a 2 cent per ton tax. Nearly every dollar provided by the State is at a minimum matched by industry funding. The Commission believes it is important that there is industry buy-in to the research and marketing that is done. We don't want studies that sit on the shelf. We want to have research done that makes a difference. We believe our track record shows success in this area.

The Program has three focuses – research for existing facilities including reclamation and combustion and environmental projects. Marketing—telling the story of lignite and that lignite is a competitive low-cost product. Development/Demonstration – taking the research into the development stage. The Commission has established the Lignite Vision 21 Program that commits dollars to be matched by the private sector for the development of each project. John Dwyer from the Lignite Energy Council will be speaking more about these projects.

The Industrial Commission believes the Lignite Research, Development and Marketing Program is important for developing our valuable lignite resources and on their behalf I ask for your support of House Bill 1093.

1-10-07

1093

Page 1 of 5

January 10, 2007

John Dwyer, President
Lignite Energy Council

#2

HB 1093
Testimony of John Dwyer
Before the
House Finance and Tax Committee

*Done
Given to
Senate
Appropriations
&
House
Appropriation*

1. Background of Lignite R&D Program

- What is the legislative policy guiding our Research, Development and Marketing Program?
 - Help provide favorable marketing strategies for increased use of coal-based electricity (Marketing Program)
 - Help solve problems for our existing facilities so we can maintain jobs, economic activity and tax revenue (Research Projects)
 - Assist with developing new lignite-fired facilities that will create additional jobs, tax revenue and business volume (Lignite Vision 21 Program and Demonstration Projects)
- Funded by 10-cents per ton severance tax allocation / \$3 million annually
- *• Every state dollar invested has resulted in \$6 of industry match for small research projects
- For the LV21 Program, the match is more likely to be a 10 to 1 match with \$10 of industry match for every state dollar invested. Additionally, there are pay back provisions to the state when the project becomes operational.

2. Background of Lignite Vision 21 Program

- Strategy of State of North Dakota and Lignite Energy Council
 - Develop market-based projects that have new, cost-effective technologies
 - Lower risk to developers / Lower overall project costs
 - Eliminate government 'show-stoppers' / Prevent government delays
 - Help identify problems / Implement solutions
 - *Bottom Line:* Activate state help for benefit of industry and consumers in our region
- Focus on Lignite's Strengths
 - Build clean coal generating station(s) and/or energy conversion projects
 - Develop new technologies / Upgrade existing facilities
- What is in it for State? Why is it important?
 - One 500 megawatt power plant means:
 - 3 million more tons of coal
 - 1,300 more jobs
 - \$140 million more business volume
 - \$6 million more tax revenue
 - Individual personal income in the lignite industry averages between \$65,000 and \$70,000 annually

January 10, 2007

John Dwyer, President
Lignite Energy Council

• What is in it for State? Why is it important? (Cont.)

- Spiritwood Energy Project means
 - 700,000+ tons of coal
 - 400 construction/40 permanent jobs
 - \$380 million economic impact
- Coal-to-liquids
 - 3 to 15 million tons of coal
 - 300 to 1000 permanent employees
 - \$1 to \$5 billion in capital costs

3. Projects under contract with ND Industrial Commission (NDIC)

• Four LV21P participants under contract with NDIC

- MDU/Westmoreland Coal Company (MDU/W) – Bowman County
- Great Northern Power Development (GNPD) – Stark County

- Both projects have completed most feasibility studies
 - Environmental, generation, water quality and availability, coal ash, power plant foundation, mine plan, transmission, drilling, lignite sampling and testing, coal quality, and socioeconomic impact studies
- Engineering and permitting
 - MDU/W received air quality permit-to-construct for 175 MW plant (6/05)
 - Both Westmoreland and GNPD filed applications for air permit-to-construct for 500 MW plants in June 2006 with ND Department of Health
 - Both MDU/W conducting transmission studies related to potential Minnesota markets
- Primary challenges are environmental and transmission
 - Making good progress on environmental issues
 - Transmission major impediment; progress – but slow; estimated costs of \$100 million to \$350 million to resolve transmission constraints/need favorable tariff
 - Resolution of these issues is key to getting customers
- GNPD looking at alternative technologies and end products
- Spiritwood Energy Park (Great River Energy)
 - Additional 700,000 tons of beneficiated coal from Falkirk mine to be used in new Spiritwood Energy Power Plant to provide steam and electricity to new 100 MGD Newman Ethanol Plant and expansion of Cargill Malting Plant
 - NDIC investment of \$2 Million
 - Cost of power plant \$192 Million
 - 400 construction jobs/40 long-term operations jobs
 - \$380 Million/year economic impact
 - Construction to begin in 2007; operational in 2010

January 10, 2007

John Dwyer, President

Lignite Energy Council

3. Projects under contract with ND Industrial Commission (NDIC) (Cont.)▪ **Coal-to-Liquids (NACCO/GRE/Headwaters/Falkirk)**

- 10,000 – 50,000 barrels per day liquid fuels plant
- 3-15 million tons/year of lignite
- 300-1,000 employees (including mining)
- Capital cost: \$1-5 Billion
- Currently in 3-year front-end engineering and design study
- Construction and commissioning ~ 3 years
- Start-up 2012/2013???
- NDIC commitment: \$10 Million (\$1.2 Million initially)

4. Existing NDIC Commitments

The NDIC has made formal commitments to three projects under the Lignite Vision 21 Program. Outstanding commitments for these three projects are dependent on start-up of construction for the Spiritwood and MDU/Westmoreland projects; and raising an additional \$30 million for the FEED Study for the coal-to-liquids project. A fourth project, Great Northern Power Development (GNPD), has received feasibility and permitting assistance on a matching basis and expects to apply for additional LV21 design and construction assistance in the first quarter of '07.

	NDIC Commitments
Outstanding NDIC commitments for these LV21 projects are:	
• Westmoreland/MDU, Gascoyne Project (Lignite-based electricity/renewable energy)	\$ 8,875,000
• NACCO/GRE/Headwaters/Falkirk Coal-to-Liquids Project (diesel fuel, jet fuel, etc.)	\$ 9,400,000
• GRE Spiritwood Energy Project (Beneficiated coal/lignite-based electricity/renewable energy)	<u>\$ 1,350,000</u>
Subtotal (NDIC approved commitments)	\$19,625,000
• *Great Northern Power Development/South Heart Construction Phase	<u>\$ 7,300,000</u>
✱ Expected NDIC Commitments ('07 to '09 Biennium)	<u>\$26,925,000</u>

*Assumes GNPD applies for additional design and construction assistance and that the application receives a favorable Lignite Research Council recommendation and NDIC approval is granted

In addition, there are several **new projects** being considered:

- Milton R. Young Unit III
- Leland Olds Unit III
- GRE New Unit
- CO₂ capture and storage project
- Others (????)

Feasibility and permitting seed money is estimated at **\$10 million for each** of these "new" projects.

5. Rationale for HB 1093

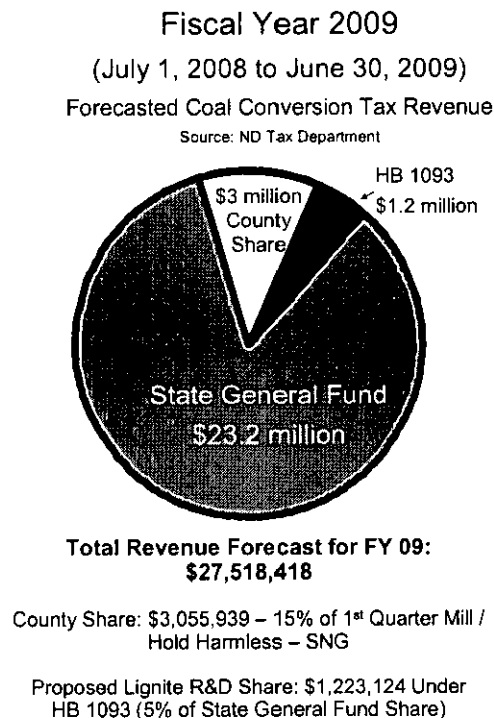
• **Funding Needs**

- In summary, existing NDIC LV21 commitments (which include NDIC anticipated approval of additional funding for GNPD) **total \$27 million**
- Permitting and feasibility needs for new projects being considered, but for which no LV21 funding has yet been requested, **totals another \$50 million**

• **Funding Solutions**

- To meet future feasibility, permitting and initial construction needs for approved projects, the Industrial Commission has requested a 5% allocation from the Coal Conversion Tax (**HB 1093**) for a ten-year period, beginning July 1, 2008
- **HB 1093** would provide a \$1.2 million annual revenue stream from the coal conversion tax to help meet the needs of these projects. All state dollars would be matched by project developers and payback provisions to the state R&D fund would be included once the LV21 projects are operational

6. How does HB 1093 impact the state's revenue?



January 10, 2007

John Dwyer, President
Lignite Energy Council

7. Why is HB 1093 in the state's interest?

- Important seed money to demonstrate state's commitment to these projects
 - Remember state seed money is matched
 - Remember pay back to state if project is successful
- More importantly, state benefits from
 - Increased production – helps realize Governor's goal of doubling energy production by 2025
 - Increased jobs (well paying jobs)
 - Increased economic activity
 - Increased tax revenue

8. In conclusion, the Lignite Energy Council urges a DO PASS recommendation on HB 1093.

ANALYSIS OF THE LIGNITE RESEARCH FUND FOR THE 2005-07 BIENNIUM AS OF MAY 2006

Beginning balance - July 1, 2005		\$10,362,794
Add estimated revenues		
Separate two-cent coal severance tax	\$1,200,000	
Fifty percent of coal severance taxes deposited in the coal development trust fund (result of passage of measure No. 3 in June 1990)	3,375,000	
Twenty percent of coal severance taxes deposited in the coal development trust fund (committed to clean coal projects) (result of passage of constitutional amendment passed by voters in June 1994)	1,350,000	
Investment income on Dakota Gasification Company ammonia plant	1,350,000	
Interest income	180,000	
Total estimated receipts		<u>7,455,000</u>
Total available		<u>\$17,817,794</u>
Less estimated expenditures ^{1,2}		
Administration	\$400,000	
Lignite feasibility studies (nonmatching grants)	1,500,000	
Small research grants	2,801,000	
Demonstration projects	7,780,000	
Total estimated expenditures		<u>12,481,000³</u>
Estimated ending balance - June 30, 2007		<u>\$5,336,794⁴</u>

¹The Industrial Commission has a policy stating that 18 percent of lignite research fund income will be used for small research projects, 56 percent for large demonstration research projects, 21 percent for marketing projects, and 5 percent for administration. The commission has further directed that no single large demonstration project can receive more than 37.5 percent of available funds.

²The Industrial Commission has waived the fund allocation policy and has committed \$20,872,943 through the 2009-11 biennium with \$5,922,943 to be spent during the 2005-07 biennium and the remaining \$14,950,000 during 2007-09 and 2009-11 bienniums for the Lignite Vision 21 program. The object of the Lignite Vision 21 program is to construct new lignite-fired power plants in North Dakota.

³The 2005 Legislative Assembly appropriated \$15,200,000 for lignite research grants; however, the Industrial Commission anticipates spending \$12,481,000 for lignite research grants during the 2005-07 biennium.

⁴The estimated June 30, 2007, balance made at the end of the 2005 legislative session was \$449,128. The increase of \$4,887,666 is primarily due to an increase in revenue from income investment from the Dakota Gasification Company ammonia plant and a decrease in expenditures for grants.

NOTE: North Dakota Century Code Section 57-61-01.5(2) and Article X, Section 21, of the Constitution of North Dakota provide for 70 percent of the taxes collected and deposited in the coal development trust fund to be deposited in the lignite research fund. The remaining 30 percent of the funds deposited in the coal development trust fund are to be held in trust and administered by the Board of University and School Lands, which has the authority to invest the funds, and may, as provided by law, lend money from the fund to political subdivisions.

Annual percentage rate

0.02

Fiscal Year	Beginning Balance	Deposits	Investment Income	Expenditures	Ending Balance
2008	\$0	\$11,250,000	\$225,000	(\$1,250,000)	\$10,225,000
2009	10,225,000		204,500	(1,250,000)	9,179,500
2010	9,179,500		183,590	(1,250,000)	8,113,090
2011	8,113,090		162,262	(1,250,000)	7,025,352
2012	7,025,352		140,507	(1,250,000)	5,915,859
2013	5,915,859		118,317	(1,250,000)	4,784,176
2014	4,784,176		95,684	(1,250,000)	3,629,860
2015	3,629,860		72,597	(1,250,000)	2,452,457
2016	2,452,457		49,049	(1,250,000)	1,251,506
2017	1,251,506		25,030	(1,250,000)	26,536
Total		\$11,250,000	\$1,276,536	(\$12,500,000)	

January 2007

DEPARTMENT OF MINERAL RESOURCES FUNDING HISTORY

This memorandum provides information on the funding history of the Oil and Gas and Geological Survey Divisions of the Department of Mineral Resources. The table below shows funding source information for the 1993-95 through 2005-07 bienniums. Funding source information was provided by the Industrial Commission.

	1993-95	1995-97	1997-99	1999-2001	2001-03	2003-05	2005-07
Oil and Gas							
General fund	\$3,488,532	\$3,404,281	\$3,861,352	\$4,220,407	\$4,702,688	\$4,685,379	\$4,768,512
Federal funds	190,000	154,199	120,002	119,992	121,217	170,003	213,695
Special funds		159,597 ³	250,480 ²	245,102 ²			225,000 ¹
Total	\$3,678,532	\$3,718,077	\$4,231,834	\$4,585,501	\$4,823,905	\$4,855,382	\$5,207,207
Geological Survey							
General fund	\$1,632,244	\$1,631,503	\$2,145,429	\$2,422,291	\$2,598,463	\$2,341,505	\$2,110,146
Federal funds	160,000	69,694	137,000	79,000	81,746	154,231	77,071
Special funds	141,126 ⁴				5,000		
Total	\$1,933,370	\$1,701,197	\$2,282,429	\$2,501,291	\$2,685,209	\$2,495,736	\$2,187,217
Total Oil and Gas and Geological Survey	\$5,611,902	\$5,419,274	\$6,514,263	\$7,086,792	\$7,509,114	\$7,351,118	\$7,394,424

¹An additional FTE position was funded through the lands and minerals trust fund.

²A seismic program was funded through the lands and minerals trust fund.

³Funding was authorized from the Municipal Bond Bank for one FTE position for the Oil and Gas Division; however, provisions of the Municipal Bond Bank did not allow funding for that position and it was funded from other funds within the division's budget.

⁴A special landfill project was funded through the solid waste management fund.

WYOMING OIL, GAS, AND COAL REVENUE

This memorandum provides information regarding Wyoming's oil, gas, and coal revenue and use of a permanent trust fund.

According to information received from the Economic Analysis Division of the Wyoming Department of Administration and Information, Wyoming receives revenues from severance taxes for several types of minerals, including coal, oil, and gas.

The table below shows the actual severance tax collections for fiscal years 2004 through 2006 and estimated collections for fiscal years 2007 through 2009:

	Crude Oil	Natural Gas	Coal
2004	\$71,557,596	\$349,664,757	\$133,353,154
2005	\$101,130,974	\$465,857,637	\$148,945,690
2006	\$133,837,369	\$673,431,324	\$180,844,372
2007	\$131,300,000	\$399,300,000	\$182,400,000
2008	\$134,700,000	\$457,000,000	\$187,900,000
2009	\$139,300,000	\$517,700,000	\$193,600,000

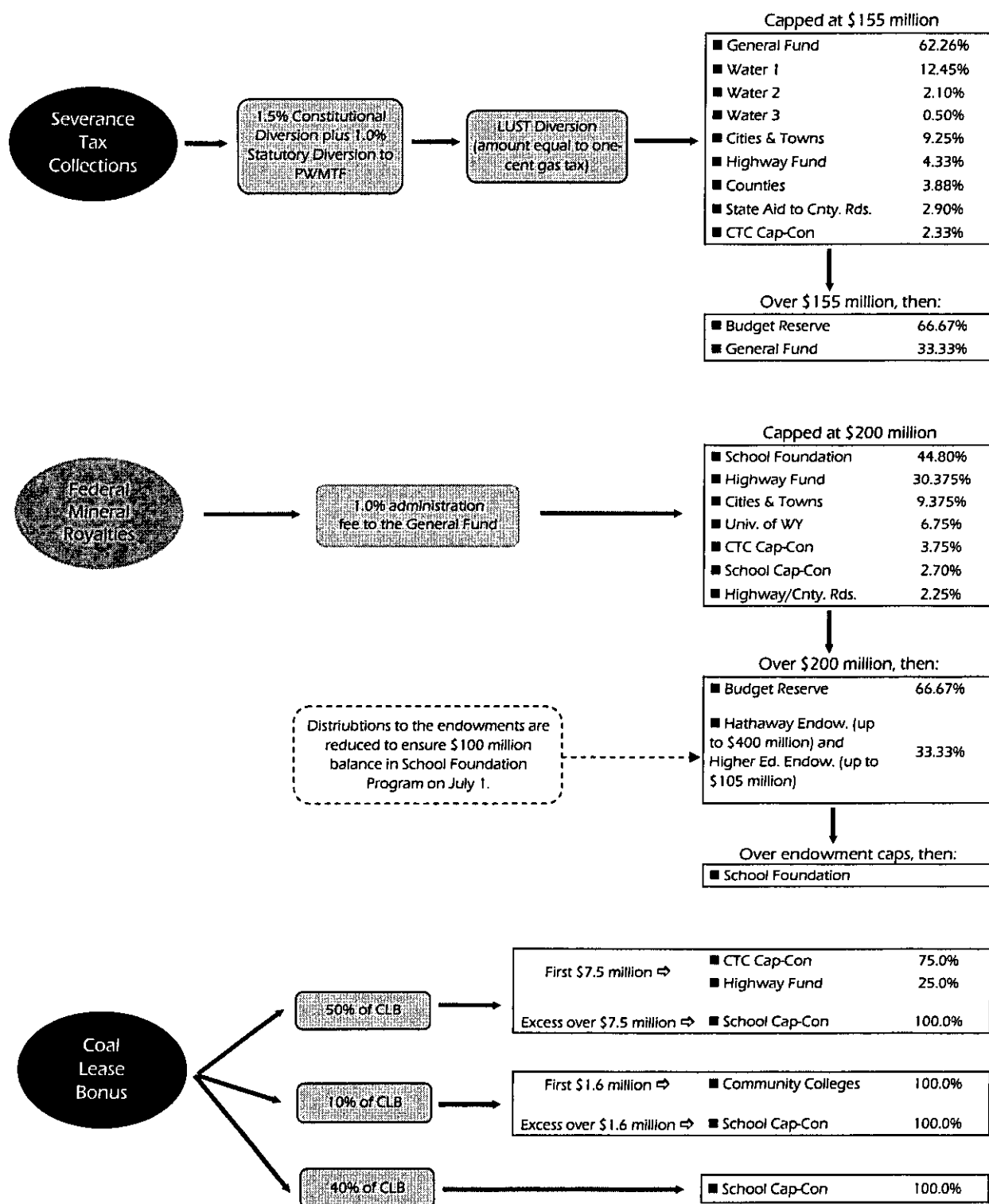
Wyoming also receives federal mineral royalties and coal lease bonuses. Although revenue information was not available by mineral type, Wyoming received \$1,067,957,946 in federal mineral royalties and coal lease bonuses in fiscal year 2006. Fiscal year 2007 projections include \$813,000,000 in revenue for federal mineral royalties and coal lease bonuses.

Wyoming allocates a portion of severance taxes to the permanent mineral trust fund. The anticipated ending balance for the fund for fiscal year 2007 is \$3,541,350,000.

A flow chart prepared by the Wyoming Economic Analysis Division showing the distribution formulas as of fiscal year 2006 for severance tax collections, federal mineral royalties, and coal lease bonuses is attached as an appendix.

ATTACH:1

Distribution Formulas [As of FY 2006]



1093



BOB STENEHJEM
State Senator
Chairman

JOHN D. OLSRUD
Director

JAY E. BURINGRUD
Assistant Director

JIM W. SMITH
Legislative Budget
Analyst & Auditor

JOHN WALSTAD
Code Revisor

North Dakota Legislative Council

STATE CAPITOL, 600 EAST BOULEVARD, BISMARCK, ND 58505-0360 (701) 328-2916 TTY: 1-800-366-6888

January 24, 2007

Honorable Jeff Delzer
State Representative
House Chamber
State Capitol
Bismarck, ND 58505

Dear Representative Delzer:

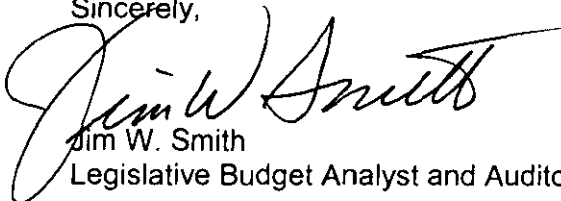
This letter is in response to your request for information regarding expenditures from the lignite research fund.

We have enclosed a copy of a report prepared by the Industrial Commission relating to expenditures from the lignite research fund for the 2005-07 biennium to date for small research program projects, demonstration program projects, and marketing program projects.

Also enclosed is a copy of a summary prepared by the Industrial Commission of lignite research, development, and marketing program procedures.

Please contact Becky Keller, Fiscal Analyst, or me if you have any questions or need additional information.

Sincerely,



Jim W. Smith
Legislative Budget Analyst and Auditor

JWS/AC
Encs.

1093.2.7.07 A

Lignite Research, Development and Marketing Program Procedures

The Lignite Research, Development and Marketing Program has a multi-tiered review process. Outlined below are the steps each application must go through whether it is a small research, demonstration or marketing project.

The Lignite Research Program has grant deadline dates of April 1 and October 1. Additional grant deadline dates can be added by the Industrial Commission.

- 1) When an application is received it is reviewed to see if it meets the criteria for the program.
- 2) If it passes this review, it is forwarded to independent technical reviewers. (These independent technical reviewers are individuals that staff has identified with expertise in that particular research/demonstration/marketing area.)
- 3) Upon receipt of the independent technical reviewers' comments, the Industrial Commission's Technical Representative (currently that position is held by Jeff Burgess) prepares his recommendation.
- 4) The application, the independent technical reviewers' comments and the recommendation of the Industrial Commission's Technical Representative are then forwarded to the 27-member Lignite Research Council for their consideration. (The Lignite Research Council is made up of 6 Mining Representatives, 9 Lignite Processing Representatives, 1 Labor representative, 2 representing Lignite Ownership, 2 Legislators, 1 federal government representative, 1 research representative, 5 state and local government representatives.) At the Lignite Research Council meeting a brief overview is given on the application and the applicant has an opportunity to respond to any of the independent technical reviewers' comments and the Commission's Technical Representative's recommendation. The Lignite Research Council members then vote on each application. No application can be considered by the Industrial Commission unless the Lignite Research Council gives a positive recommendation.
- 5) The previous information is then forwarded to the Industrial Commission with the Lignite Research Council's recommendation for the Commission's consideration.

If the Industrial Commission approves the funding for the application, the Industrial Commission's Executive Director prepares and negotiates the contract.

Funding is distributed as per the contract (in stages as the work is completed). Prior to any payment being made the Commission's Technical Representative will review the report and determine if the report meets the conditions of the contract and is in compliance with the scope of the work as outlined in the application.

DEMONSTRATION PROGRAM PROJECTS AND PAYMENTS MADE 2005-2007 BIENNIUM

Project No.	Project Title and Description	Company	Amount
LRC-D-96-2	Anhydrous Ammonia Production Project at DGC Program Funding: \$4,200,000(Investment) \$8,100,000(Grant); Total Project Costs: \$112,928,729. Objective: To construct a lignite-derived synthesis gas to anhydrous ammonia plant at the Great Plains Synfuels Plant.	DGC	1,076,568
FY03-XLIX-123	Lignite Vision 21 Feasibility Project Phase II – Permitting, Business Development and Engineering Program Funding: \$687,500. Total Project Cost: \$1,375,000. Objective: Complete Phase II business development, transmission, permitting, and design work activities to move the project into the partnering, financing and pre-construction phases.	GNP	235,000.00
FY05-LI-132	Lignite Fuel Enhancement: Dry Process Coal Cleaning Program Funding: \$250,000. Total Project Cost: \$1,331,035. Objective: Reduce lignite ash, moisture and other minerals using air and magnetic separation processes without the use of water and at the mine site.	Falkirk	131,250.00
FY05-LI-133	Dem ND Lig Prof Energy Prod & Ag Proc-Ethanol Plant Prod Program Funding: \$350,000. Total Project Cost: \$78,200,000. Demonstrate the use of a lignite-fired Bubbling Bed Combustor to operate an ethanol processing plant.	Red Trail	275,000.00
FY05-LII-138	Field Demonstration of Enhanced Sorbent Injection for Mercury Control Project Funding: \$200,000; Total Project Funding: \$1,584,260. Conduct a seven-week full-scale demonstration of mercury capture at the Leland Olds Station.	ALSTOM	175,000.00
FY05-LIII-140	Activated Carbon Production from North Dakota Lignite Program Funding: \$250,000; Total Project Funding: \$770,000. Determine the feasibility to develop a commercial process for activated char (AC) production from lignite.	EERC	200,000.00
FY06-LIV-141	Lignite Coal Test at a Circulating Fluid Bed Program Funding: \$275,000; Total Project Funding: \$550,000. Conduct a 10-day test using a vendor CFBC and high sodium lignite (> 6%) to identify potential agglomeration or steam tube fouling. Identify operational and design parameters to define a full-scale CFBC plant for repowering of an existing pc-fired power plant.	Basin	110,000.00

LMFS-04-37	Lignite Vision 21 Program Phase IV Mgt & Development-LEC Program Funding: \$982,000; Objectives: 1) coordinate and assist the LV 21 participants; 2) develop and implement legal, marketing, generation, environmental and transmission strategies; 3) manage the programs in order to eliminate any potential duplication; and 4) maximize value for the State of North Dakota.	EERC	140,000.00
LMFS-06-38	Prepare the North Dakota FutureGen Submission Program Funding: \$130,000; Objective: To prepare and submit a proposal to the FutureGen Industrial Alliance, on behalf of the State of North Dakota, to host the FutureGen power plant.	EERC	80,000.00
Total Demonstration Grant Payments for 2005-2007 Biennium			<u>2,422,818.00</u>

MARKETING PROGRAM PROJECTS AND PAYMENTS MADE 2005-2007 BIENNIUM

Project No.	Project Title and Description	Company	Payment
FY02-XLVI-115	Implementation Regional Lignite Energy Marketing Plan III Program Funding: \$975,000; Total yearly Project Costs: \$1,950,000. Objective: Improve overall public regional image of coal and promote the use of coal as a low-cost, efficient and environmentally compatible energy source to ensure the continued utilization and growth of coal-based electrical energy.	LEC	550,000.00
Total Marketing Payments in 2005-2007 Biennium			<u>550,000.00</u>

SMALL RESEARCH PROGRAM PROJECTS AND PAYMENTS MADE 2005-2007

Project No.	Project Title and Description	Company	Amount
FY01-XXXVIII-105	Pilot Scale Study of Mercury Oxidation Catalysts at Coal Creek Station Program Funding \$50,000; Total Project Costs \$1,180,000. Objective: To evaluate the effectiveness of catalyst materials to oxidize elemental mercury content in the flue gas from coal-fired power plants. A goal is to convert elemental mercury to ionic mercury permitting mercury removal in conventional flue gas desulfurization systems.	GRE	37,000.00
FY02-XLIV-110	Biomass Impacts on SCR Performance Program Funding \$120,000; Total Project Costs \$400,000. Objective: To determine fundamental mechanisms of NO _x reduction and potential blinding of selective catalytic reduction catalysts using biomass and lignite.	EERC	28,000.00
FY02-XLV-113	Anaerobic Treatment of Dakota Gasification Co Stripped Gas Liquor Program Funding: \$130,000; Total Project Cost: \$380,000. Objective: To develop a more efficient method to remove organics from stripped gas liquor effluent. Specific objectives are to develop an anaerobic biological process to degrade organic impurities to reduce heat exchanger fouling thereby reducing cooling tower odors and drift.	EERC	20,000.00
FY03-XLVIII-117	Mercury & Air Toxic Element Impacts of Coal Combustion By-Product Disposal & Utilization Program Funding: \$37,500. Total Project Costs: \$1,600,000. Objective: Evaluate potential impacts of mercury and other air toxic elements on the management of coal combustion by-products (long-term storage and utilization products).	EERC	16,750.00
FY03-XLIX-122	Thermal Pre-Combustion Mercury Removal Process for Low Rank Coal-Fired Power Plants Program Funding: \$139,403; Total Project Costs: \$956,962. Objective: Evaluate a precombustion thermal-based technology for the removal of mercury from low rank coals, both subbituminous and lignite.	MDU/WRI	15,403.00
FY04-L-124	Enhancing Carbon Reactivity in Mercury Control in Lignite-Fired Systems Program Funding: \$600,000; Total Project Costs: \$5,732,195. Objective: Substantially enhance the capability of carbon sorbents to remove Hg from lignite combustion flue gas to achieve a high level of cost-effective control in full-scale field tests.	EERC	160,000.00
FY04-L-125	Large-Scale Mercury Control Technology Testing for Lignite-Fired Utilities - Oxidation Systems for Wet FGD Program Funding: \$172,500; Total Project Funding: \$2,150,767; Objective: Demonstrate a mercury "chemical addition" oxidation process in flue gas upstream of pollution control equipment, specifically, electrostatic precipitators followed by wet scrubbers. Host sites are Minnkota Power Cooperative MYR (<i>cyclone-fired</i> , ESP wet scrubber) Unit 2 and Texas Utilities Monticello (<i>wall-fired</i> , ESP, wet scrubber) Unit 3.	EERC	57,500.00
FY04-L-126	Evaluation of MerCAP for Power Plant Mercury Control Program Funding: \$42,000; Total Project Funding: \$84,000. Objective: This effort is an amendment to contract FY01-XXXVIII-105. The combined project will evaluate wet scrubber capture efficiency of elemental mercury oxidized by low-temperature catalysts located after an electrostatic precipitator. Recent DOE data challenges the assumed high-efficiency capture of catalytically oxidized mercury in a wet scrubber.	GRE	45,000.00

FY04-L-127	Alternate Cover Demonstration Project Program Funding: \$250,000; Total Project Funding: \$500,000. Objective: A field demonstration to evaluate and demonstrate the performance of alternative earth landfill cover designs while maintaining equal or a better level of environmental performance for long-term storage of coal combustion byproducts.	GRE	112,500.00
FY04-L-128	Plains CO2 Reduction Partnership Program Funding: \$240,000; Total Project Funding: \$2,748,139. Objective: Identify cost-effective CO ₂ sequestration systems in the Northern Great Plains region, including: 1) Characterize and match sources, sinks & storage options; 2) Identify and address issues for sequestration deployment; 3) Identify promising capture, sequestration and transport options; and 4) Develop public involvement & education mechanisms.	EERC	60,000.00
FY05-LI-130	The Health Implications of the Mercury-Selenium Interaction Program Funding: \$50,000; Total Project Funding: \$158,846. Objective: Explore interactions between mercury & selenium in experimental models designed to closely approximate human patterns of exposure. The project will examine the effects of dietary intakes of methylmercury and the protective effects of dietary selenium.	EERC	10,000.00
FY05-LI-131	Investigation of Mercury and Carbon-Based Sorbent Reaction Mechanisms Program Funding: \$54,000; Total Project Funding: \$240,870. Improve mercury capture efficiency of carbon sorbents through a better understanding of mercury-sorbent reaction mechanisms. Project will produce information to develop more effective and lower-cost sorbent to control elemental mercury emissions.	EERC	24,000.00
FY05-LII-134	North Dakota Partnership in the Canadian Clean Coal Power Coalition Program Funding: \$75,000; Total Project Funding: \$150,000. Participate in studies of advanced technologies for future lignite power generation, including IGCC and advanced steam cycles such as ultra super-critical steam cycles in conventional and fluid bed combustion power plants.	Basin	50,000.00
FY05-LII-135	Assessment of Mercury Control Options & Ash Behavior in Fluidized-Bed Combustion Systems Program Funding: \$200,000; Total Project Funding: \$900,000. Evaluate mercury control options in a Circulating Fluidized Bed Combustion (CFBC) system to evaluate Hg speciation, identify effective control approaches and evaluate impact of chemical oxidation chemicals on corrosion and ash bed agglomeration.	EERC	125,000.00
FY05-LII-136	Center for Air Toxic Metals Affiliates Program - 3 Year Continuation of Membership Program Funding: \$45,000; Total Project Funding: \$3,000,000. Continue science-based research on toxic trace metals under an EPA-Industry supported Center for Air Toxic Metals (CATM) Affiliates Program to further the understanding of the behavior of potential toxic metals in coal-fired utilities, other fossil fuel systems, waste-to-energy systems and waste incinerators. A specific objective of the CATM program is the study of the fate and control of mercury emissions from coal-fired systems. This project is a continuation of Project 62, 89 and 111.	EERC	30,000.00

FY05-LII-137	Mercury Oxidation Via Catalytic Barrier Filters: Phase II Program Funding: \$15,000; Total Project Funding: \$245,000. Continue development of Hg emission control using baghouse filters impregnated with catalytic oxidizers to verify promising data from small-scale proof-of-concept tests. The concept would be applicable to utilities using fabric filter with capture of Hg and fly ash in a baghouse subsystem.	UND-Chem Engineering	5,000.00
FY05-LIII-139	Investigation of Mercury & Carbon-Based Sorbent Reaction Mechanisms-Comparison of Surface Analysis Techniques Program Funding: \$19,500; Total Project Funding: \$60,000. This project is an extension of LRC-LI (51)-131. Additional fundamental work will focus on bonding on carbon surfaces using two more refined techniques of x-ray photoelectron spectroscopy and x-ray absorption fine structure spectroscopy. The results will define carbon sorbent surface structural features before and after exposure to a flue gas stream, providing direction to improving effectiveness.	EERC	10,000.00
FY06-LV-143	Plains CO2 Reduction Partnership Phase II Program Funding: \$360,000; Total Project Costs: \$21,487,892; Initiate Phase II activities by performing field sequestration validation tests leading to eventual commercial applications that include geologic storage and coal seams (producing coal bed methane) in addition to land management practices and wetlands.	EERC	120,000.00
FY06-LV-144	Gasification of Lignite to Produce Liquid Fuels, Hydrogen, and Power Program Funding: \$100,000; Total Project Costs: \$2,640,380. Provide essential information on the impacts of moisture and inorganic impurities on gasifier and gas cleanup technology performance to support power generation and coal-to-liquid processes by addressing key technical challenges facing lignite.	EERC	40,000.00
FY06-LV-145	Controlling Mercury Emissions for Utilities Firing Lignites from North America-Summary Report-EERC Program Funding: \$25,000; Total Project Funding: \$45,315. Objective: Preparation and printing of an overview and summary of research conducted on controlling mercury in lignite-fired electric generating power plants.	EERC	20,000.00
Total Small Grant Payments for 2005-2007 Biennium			<u>986,153.00</u>