

2013 SENATE NATURAL RESOURCES

SB 2027

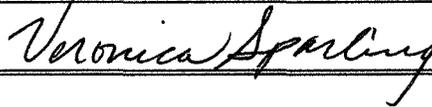
2013 SENATE STANDING COMMITTEE MINUTES

Senate Natural Resources Committee
Fort Lincoln Room, State Capitol

SB 2027
January 10, 2013
17081

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the resources trust fund; to provide for a value-added market opportunities for renewable energy resources study by the department of commerce; and to provide an appropriation.

Minutes:

attached testimony

All committee members were present.

Chairman Lyson opened the hearing on SB 2027.

Tim Dawson from Legislative Council introduced the bill. He worked with the Energy Development and Transmission Committee that drafted the bill. See the last paragraph of page 1 of Attached Testimony #1. He explained the allocation of funds spelled out in Section 1 of the bill. He explained that it is a permanent funding mechanism. That aspect is covered in the first paragraph on page 2 of attached testimony #1.

Alan Anderson, Commissioner of ND Dept. of Commerce and chairman of EmPower North Dakota, spoke in favor of SB 2027. See attached testimony #2. He feels the Commission has been able to be a uniting force to consider the development of our energy resources as a whole state. He referred to page two of the publication EmPower North Dakota, 2012 Policy Updates and Recommendations to spell out the four critical components for continuing to grow energy production and new energy-related industries in our state. See "Future Vision" section of attached testimony #3. Not long ago our state started to look to value-added agriculture. Now we are looking at value-added energy. This bill is focused on dedicating a revenue stream for the renewable energy program like the lignite and gas funds already have. The Resources Trust Fund was deemed an appropriate funding source because one of the initial purposes it was set up for was also the development of energy conservation and renewable energy. We haven't used that fund for these purposes to date. The fund has increased dramatically because of the energy production. In the 2007-2009 biennium it was 83 million, 2009-2011 it was 95 million, today it is greater than 500 million. When we are talking about 3 million dollars, it's about half of one percent. So it is a tiny amount and it was initially set up for that purpose. Section 15 of SB 2014 also makes provision to fund the Renewable Energy Program by allocating ½ of one percent to provide 2.7 million. The studies called for in this bill and in SB 2029 are both important and will complement each other.

Chairman Lyson asked how much money is in the fund now and why they are putting more money into the fund.

Alan said when he was talking about the millions of dollars, he was talking about the Renewable Energy Program being able to access the funds that are in the Resources Trust Fund.

Senator Triplett asked about the amounts. The 5% would come to about 25 million, so why would they propose 5% and then cap it at 3 million dollars?

Alan responded that there was a lot of unknown at the time. They received 1.5 million last biennium and felt they should ask for twice that amount until they can make sure they are able to use the funds wisely. They also realize that as they go forward, the Resources Trust Fund may not be as large as it is today.

Sandi Tabor, Vice President of Government Affairs for the Lignite Energy Council, and member of the EmPower ND Commission, spoke in favor of the bill. The EmPower Commission has matured since 2005 and has come to the conclusion that the permanent funding of the Renewable Resource Council is important.

Senator Hogue asked what Energy and Environment Research Center (EERC) is studying right now, and whether there is overlap between the ND EmPower Commission and EERC.

Sandi said all of the Research Councils in the state use EERC to help them with research so she doesn't see it as overlap.

Jean Schafer from ND Water Users Association and Water Resource District Association spoke in favor of the bill. Both associations passed resolutions supporting funding for energy conservation and renewable energy from the Resources Trust Fund.

Deana Weise, Executive Director of ND Ethanol Producers Association and ND Ethanol Council which represents North Dakota's four ethanol plants across the state, spoke in favor of the bill. See attached testimony #4.

Al Christianson with Great River Energy and appointed member of the Renewable Energy Council spoke in favor of the bill. At Great River Energy they have used the funds to develop new value-added projects. They do need a steady source of funding for the projects.

Dale Nieswaag representing Basin Electric Power Cooperative and member of the EmPower board and a member of NDARE, North Dakota Alliance for Renewable Energy, Inc. spoke in favor of the bill. See attached testimony #5. He suggested the committee members go the Industrial Commission website for a listing of projects that the Renewable Energy Council does work on.

Harlan Fuglesten with the ND Association of Rural Electric Cooperatives spoke in support of SB 2027.

Ron Ness, President of the ND Petroleum Council, and member of the EmPower Commission spoke in support of SB 2027. In 1980 a 6 1/2 % extraction tax on oil was imposed. That was a 130% tax increase at that time. 10% of that 6% constitutes the money that goes to the Resources Trust Fund. The other 10% gets spent on education in ND. The 10% in the next biennium is projected to provide about 550 million dollars.

There was some discussion about the percentages stated.

Ron Ness then said that 20% goes to the Resource Trust Fund and 20% goes to education in the state.

Scott Rising with the ND Soybean Growers Association spoke in favor of the bill. His organization is interested in value-added ag rather than exporting their produce.

In Favor:

In Opposition: None

Neutral: None

Chairman Lyson closed the hearing.

Chairman Lyson suggested the committee hear the next bill before they take a vote.

Senator Laffen speaking as a member of the interim committee, spoke about the importance of value-added energy for our state. He had heard a speaker from British Petroleum address the issue of the challenge a state faces when they are producing a commodity for a period of time and then the commodity "dries up". We need to plan ahead and use the resource wisely. It is important to "add value" rather than to just export our products.

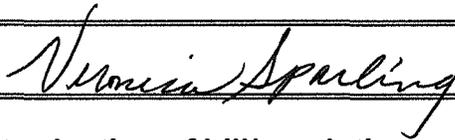
2013 SENATE STANDING COMMITTEE MINUTES

Senate Natural Resources Committee Fort Lincoln Room, State Capitol

SB 2027
January 17, 2013
17349

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the resources trust fund; to provide for a value-added market opportunities for renewable energy resources study by the department of commerce; and to provide an appropriation.

Minutes:

No attachments

All committee members were present.

Chairman Lyson opened the discussion on SB 2027 and reminded the committee members that this bill would have to be re-referred to the Appropriations Committee if they would make a Do Pass motion.

Senator Triplett said that during the hearing for this bill she had expressed that she had some quandary about the phraseology on page 2, line 17 where the Dept. of Commerce is instructed to conduct a study. She wasn't sure if that was to be a formal study or an informal study. She made these comments just to remind the committee of why this bill was tabled.

Senator Hogue felt this bill is taking us in the direction the state ought to go. He reminded the committee of the example cited of west Texas and the dislocation that happens after the field matures and is gone. He reminded the people who have been involved in coal that there has been a shift away from coal consumption. He felt this is a good bill.

Senator Hogue made a Do Pass and re-refer to Appropriations motion.

Senator Triplett: Second

Roll Call Vote: 7, 0, 0

Carrier: Senator Unruh

Date: H-17-13
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2027

Senate Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Hogue Seconded By Triplett

Senators	Yes	No	Senators	Yes	No
Senator Lyson	✓		Senator Triplett	✓	
Senator Burckhard	✓		Senator Murphy	✓	
Senator Hogue	✓				
Senator Laffen	✓				
Senator Unruh	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Unruh

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

REPORT OF STANDING COMMITTEE

SB 2027: Natural Resources Committee (Sen. Lyson, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2027 was rereferred to the Appropriations Committee.

2013 SENATE APPROPRIATIONS

SB 2027

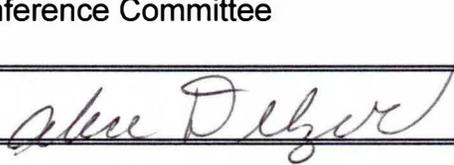
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2027
01-28-2013
Job # 17835

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill for an Appropriation relating to the resources trust fund, to provide opportunities for renewable energy resources study by Department of Commerce.

Minutes:

See attached testimony

Chairman Holmberg opened the hearing on SB 2027. All committee members were present.

Also present:

Brittani Reim, Legislative Council

Tammy R. Dolan, OMB

Alan Anderson, Commissioner for the ND Department of Commerce, and Chairman of EmPower ND Commission, testified in support of SB 2027. **Written testimony #1**

Senator Mathern asked what would be the easiest mechanism to fund this, SB 2027 or the governor's budget. He is not sure how it is funded in the governor's budget.

Alan Anderson replied it is actually coming from the same place, the Resources Trust fund. The only difference is EmPower was looking at a 3 million dollar cap and they put in the 5% number. It gives a slightly different mechanism. He supports both.

Senator Carlisle: If he understands it right they are both mechanisms to get to the same place.

Alan Anderson stated that is correct. It is one or the other.

Vice Chairman Bowman asked when you are studying these renewable energy sources and you look at the subsidies, do you ever say this isn't cost effective or we are losing money. Second question: With the tremendous amount of natural gas in this state, are we looking at industries coming into ND to capitalize on that resource.

(12:05) **Alan Anderson:** When are the subsidies enough, if you get EmPower coming together you have competing energy sources trying to hold down subsidies for one specific one or the other. Second question: The beauty of natural gas ties closely to SB 2029.

EERC has helped us identify some of the possible uses. CHS is looking at a fertilizer plant by Spiritwood and that is a great example of going further down to value added.

Dale Niezwaag, Basin Electric Power Cooperative, EmPower Commission and Renewable Energy Council testified in support of SB 2027 for all those entities. To help answer Senator Bowman's question, from the Lignite Energy side, we are looking at continuing the use of our coal fire plants. With the regulations coming in and being circulated in WDC, almost all of them provide some credit for renewable energy. We would like to see the state continue to do research for renewable energy.

Discussion centered on collaborating. Examples were given in the Jamestown area. When we look into those opportunities, it is who can bring the financing in to help sit up those collaborations.

Kim Christenson, ND Alliance for Renewable Energy (NDARE) testified in favor of SB 2027. **Written testimony #2**

Randy Schneider, President of the North Dakota Ethanol Producers Association testified in support of SB 2027. (21:42)

Jean Schafer, North Dakota Water Users Association testified in support of funding for renewable and energy conservation.

Chairman Holmberg closed the hearing.

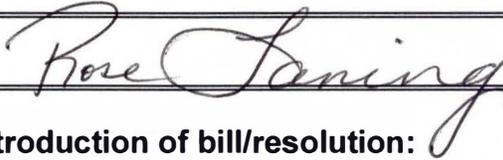
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2027
February 18, 2013
Job # 19089

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Bill for an Appropriation relating to the resources trust fund, to provide opportunities for renewable energy resources study by Department of Commerce.

Minutes:

Chairman Holmberg opened the hearing on SB 2027.

Senator Erbele moved Do Not Pass on SB 2027.

Senator Carlisle seconded the motion.

Chairman Holmberg: This bill will be folded into the Industrial Commission budget so we will hold it until after their bill passes.

A roll call vote was taken. Yea: 11 Nay: 2 Absent: 0
Senator Erbele will carry the bill on the floor.

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FISCAL NOTE
Requested by Legislative Council
12/19/2012

Bill/Resolution No.: SB 2027

- 1 A. **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.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$0		
Expenditures						
Appropriations			\$300,000			

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

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

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

SB 2027 authorizes a portion of the oil extraction tax that is deposited in the resources trust fund to be transferred to the renewable energy development 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.*

Section 1 requires 5% of the revenue in the resources trust fund - up to \$3 million per biennium - to be transferred to the renewable energy development fund.

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

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

The provisions of Section 1 would reduce revenues in the resources trust fund by \$3 million in the 2013-15 biennium and increase revenues in the renewable energy development fund by \$3 million as well. (These are both "other funds" that are plus and minus \$3 million equaling "zero" in the boxes in 1A above).

- 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.*

Section 3 contains a \$300,000 appropriation from the state general fund to the department of commerce to conduct a study evaluating market opportunities for renewable energy resources.

Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 701.328.3402
Date Prepared: 12/27/2012

Date: 2-18-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2027 2027

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DN Pass

Motion Made By Erbele Seconded By Carlisle

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg	✓		Senator Tim Mathern		✓
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell		✓
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	✓	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 11 No 2

Absent _____

Floor Assignment Erbele

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

REPORT OF STANDING COMMITTEE

SB 2027: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO NOT PASS (11 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2027 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

SB 2027

- broadening the application to provide an alternate or direct funding source.
- 4. Provide funding to the Housing Finance Agency for the downpayment assistance and construction loan guarantee programs and provide guarantees to local lenders for incentives to borrowers who have participated in financial counseling programs.
- 5. Promote the importance of temporary workforce housing.
- 6. Promote long-term benefits and reduced impacts for providing easements on property for energy infrastructure.
- 7. Study existing water systems throughout the state and take action to provide expansion of capacity to meet needs.
- 8. Coordinate with the Corps of Engineers to increase access to Lake Sakakawea for industry and community needs.
- 9. Maintain a comprehensive long-range forecast for energy production and supply across all sectors and review needed infrastructure to support growth.
- 10. Monitor the railroad capacity within this state to ensure there is adequate ability to export commodities to market.

As to workforce, there were three recommendations:

- 1. Increase efforts to educate this state's youth about natural resources by developing a curriculum to encourage interest in energy careers.
- 2. Encourage and enable the energy industry to collaborate with the North Dakota University System, the Governor's Workforce Development Council, Job Service North Dakota, and other agencies to:
 - a. Provide analytical data related to workforce skills and employment to better identify energy industry needs by funding enhancements to Job Service North Dakota systems and data collection processes.
 - b. Develop and enhance core curriculum related to high-demand energy industry careers.
 - c. Encourage industry interaction with teachers and guidance counselors to grow youth knowledge and interest in energy careers.
 - d. Provide greater accessibility to career and technical education programs.
- 3. Support legislation that recognizes the role distance-learning will play in the future of education and improve access to technology for students using distance-learning programs.

As to research and development, there were three recommendations:

- 1. Allocate a portion of the resources trust fund and set a target funding level for the renewable research and development program at \$3 million to enable planning for the future and to encourage the development of renewable resources.

- 2. Continue to support existing research and development programs.
- 3. Coordinate with private industry to identify the steps necessary to create a viable chemical industry related to energy resources. The natural gas in this state could be used for chemicals. The specialty chemical industry is a \$14 trillion per year industry, and there is a great potential for development in this area. These efforts may include:
 - a. Funding a study to evaluate value-added market opportunities for energy resources.
 - b. Increasing funding to oil and gas research programs by \$1 million to explore opportunities related to value-added processing of natural gas.

As to the regulatory environment, there were three recommendations, all related to federal regulation:

- 1. Encourage federal agencies to recognize environmental issues unique to this state and work with these agencies to develop regulations by establishing new venues for state and federal regulatory agencies to collaborate on federal rulemaking. The industry in this state wants to work together with regulators and not litigate.
- 2. Use the commission to better understand the economic impact of federal regulations, to comment on proposed regulations, and to work with the Congressional Delegation.
- 3. Recognize the additional burdens new energy developments are placing on state regulatory agencies and provide adequate funding and staffing levels for the State Department of Health, Department of Mineral Resources, Public Service Commission (PSC), and State Water Commission. (The committee was informed agencies in this state need the best-qualified and most-educated to look out for the state. It was argued funding state regulatory agencies is a serious matter because if our state regulatory agencies are not doing well, the federal government may take over the area of regulation.)

As a result of the report of the Energy Policy Commission, the committee considered several bill drafts, described in this report, which were supported by the commission.

Renewable Energy Development Fund and Value-Added Opportunities Study Bill Draft

The committee considered a bill draft to take 5 percent, up to \$3 million per biennium, of the amount credited to the resources trust fund and place it in the renewable energy development fund. The resources trust fund historically has been used for water projects. The Energy Policy Commission supported water projects from the resources trust fund, but the forecast is for an excess of \$300 million in that fund. The bill draft also provided a general fund appropriation of \$300,000 to the Department of Commerce to study value-added market opportunities relating to renewable energy resources.

A main focus of the Energy Policy Commission is research and development. Oil and gas and lignite have permanent funding, and this bill draft would provide for the same permanent funding for renewable energy research and development. Traditionally, the renewable energy development fund has been funded in the amount of \$3 million but not permanently. Private dollar match is needed to use the money in the fund. It was argued whenever there is a public and private partnership, there is due diligence because of the matching funds from industry.

Employment Data Appropriation Bill Draft

The committee considered a bill draft to provide a general fund appropriation of \$100,000 to Job Service North Dakota for the purpose of upgrading collection and use of employment data to identify transportation employees and other employees who should be included for statistical purposes in oil-related and gas-related employment. The statistics will aid in the distribution of the oil and gas money more accurately to cities and counties. Although this is one-time funding, it was expected in five or more years there will be need for \$15,000 to \$20,000 for an update.

These statistics are important in allocating impact funding. A transportation company or construction company may or may not be tied to oil and gas. It was argued if one of these transportation and construction employees works in the oil and gas industry, the employee should be included under the mining heading for statistical purposes. There is some subjectivity by Job Service North Dakota in determining whether an employee is oil-related and gas-related. For example, an employee for a construction company that builds well pads would be included within the oil-related and gas-related employment statistics and an employee for a housing construction company for oil and gas employees would not be included.

Oil and Gas Research Fund and Value-Added Opportunities Study Bill Draft

The committee considered a bill draft to provide an additional \$1 million per biennium to the oil and gas research fund. The bill draft also provided a general fund appropriation of \$300,000 to the Department of Commerce for the purpose of studying value-added market opportunities related to oil and gas. The bill draft contained legislative intent the additional \$1 million in the oil and gas research fund be used by the Industrial Commission for opportunities related to value-added processing of oil and gas. The committee amended the bill draft to add \$6 million per biennium and provide intent an additional \$5 million be used by the Industrial Commission for opportunities related to value-added processing of oil and gas. Committee discussion included the committee had heard from the Energy and Environmental Research Center (EERC) federal funding is disappearing, and the funding produces great dividends. In addition, it was urged the money be used to develop public and private partnerships for research similar to that done at the EERC. The committee was informed governmental match funding for studies makes

industry comfortable because the money reflects support by policymakers.

Housing Incentive Fund and Tax Credit Bill Draft

The committee was informed affordable housing is an important issue, and oil and gas development has resulted in increased rents in areas outside oil development areas. The committee received testimony on the housing incentive fund. Contributors to the fund receive tax credits for contributions to the fund.

The committee considered a bill draft to increase the cap on the aggregate amount of tax credits from \$15 million to \$20 million per biennium and cap the housing incentive fund at \$50 million. The bill draft allowed the Housing Finance Agency to enter public and private partnerships and reserve a share of the housing for the private partner's workforce. The bill draft provided more flexibility to the Housing Finance Agency by allowing the collection of administrative fees from project developers, applicants, and grant recipients. In addition, the bill draft changed who may benefit from the fund to a person with low-income or moderate-income instead of a person with an income not more than 50 percent of the area median income. The housing incentive fund is for a "developing community." The term is not defined, but the committee was informed the term means a small, rural community in this state.

As to the use of the fund, the committee was informed any limitation is in the funding, not in the number of projects. The bill draft would result in more companies being involved. One of the challenges of the fund is most of the money comes at the end of the year when people are thinking about taxes.

Committee discussion included there is a concern that by paying off the loan or selling the property, the person can be relieved of the duty to rent to low-income and moderate-income individuals. Committee discussion included concern for allowing a donor to write off a contribution for something the donor is allowed to use. Companies want to use the fund for housing for employees and cannot do this. If the companies could do this, it was argued it would be good for the community.

Committee discussion included there needs to be housing for people working in retail and service jobs.

Carbon Dioxide Reports - Testimony on Carbon Dioxide Capture and Sequestration

The committee received the report from the coal conversion facility that receives a carbon dioxide capture credit for a carbon capture project. The committee was informed two events keep the need for this incentive relevant. One is the ruling by the Washington, D. C., Court of Appeals to uphold the Environmental Protection Agency (EPA) finding that carbon dioxide is an endangerment to public health, thereby ensuring the EPA will push forward with more carbon dioxide regulations on coal-based power plants. The second event is the EPA's proposed new source performance standard for new coal plants.

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page 2

2027

#2

DEPARTMENT OF COMMERCE TESTIMONY ON SENATE BILL 2027
JANUARY 10, 2013, 10:00 A.M.
SENATE NATURAL RESOURCES COMMITTEE
FORT LINCOLN ROOM
SENATOR STAN LYSON, CHAIRMAN

ALAN ANDERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good morning, Mr. Chairman and members of the committee, my name is Alan Anderson and I serve as the Commissioner for the North Dakota Department of Commerce. As Commerce Commissioner I also have the pleasure of serving as the chairman of the EmPower North Dakota Commission.

The EmPower North Dakota Commission was established by the 2007 legislative assembly and made permanent by the 2009 legislative assembly. Its members are appointed by the Governor. It is an industry lead effort that allows all of our energy industries, both renewable and traditional, to have a voice into the state's energy policy.

On behalf of the EmPower ND Commission, I am here today to speak in favor of Senate Bill 2027. This is a bill that was recommended by the Commission and approved by the interim Energy Development and Transmission committee. A complete list of bills recommended and supported by the Commission is below:

- Senate Bill No. 2027 – Renewable Energy Development Fund & Value-Added Opportunities Study.
- Senate Bill No. 2028 – Employment Data Appropriation.
- Senate Bill No. 2029 – Oil and Gas Research Fund & Value-Added Opportunities Study.
- House Bill No. 1029 – Housing Incentive Fund and Tax Credit.

Senate Bill 2027 allocates 5% of the amount credited to the Resources Trust Fund, up to \$3 million per biennium, to the Renewable Energy Development Fund. An additional \$300,000 in general funds would be appropriated to the Department of Commerce for the purpose of conducting a study to evaluate value-added market opportunities related to renewable energy resources.

The EmPower ND Commission felt it was important to have a dedicated revenue stream for the Renewable Energy Program, similar to the revenue streams for the Lignite and the Oil & Gas research programs. The Resources Trust Fund is an appropriate funding source as one of its purposes is for programs for the development of energy conservation and renewable energy. To date, the fund has only been utilized for its other purpose, which is funding water-related projects.

The Governor has included a similar mechanism for funding the Renewable Energy Program, which has been included in section 15 of Senate Bill 2014. Senate Bill 2014 would allocate .5% of the Resources Trust Fund for the Renewable Energy Program which would provide an estimated \$2.7 million during the 2013-15 biennium.

The EmPower ND Commission has recommended that funding be provided for a study to evaluate value-added opportunities related to renewable energy resources. The agriculture industry in the state has evolved from just producing agricultural commodities to also adding value to those commodities and manufacturing end products. The commission would like to see opportunities explored to do the same for our energy resources. This could include chemicals, plastics, nanofibers, manufactured products or materials yet to be discovered.

The study included in Senate Bill 2027 is focused on renewable energy resources and a similar study has been included in Senate Bill 2029 related to value-added opportunities related to oil and gas. The commission believes both studies are important and will complement each other. The Executive Budget Recommendation did not provide any funding for these studies.

Mr. Chairman and members of the Natural Resources Committee, I respectfully request your favorable consideration of Senate Bill 2027. That concludes my testimony and I am happy to entertain any questions.

Executive Summary (continued)

- Between 2007 and 2010, North Dakota increased its energy production by 65 percent and is on track to double statewide production by 2025.
- North Dakota continues to develop a thriving ethanol industry, which contributes more than \$300 million annually to the economy and supports more than 10,000 direct and indirect jobs. The state has established itself as a national leader in flex fuel pump infrastructure and has seen a 55 percent increase in flex fuel vehicles over the past two years with 65,000 currently on the road.
- By the end of 2012, natural gas processing in North Dakota will have increased 383 percent over six years. With the addition of a facility coming online later this year, there will be 17 plants processing Bakken natural gas. The state, through the Oil and Gas Research Council and their private partners, has invested more than \$2 million in new technologies to capture and use natural gas at well sites.
- In 2012, North Dakota ranked tenth in the nation in installed wind energy capacity. The North Dakota Public Service Commission has permitted over 2,900 megawatts of wind generation.
- The state's only oil refinery has expanded by 20 percent or 10,000 barrels per day. In addition, three new refineries were announced and are at various stages of planning, permitting and construction.

Future Vision

North Dakota stands at the threshold of a future where energy development in all sectors has the potential to not only grow, but also develop new economies based on secondary, value-added industries related to energy resources. In order to move forward, the state needs to address several key areas crucial to the expansion of energy production and extraction. North Dakota needs to work with the industry to begin exploring ways to capture opportunities to develop raw resources into new products, including petrochemicals, plastics, nanofibers, manufactured products or materials yet to be discovered.

During 2011-2012, the EmPower North Dakota Commission identified four critical components for continuing to grow energy production and new energy-related industries:

- 1. Infrastructure** – Adequate and maintained infrastructure is the foundation for continuing existing development and expanding into new areas.
- 2. Research and Development** – Research and development serves as the bridge for industry to move from ideas to new development.
- 3. Workforce** – As the energy industry expands, the workforce must be available to meet the demands. Without adequate workforce development, expansion is not possible.
- 4. Regulatory Environment** – A regulatory environment, at both the federal and state levels, that encourages economic growth while ensuring environmentally-responsible development of natural resources is essential.

Testimony of Deana Wiese
Executive Director
North Dakota Ethanol Producers Association
North Dakota Ethanol Council

In Support of SB 2027
January 10, 2013

Chairman Lyson and members of the Senate Natural Resources Committee:

My name is Deana Wiese, and I am the Executive Director of the North Dakota Ethanol Producers Association and North Dakota Ethanol Council, which represent North Dakota's four ethanol plants and industry stakeholders. I am here today to voice support for SB 2027 on behalf of North Dakota's ethanol industry.

North Dakota's ethanol industry contributes more than \$600 million to the state's economy and provides 10,000 direct and indirect jobs. Thanks to North Dakota's innovative private sector and supportive state government, the state's ethanol production capacity has increased more than tenfold from 35 million gallons per year in 2005 to 400 million gallons per year today. In addition, the number of flex fuel vehicles on the state's roads has increased by 122 percent from 29,000 in 2008 to 64,500 in 2012. North Dakota is also recognized as a national leader in flex fuel pump infrastructure due to the successful ND Blender Pump Program that has placed 223 flex fuel pumps in 42 communities statewide.

North Dakota's ethanol industry has remained strong despite numerous challenges on the federal level. However, it is essential to continue promoting the growth of North Dakota's renewable energy industries through research, development, marketing, and education, which is the mission of the North Dakota Renewable Energy Council. The Council has been played an essential role in advancing the industry to date. SB 2027 provides a permanent funding source for the Council, thus ensuring its continued role in advancing North Dakota renewable energy into the future. Knowing there is a permanent funding source will also allow the Council to strategically prioritize projects for the future.

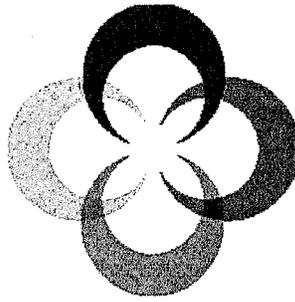
This bill also provides funding for a study to evaluate value-added market opportunities for renewable energy resources. North Dakota currently exports 96 percent of its ethanol. The results of this study will provide direction to industry stakeholders in prioritizing future research opportunities to further add value to ethanol and its co-products. Long term, this will allow additional dollars to stay in North Dakota by increasing the amount of ethanol used in state through value-added markets and decrease the amount exported.

North Dakota's ethanol industry has a significant impact on the state's rural economies. Each of North Dakota's four ethanol plants are located in a community with a population of less than 2,500 and contribute an average of 49 jobs and an average annual payroll of \$3.3 million to their communities. In addition, the plants purchase the majority of their corn from North Dakota farmers and sell distillers grains to North Dakota livestock producers. This bill provides an investment in North Dakota's ethanol industry that will be paid back by taking the industry to the next level, thus increasing its positive impact on North Dakota.

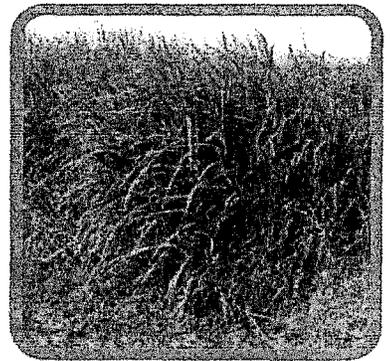
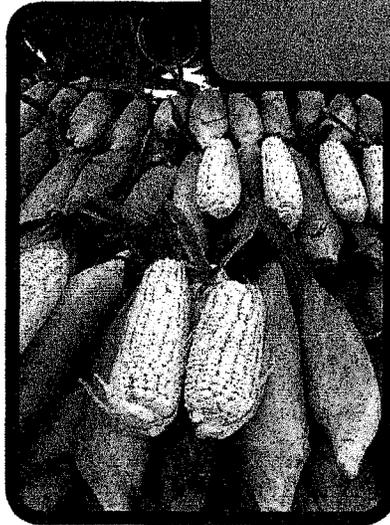
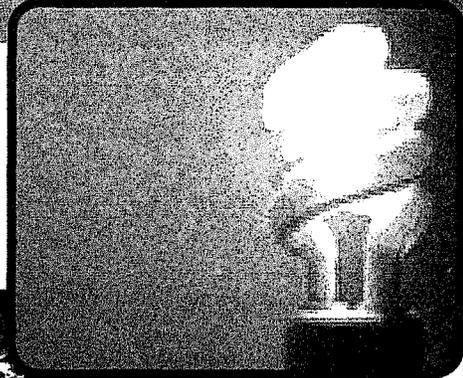
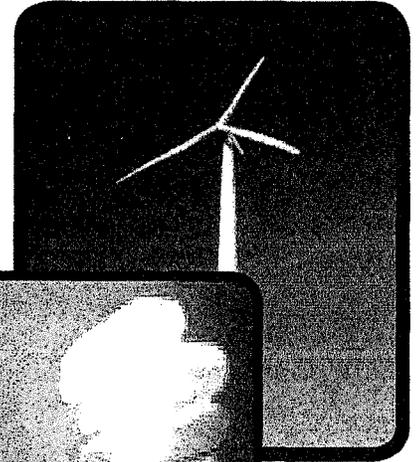
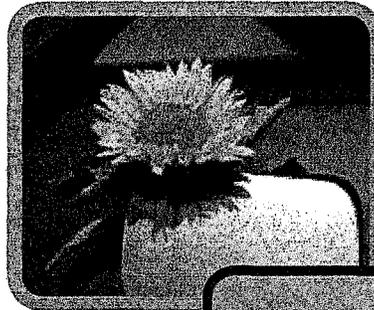
This initiative was recommended by the ND EmPower Commission. The North Dakota ethanol industry has a representative on the Commission and fully supports its recommendations and efforts to accomplish the mission of developing a comprehensive energy policy for the state's diverse and growing energy industry.

We thank you for your support of the state's ethanol industry in the past and hope you will support the future advancement of the industry through your favorable consideration of SB 2027.

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NDARE
North Dakota Alliance for Renewable Energy, Inc.



**POLICY RECOMMENDATIONS
AND
2013 LEGISLATIVE PRIORITIES**



A primary policy objective for NDARE is to secure and expand state funding for renewable energy and energy efficiency.

The Resources Trust Fund (RTF) was approved by voters as a constitutional measure in 1990, is formally dedicated to both water projects and energy conservation and efficiency. Yet, to date, no RTF dollars have been used for energy conservation, renewable energy, or waste products utilization projects. While NDARE members appreciate the contribution of water projects to our state's well-being, we also recognize the importance of energy efficiency and renewable energy development to our state's economy and believe the RTF should serve both purposes.

NDARE supports dedicating funding from the Resources Trust fund during the next biennium to:

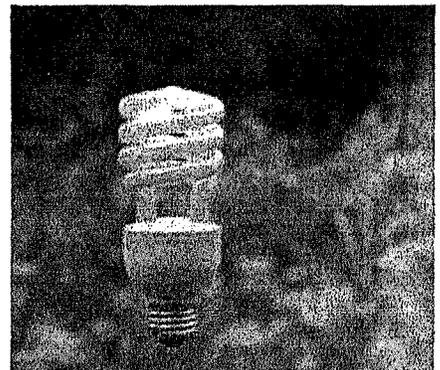
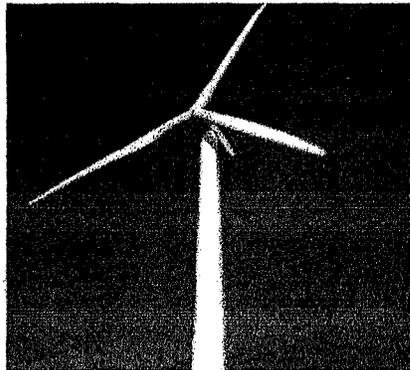
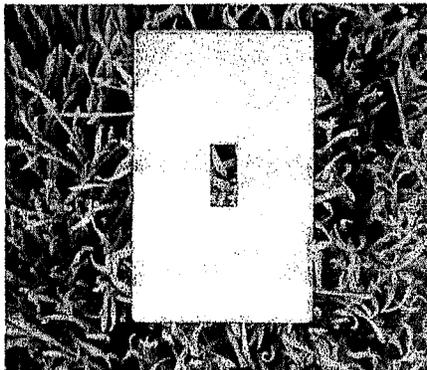
- **Provide \$5 million in funding for the Renewable Energy Council**
- **Provide \$10 million to establish an energy efficiency revolving loan fund to for public buildings in North Dakota. Project loans would be capped at \$250,000 per project with a payback of ten years. Interest on loans would be capped at 3 percent.**

In 2010, NDARE commissioned a study regarding North Dakotans opinions about energy efficiency and conservation. An overwhelming majority - 97 percent- of North Dakotans surveyed say that energy efficiency is either very important or somewhat important to them. 64 percent of those surveyed say they think more about reducing their energy consumption today when compared with five years ago.

North Dakota has made some strides with respect to energy efficiency, but there is far more that can be done. **NDARE supports legislation that would require public buildings to be built to new, more efficient building code standards.**

The North Dakota Extension Service has offered energy education to homebuyers and residents across the state through a grant-funded energy educator. **NDARE supports permanent funding for an energy educator position through the North Dakota Extension Service.**

NDARE also supports legislation to establish international building code standards for Energy Efficiency as a minimum requirement for residential and commercial building construction in ND by 2017.



DEPARTMENT OF COMMERCE TESTIMONY ON SENATE BILL 2027
JANUARY 28, 2013, 2:00 P.M.
SENATE APPROPRIATIONS COMMITTEE
HARVEST ROOM
SENATOR RAY HOLMBERG, CHAIRMAN

ALAN ANDERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good afternoon, Mr. Chairman and members of the committee, my name is Alan Anderson and I serve as the Commissioner for the North Dakota Department of Commerce. As Commerce Commissioner I also have the pleasure of serving as the chairman of the EmPower North Dakota Commission.

The EmPower North Dakota Commission was established by the 2007 legislative assembly and made permanent by the 2009 legislative assembly. Its members are appointed by the Governor. It is an industry lead effort that allows all of our energy industries, both renewable and traditional, to have a voice into the state's energy policy.

On behalf of the EmPower ND Commission, I am here today to speak in favor of Senate Bill 2027. This is a bill that was recommended by the Commission and approved by the interim Energy Development and Transmission committee. A complete list of bills recommended and supported by the Commission is below:

- Senate Bill No. 2027 – Renewable Energy Development Fund & Value-Added Opportunities Study.
- Senate Bill No. 2028 – Employment Data Appropriation.
- Senate Bill No. 2029 – Oil and Gas Research Fund & Value-Added Opportunities Study.
- House Bill No. 1029 – Housing Incentive Fund and Tax Credit.

Senate Bill 2027 allocates 5% of the amount credited to the Resources Trust Fund, up to \$3 million per biennium, to the Renewable Energy Development Fund. An additional \$300,000 in general funds would be appropriated to the Department of Commerce for the purpose of conducting a study to evaluate value-added market opportunities related to renewable energy resources.

The EmPower ND Commission felt it was important to have a dedicated revenue stream for the Renewable Energy Program, similar to the revenue streams for the Lignite and the Oil & Gas research programs. The Resources Trust Fund is an appropriate funding source as one of its purposes is for programs for the development of energy conservation and renewable energy. To date, the fund has only been utilized for its other purpose, which is funding water-related projects.

The Governor has included a similar mechanism for funding the Renewable Energy Program, which has been included in section 15 of Senate Bill 2014. Senate Bill 2014 would allocate .5% of the Resources Trust Fund for the Renewable Energy Program which would provide an estimated \$2.7 million during the 2013-15 biennium.

The EmPower ND Commission has recommended that funding be provided for a study to evaluate value-added opportunities related to renewable energy resources. The agriculture industry in the state has evolved from just producing agricultural commodities to also adding value to those commodities and manufacturing end products. The commission would like to see opportunities explored to do the same for our energy resources. This could include chemicals, plastics, nanofibers, manufactured products or materials yet to be discovered.

The study included in Senate Bill 2027 is focused on renewable energy resources and a similar study has been included in Senate Bill 2029 related to value-added opportunities related to oil and gas. The commission believes both studies are important and will complement each other. The Executive Budget Recommendation did not provide any funding for these studies.

Mr. Chairman and members of the Appropriations Committee, I respectfully request your favorable consideration of Senate Bill 2027. That concludes my testimony and I am happy to entertain any questions.

TESTIMONY ON SB 2027
NORTH DAKOTA ALLIANCE FOR RENEWABLE ENERGY

The North Dakota Alliance for Renewable Energy (NDARE) is pleased to testify in support of this bill, which provides ongoing funding from the Resources Trust Fund for the Industrial Commission's Renewable Energy Development Fund.

NDARE is a diverse member organization that fosters the development and use of renewable energy and energy efficiency through education, outreach and public policy advocacy. Our members include utility companies, city and county economic development corporations, commodity groups, state and federal agencies involved with agriculture and energy, environmental organizations, and others.

NDARE has for many years advocated the use of Resources Trust Fund (RTF) dollars for renewable energy and energy efficiency purposes. In 1990, North Dakota voters approved the Resources Trust Fund as a constitutional trust fund, with the provision that the legislature could allocate RTF revenues to the State Water Commission for water projects and/or to the State Industrial Commission for energy conservation projects. It can reasonably be assumed that the measure passed in 1990 because voters supported the funding of both types of projects, water and energy.

According to the Office of Management and Budget, since 1994 through the remainder of the current biennium, the Resources Trust Fund will have generated approximately \$719,117,000. Essentially, all \$719 million has been allocated to the State Water Commission for water projects, none has been allocated to the State Industrial Commission for energy activities. In the coming biennium, OMB estimates that an additional \$557 million in total revenues will be credited to the Resources Trust Fund, increasing the grand total since 1994 to \$1,276,000,000. If this bill is approved, the \$3 million allocation for the Renewable Energy Development Fund represents 0.2 percent of the RTF revenues through FY 2015.

While NDARE supports the use of RTF revenues for energy efficiency and renewable energy because we believe that's what North Dakota voters supported in the 1990 primary election, we also believe that these investments provide a good return on investment to the public. Our organization very recently released a new study which shows that the state's renewable energy industry, such as wind and biofuels, generates more than \$1.2 billion in annual economic activity in North Dakota. The study was conducted by NDSU's Agribusiness and Applied Economics Department on behalf of NDARE, and was made possible through a grant from the ND Dept. of Commerce State Energy Program.

NDARE believes that the projects funded through the Renewable Energy Development Fund contribute to a more robust renewable energy sector in North Dakota and meets the stated goal of creating new jobs, wealth, and tax revenue for the state.

Thank you for the opportunity to testify on SB 2027.