

2017 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1398

2017 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Fort Union, State Capitol

HB 1398
2/2/2017
27858

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the jurisdiction of the public service commission.

Minutes:

Attachments 1- 4

Chairman Kasper: opened the hearing on HB 1398.

Rep. Jon Nelson: introduced the bill. Attachment 1 PSC jurisdiction held up industrial service residential service market driven contracted with municipality without natural gas service.

Rep. P. Anderson: Why do you need natural gas to move forward for development in your city?

Rep. Nelson: Industry comes into town; natural gas has more stable price is the biggest thing.

Vice Chair Louser: We have had discussions about trusting the public service commission with the protection and safety of the public and give them a lot of authority on rate setting do they feel comfortable doing this?

Rep. Nelson: That issue was discussed at length. The sizing of the facility is one of the things that has to be negotiated and then the price.

Julie Fedorchek: Public Service Commissioner, (attachment 2) appeared in support as one commissioner. This is an issue that I have been concerned about for the last 4 years. This is not a silver bullet. This is not going to solve natural gas service to North Dakota. It is one tool that has some potential to make a difference. This step is worth trying. The bill allows a small or a large utility to work directly with the community to identify the needs and possible solutions to meet their needs as relates to natural gas service.

Rep. Laning: If we were to pass this bill and it turns over all the regulation over to the smaller communities. With the PSC extensive background would the PSC be willing to assist these committees when they get started with the rate establishment?

Julie Fedorchek: Yes we would be able to serve as a resource but there is no official rural or official responsibility that we would play that we have staff.

Dave Blair: Worked for a company called KLJ. Appeared in support. Many small cities in the area want natural gas. One of the key components was that what is this going to cost and how can we make this affordable. There are opportunities for the communities to explore different options. We have a lot of natural gas here and people are saying "why can't we do something with it"? I think we are doing a good job with trying to capture the natural gas. Having some assistance from the PSC would also be very helpful.

Chairman Kasper: How you going to get gas from where it is to where you want it to go?

Dave Blair: Truck, the cost of the pipeline is too much.

Shane Goettle: MDU Resources, (no written testimony) appeared in support. With the amendments the bill much more palatable to work with. We still believe that the economics are what are preventing the project from happening in North Dakota verses the regulatory burden. I see that as a minimal to the overall cost of the project. MDU has been a strong advocate of getting natural gas service to unserved and underserved communities. The bottom line is these projects are expensive.

Kathy Aas: Xcel Energy; If you except the amendments as amended we will support the bill.

Chairman Kasper: Is there any more support for HB 1398? Any Opposition to HB 1398?

Mike Rud: Executive Director of the North Dakota Propane Association, appeared in opposition. (Attachment 3) 27:30-31:31 NDPA is not against natural gas. We are pro natural gas. Passage of the bill could put threaten the lively hood of propane companies across rural North Dakota while taking away the jobs that go with them. I urge a do not pass on HB 1398.

Rep. B. Koppelman: Do you want it so that every community in the state must be served by a business for their city needs?

Mike Rud: I think it is a concern we have a hard time with the free market if we are competing against municipalities. We and the workers are paying taxes and providing jobs there and now we would be competing against the municipality. It's not enough to make it feasible.

Chairman Kasper: Is the cost of propane compared to the cost of natural gas per however you measure it how close percent wise are those two products now?

Mike Rud: There are close now.

Chairman Kasper: Let's say the city doesn't have natural gas and they are on propane or electric. How are these homes being served?

Mike Rud: There is one city in North Dakota in that has its own municipality propane system and that is Granville All the rest of our services across the state marketers that put up the Tank on the property.

Chairman Kasper: If the natural gas were allowed to be brought in would the Municipality be required to build underground infrastructure so that the natural gas would flow? Or would the natural gas be stored in tanks?

Mike Rud: You would have to talk to the people that are proposing this natural gas bill. My understanding is that it would be a bulk plant someone would have to plumb it.

Chairman Kasper: Would the natural gas in the city have to buy a tank like they do for propane?

Mike Rud: Plumbed into the home.

Chairman Kasper: So that would wipe out the propane dealers because they did the buildout?

Mike Rud: The competition would come if we saw Price spike.

Bill Delmore: North Dakota Propane Gas Association, appeared in opposition. (Attachment 4) 39:17-41:53 We are opposed to HB 1398. This bill the Public Service Commission No Discretion in whether to grant an exemption. We are not against natural gas.

Chairman Kasper: Closed the hearing.

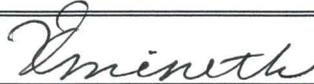
2017 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Fort Union, State Capitol

HB 1398
2/9/2017
28120

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the jurisdiction of the public service commission.

Minutes:

Chairman Kasper: opened the meeting on HB 1398.

Rep. P. Anderson: I like this bill and the communities that don't have natural gas if they can get it and if it helps the community I think that is a positive thing.

Rep. B. Koppelman: I was reading the handout that we received. This answered my thoughts on why I am opposed to the bill in that what I understood in the testimony is that one of the benefits to supporting this bill was providing access to small communities and encourage the model municipal utilities to be installed. However, in reading this email it seems clear that the utilities are already allowed and the utilities are not governed by the Public Service Commission but the pipelines that serve them are. I make a motion for a do not pass

Rep. Laning: Small town mayor I don't see the necessity of this bill because we had a local municipal power agency and you can do that any time that you want and the PSC doesn't have any involvement in it.

Chairman Kasper: We have a motion for a do not pass on HB 1398 and a second from by Rep. Rohr. A roll call vote was taken Yes 11 No 2 Absent 1 Floor Assignment Rep. Koppelman.

Date: 2-9-17
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1398**

House Government and Veterans Affairs Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Koppelman Seconded By Rohr

Representatives	Yes	No	Representatives	Yes	No
Jim Kasper-Chairman	X		Pamela Anderson		X
Scott Louser-Vice Chairman	X		Mary Schneider	X	
Jason Dockter	X				
Craig A. Johnson	X				
Daniel Johnston	X				
Karen Karls	X				
Ben Koppelman	X				
Vernon Laning	X				
Christopher D. Olson	X				
Karen M. Rohr	X				
Vicky Steiner		X			
Steve Vetter	X				

Total (Yes) 11 No 2

Absent _____

Floor Assignment Koppelman

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

REPORT OF STANDING COMMITTEE

HB 1398: Government and Veterans Affairs Committee (Rep. Kasper, Chairman)
recommends **DO NOT PASS** (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING).
HB 1398 was placed on the Eleventh order on the calendar.

2017 SENATE ENERGY AND NATURAL RESOURCES

HB 1398

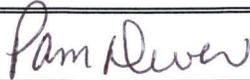
2017 SENATE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee Fort Lincoln Room, State Capitol

HB 1398
3/9/2017
Job #28955

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution: Relating to the jurisdiction of the Public Service Commission.

Minutes:

Attch#1,#2andAttch#2-A=Rep.J.Nelson;
Attch#3,#4=JulieFedorshak; Attch#5=Mike
Rud; Attch#6-amendment=Mike Rud;

Chairwoman Unruh: Let's open HB 1398.

Rep. John Nelson, Dist. 14, Rugby, ND: During the interim, we studied how small communities could grow. We are just under 3000 people in Rugby. It came up that Rugby needs natural gas. This has been talked about for years. We looked at the distance between pipelines. There is not hope in the future that a pipeline would service unless a new pipeline is built. If that is the only option, then that has a limited scope, too. The GVA in conjunction with Rugby and Pierre County, hired KLJ Engineering to look at a feasibility study to see if there are other alternatives. One of the most promising aspects of that study showed that there may be other forms of natural gas. Compressed natural gas or liquid natural gas. The cost of that is now controlled by the PSC. In MD, they have an exemption opportunity that allows the city to negotiate with the provider and remove that regulatory step that PSC has in ND today. There are providers that do that in small cities in MN. That is exactly what this bill is intended to do. There is no state money. It allows the cities to be the negotiating agent with the provider for a price. The PSC still has the safety regulations within their purview. That would not change. The amendment I brought (see Attch#1) should be added to this bill. This gives cities and communities a tool to grow. We cannot grow from an industrial side without this bill. The only people who opposed this were the propane dealers. We are talking industrial service. There was a statement in the House that the city would become the utility. That is not in the bill. It is a million dollars a mile to run natural gas. (see Attch#2-A) My map shows all the small towns not served with natural gas. It is time that we benefit from the pipeline development. We have had to put up with the energy development. This is one way we can do that. I have included the interim information for you, also. (see Attch#2)

Chairwoman Unruh: The economic impact committee was tasked to study if we should help provide natural gas to communities in ND, they came up with no recommendation. Did they consider language like your bill?

Rep. Nelson: This came from grass roots, so do not know that answer. I was not on the committee. Some people were coming to testify from JDA, but the weather is too bad. (11.21)

Sen. Schaible: Was this amendment offered in the House.

Rep. Nelson: They did not consider it. The hearing was late in the day and no one remembered the amendments. I tried to get them to take the bill back and attached the amendments. The chairman refused to do that.

Sen. Roers: You said that there is nothing prohibiting the propane dealer from doing natural gas. That is not the normal course of business for the propane dealers. How do you think they could compete in this arena?

Rep. Nelson: They do have a leg up on some provider because they have existing customers, and they know the quantities that are needed. They have experience in transportation. It is a new form of business. But if we look only at the status quo, if we did not have a need for natural gas, we would not have the interest. The stability of pricing has hampered industrial growth. Living in Fargo, you do not see that. (15.50) Gwinner, ND, you would think that Bobcat is supplied with natural gas. They are not. They would love natural gas. They can use this bill to bring the natural gas closer. Father Grainer is the president of Rugby GDA, and he did just get here, so please let him talk to your committee.

Father Tom Grainer, Rugby, ND, president of local job development authority: (17.42-22.22)
We are trying to make Rugby more attractive for economic and residential development. When people think about putting a home in Rugby or a business here, do you have access to natural gas, is what they ask. We have great propane dealers. We are 17 miles from the natural gas pipelines, so at 1 million dollars a mile, nobody is too anxious to put in the pipeline that would give us access. We can bring it in liquefied or compressed form. We had a utility from MN approach us about the possibility about bringing in their plants and making this available to Rugby Manufacturing. They are a 300,000 gallon a year propane customer. Possess some technical challenges when it gets cold. The hospital heats with propane and fuel oil. This creates budgeting challenges. They are subject to the oil market. I visited with other communities by Rugby, and they get the same the same questions in their towns. Natural gas is an important part of the infrastructure, and this bill is like MN's and is the responsible way to go to bring interested investors. We are not asking for state subsidies. We see this as a stabilizing issue. It takes out some of the volatility of the oil market.

Julie Fedorchak, PSC Commissioner: (see atch#3 and Atch#4-same map as Nelson). I am here in support of HB 1398. This bill is to reduce a potential regulatory burden for communities who want to work directly with the natural gas provider on innovative approaches to service. The city can negotiate directly with a natural gas provider. After developing a plan, they can apply for an exemption from us on our regulatory oversight. The community would be the regulators. They are not the utility. This concept is working in MN.

Sen. Armstrong: Without the PSC oversight, do we have to be concerned about consumer rate protection? (28.40)

Julie: The oversight would be provided by the local leadership. If you have faith in that leadership, then they would be in good hands.

Sen. Cook: I understand there is a new larger pipeline put into service in Mandan. Are you aware of that?

Julie: Where? There is a new one south of Mandan and connected inside Torso. It is connection another pipeline.

Sen. Cook: To serve who?

Julie: Serves the Heskett Gas fired facility by the Heskett Power Plant.

Sen. Cook: What role did the PSC play in that?

Julie: We sited that pipeline.

Sen. Cook: And you will control the price?

Julie: We do not control prices on pipeline. We do not oversee prices.

Sen. Cook: Then what are you giving up with this bill?

Julie: When we oversee a utility, any time they want to change their rates, they have to file with PSC. We do a rate case and they pay a filing fee of \$150,000 for a rate case. With that we hire experts, etc. Those costs are focused on just on the people who are benefited, like an extension to Rugby. That is a lot pf cost for Rugby to bare. Just not cost effective. (32.32) This allows a city like Rugby to break off from a system like that.

Sen. Cook: You do not regulate rates, and then you say you do?

Julie: We regulate utility services. So we regulate the natural gas service you get from MDU, but the cost of gas is just a pass through. We do not get into the cost of gas or what pipelines charge for their services.

Sen. Cook: As far as comparing the pipeline that went into Mandan, where you regulate it.

Julie: We did not regulate it. We sited a permit for them to construct. This is totally different. The pipeline that serves the Heskett facility. They are not using that to provide natural gas to consumers. So it is not a natural gas distribution company. Providing natural gas to the facility. MDU does have a natural gas utility, but we do regulate the gas that goes to houses.

Sen. Cook: If MDU wanted to provide a service to Rugby Manufacturing, you would be involved in that.

Julie: Under the current structure, yes, unless they were developing a separate company with MDU. If it was part of their utility, then yes.

Sen. Cook: This bill will allow the gas to be provided to Rugby at a cheaper price then it would be if we left things alone and an IOU had to go in there?

Julie: We have to see if anyone can make this work. This allows for a community to work directly with a company that thinks they can provide a natural gas solution to their community that they can afford. They can opt out of our regulatory oversight. (35.56)

Sen. Oban: Under this scenario you just laid out, what is any oversight would PSC still have?

Julie: We don't envision any oversight until the community gets above the threshold of 2500 customers. Then they are folded into our regulatory oversight.

Shane Goettle, MDU Resources: With the amendments you got from Rep. Nelson, if you adopt these, then MDU can support. Without the amendments, we are opposed because it cuts us out. (37.57)

Kathy Aas, Xcel Energy: Here in support only if the amendments are adopted.

Vice Chair Kreun: Any other support? Any opposed?

Mike Rud, NDPGA: (see Atch#5) We are opposed to this bill. We represent about 130 marketers across ND and employee 100 people in ND and many in rural areas we are talking about today. We supply about 40,000 homes. There were some problems in MN. Some energy supplier went to the city and asked for a rate increase. In some cases, they got double digit increases. We believe that once you go down this road with this process, you enter into this agreement, the cities hands are ties. What happens if that company just pulls out, and says we can't do this anymore. From the free market standpoint, we do not believe this is a good bill. MDU, Xcel, and any of these can come in. We are opposed to the PSC giving up discretion and turning this over to a community that may not have enough information in front

of them to make to enter into an agreement with an energy supplier. We agree with the need for economic development. We would also like to offer an amendment. (see Attch#6) Passed out the amendment. We do not have any issue with Representative Nelson's amendments. We added a new section. Safety has always been our number one concern regarding the propane industry. Some service providers still do not comply when installing. Natural gas is a less dense energy than propane and requires different piping to ensure that appliances operate correctly. We always advise homeowners to question any field provider when it comes to conversion plans. Unauthorized conversion can be problematic for homeowner due to inefficient operation and units may not run right. Many conversions make the warrantee void.

Sen. Oban: Don't you think that local leader would be very concerned before they would put their community at risk and make the big decision?

Mike: I agree to some extent with that. I hope that a city commissioner or councilman would make the right decision. There can be outside pressures that may try to sway them. I know that Bobcat survived for years on propane. Gwinner plant has propane and is a shining example. I talked to three or four economic developers from the systems in MN, and I asked all of them and asked them if it brought economic development. Several said it did not at all. They thought it made them look better not to have the propane tanks in sight. No guarantee that it will bring business to all these towns.

Sen. Oban: Do you think those same pressures can be put on public service commissioners?

Mike: I do. We have a lot of natural gas out here in the state now. It is a free market now. They have to choose to make the investment.

Sen. Armstrong: The plant is in South Heart, ND and in my district. The people like that it be noted.

Vice Chair Kreun: Any more in opposition?

Bill Delmore: (50.15) I am here against and posse the legal issues. The bill creates monopoly status. MDU does not because it has to go through all the PSC checks and balances. As an attorney, when you bring action against someone, with a manufacturer. You do not go after the manufacturer. You go after the installer who lives and works in ND. You don't have to show they are doing business here. You don't have to reach out to some other state who may have 14 attorneys out of a big firm from Chicago or New York. For 23 years I dealt with environmental audits and EPA. There is potential for inefficiencies, but potential for an accident. If this happens, the first thing ND attorneys will do, is sue the people who installed the equipment. You need to make sure that they meet the manufacturer's requirements before installation. Many of the national codes say if you are going to install, you have to consult the manufacturer's directions. I do not know what this means. Should say you need to be in compliance with the manufacturer's instructions. That is what this past amendment does. It looks like this bill tries to give a defacto monopolistic stature without having to go through all the checks and balances that the PSC require. It would put major liability on individual business dealers, propane people.

Sen. Armstrong: I understand the amendment. But isn't the amendment the legislative intent on the warning label on the back. I think an installer would still get sued if we put this in Code. I think the opposite would happen if this in in Code.

Bill: With this in Code, it tells whoever the new entity is, you can't do it. It would allow the propane dealer to remove themselves from being named in a suite.

Sen. Armstrong: you are getting this an exclusion for the propane dealer than for the people installing. I no doubt believe that some installations take place outside of manufacturer's specs. That will happen whether or not this gets into Code. For the protection of the people who originally put it in, not to who would be doing the conversion.

Bill: Yes, that is exactly it. It is based on my experience.

Chairwoman Unruh: Further opposing? Any agency testimony. Seeing none, hearing is closed.

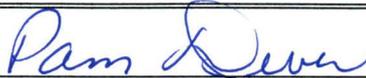
2017 SENATE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee Fort Lincoln Room, State Capitol

HB 1398
3/16/2017
Job #29340

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Minutes:

Committee work

Chairwoman Unruh: Take up HB 1398. That was the natural gas bill. We have two sets of amendment. One is from Representative Nelson, the sponsor, and Mike Rud brought us an amendment. Any discussion?

Sen. Armstrong: I move both sets of amendments. **Sen. Cook:** I second.

Chairwoman Unruh: We have 17.0920.01002 and the Rud amendment which does not have any numbers. Any discussion on the amendments?

Sen. Armstrong: To me the Rud amendment is equivalent to a products liability stamp. Like the big sticker on the back of each propane stove. (3.16)

Chairwoman Unruh: All in favor of the amendments say yea, all apposed, same sign. The amendments have been passed.

Chairwoman Unruh: We have amended HB1398 in front of us.

Sen. Cook: I do not like the bill. I do not like the city to become a PSC.

Sen. Cook: I move a Do Not Pass as amended. **Sen. Armstrong:** I second.

Chairwoman Unruh: I agree with Sen. Cook. I will not support. I am not comfortable with the process.

Sen. Roers: What could it hurt to pass this? These people will go out and do diligence to make it affordable fort them and set up a distribution network. Then they can compete in larger projects. (5.55) What would this hurt, Sen. Cook?

Sen. Cook: Unintended consequences. Be careful what you ask for because you may get it. In MN the prices went sky high, we heard testimony. Maybe we should check this out. There is a reason that the PSC exists and I do not think the utilities should provide service without going through the PSC.

Sen. Roers: I agree, but the PSC does not want to be involved until it hits a certain threshold. They endorsed it. The unis is on the community. It is going to be very difficult to make it cost effective. They are not asking for money. I am trying to get more information.

Sen. Oban: In responding to Sen. Cook comment on MN, Commissioner Fedorchak said "this is modeled after MN and it has worked well". (8.16)

Chairwoman Unruh: I believe I have the library's summary. Can't find.

Chairwoman Unruh: What are wishes? Call the roll on Do Not Pass on HB1398 as amended. YES 2 NO 5 -0- absent **Motion FAILED.**

Chairwoman Unruh: What do you want to do?

Sen. Schaible: I move a Do Pass with amendment.

Sen. Roers: I second.

Chairwoman Unruh: any discussion?

Chairwoman Unruh: Call the roll on a Do Pass as amended.

YES 4 NO 3 -0- absent

Sen. Schaible will carry the bill.

Adjourned.

CM
3/17/17

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1398

Page 1, line 23, remove "The commission, upon receipt of a resolution of a municipality's governing body"

Page 1, remove line 24

Page 2, replace lines 1 through 14 with "Upon receipt of a resolution from the governing body of a city not served on August 1, 2017, with natural gas distribution service from a public utility requesting an exemption, and stating its reasons for doing so, the commission shall grant the public utility an exemption from sections 49-02-03, 49-02-11, and 49-02-15, and chapters 49-03.1 and 49-04 if the public utility:

- a. Has a franchise to supply customers within the city and the area of the extraterritorial zoning jurisdiction of the city with natural gas distribution service;
- b. Consents to the exemption; and
- c. Serves no more than two thousand five hundred customers within the city and the area of the extraterritorial zoning jurisdiction of the city.
3. Upon approval of the exemption, the rates, contracts, or services rendered by the public utility within the exempted area are subject to regulation by the city.
4. Notwithstanding an exemption granted under this section, the public utility remains subject to any rules of the commission governing customer service disconnections, and resale of natural gas service furnished or causing the resale of natural gas service by any customer is prohibited.
5. If a city files with the commission a resolution of its governing body rescinding the request for exemption, if the public utility serves more than two thousand five hundred customers within the city and the area of the city's extraterritorial zoning jurisdiction, or if the public utility requests rescinding the exemption for good cause, the commission may rescind the exemption granted under this section. The commission may require a public utility providing nonexempt natural gas distribution service to provide any exempted natural gas distribution service as a separate business entity.
6. Equipment covered by this section must be installed and maintained in compliance with the instructions provided by the manufacturer of any previously-installed equipment to which it will be added. Appliances designed to use only a specific fuel may not be converted to use a different fuel if the manufacturer has prohibited the conversions."

Renumber accordingly

3/16/17

Date:
 Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1398

Senate Energy and Natural Resources Committee

Subcommittee

Amendment LC# or Description: 17.0920.01002 Reed Amend. no #

- Recommendation: Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Sen Armstrong Seconded By Sen Cook

Senators	Yes	No	Senators	Yes	No
Chairman Jessica Unruh			Sen. Erin Oban		
Vice Chair Curt Kreun					
Sen. Kelly Armstrong					
Sen. Dwight Cook					
Sen. Jim Roers					
Sen. Don Schaible					
	<i>20101002</i>				

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
all yeas - amend. passed

Date: 3/16/17
 Roll Call Vote #: 2

**2017 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1398**

Senate Energy and Natural Resources Committee

Subcommittee

no #

Amendment LC# or Description: 17.0920.01002 *Read Amend.*

- Recommendation:
- Adopt Amendment
 - Do Pass Do Not Pass Without Committee Recommendation
 - As Amended Refer to Appropriations
 - Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Sen Cook Seconded By Sen Armstrong

Senators	Yes	No	Senators	Yes	No
Chairman Jessica Unruh	/		Sen. Erin Oban		/
Vice Chair Curt Kreun		/			
Sen. Kelly Armstrong		/			
Sen. Dwight Cook	/				
Sen. Jim Roers		/			
Sen. Don Schaible		/			

Total (Yes) 2 No 5

Absent -0-

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
Do Not Pass as amend. failed

Date: 3/14/17
 Roll Call Vote #: 3

**2017 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1398**

Senate Energy and Natural Resources Committee

Subcommittee

Amendment LC# or Description: 17.0920.01002 & Red Amend. no #

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Refer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Sen Schaible Seconded By Sen Roers

Senators	Yes	No	Senators	Yes	No
Chairman Jessica Unruh		/	Sen. Erin Oban	/	
Vice Chair Curt Kreun	/				
Sen. Kelly Armstrong		/			
Sen. Dwight Cook		/			
Sen. Jim Roers	/				
Sen. Don Schaible	/				

Total (Yes) 4 No 3

Absent 0

Floor Assignment Sen. Schaible

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

*Passed
4 to 3*

REPORT OF STANDING COMMITTEE

HB 1398: Energy and Natural Resources Committee (Sen. Unruh, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1398 was placed on the Sixth order on the calendar.

Page 1, line 23, remove "The commission, upon receipt of a resolution of a municipality's governing body"

Page 1, remove line 24

Page 2, replace lines 1 through 14 with "Upon receipt of a resolution from the governing body of a city not served on August 1, 2017, with natural gas distribution service from a public utility requesting an exemption, and stating its reasons for doing so, the commission shall grant the public utility an exemption from sections 49-02-03, 49-02-11, and 49-02-15, and chapters 49-03.1 and 49-04 if the public utility:

- a. Has a franchise to supply customers within the city and the area of the extraterritorial zoning jurisdiction of the city with natural gas distribution service;
- b. Consents to the exemption; and
- c. Serves no more than two thousand five hundred customers within the city and the area of the extraterritorial zoning jurisdiction of the city.
3. Upon approval of the exemption, the rates, contracts, or services rendered by the public utility within the exempted area are subject to regulation by the city.
4. Notwithstanding an exemption granted under this section, the public utility remains subject to any rules of the commission governing customer service disconnections, and resale of natural gas service furnished or causing the resale of natural gas service by any customer is prohibited.
5. If a city files with the commission a resolution of its governing body rescinding the request for exemption, if the public utility serves more than two thousand five hundred customers within the city and the area of the city's extraterritorial zoning jurisdiction, or if the public utility requests rescinding the exemption for good cause, the commission may rescind the exemption granted under this section. The commission may require a public utility providing nonexempt natural gas distribution service to provide any exempted natural gas distribution service as a separate business entity.
6. Equipment covered by this section must be installed and maintained in compliance with the instructions provided by the manufacturer of any previously-installed equipment to which it will be added. Appliances designed to use only a specific fuel may not be converted to use a different fuel if the manufacturer has prohibited the conversions."

Renumber accordingly

2017 TESTIMONY

HB 1398

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1398

Page 1, line 23, remove "The commission, upon receipt of a resolution of a municipality's governing body"

Page 1, remove line 24

Page 2, replace lines 1 through 14 with "Upon receipt of a resolution from the governing body of a city not served on August 1, 2017, with natural gas distribution service from a public utility requesting an exemption, and stating its reasons for doing so, the commission shall grant the public utility an exemption from sections 49-02-03, 49-02-11, and 49-02-15, and chapters 49-03.1 and 49-04 if the public utility:

- a. Has a franchise to supply customers within the city and the area of the extraterritorial zoning jurisdiction of the city with natural gas distribution service;
- b. Consents to the exemption; and
- c. Serves no more than two thousand five hundred customers within the city and the area of the extraterritorial zoning jurisdiction of the city.
3. Upon approval of the exemption, the rates, contracts, or services rendered by the public utility within the exempted area are subject to regulation by the city.
4. Notwithstanding an exemption granted under this section, the public utility remains subject to any rules of the commission governing customer service disconnections, and resale of natural gas service furnished or causing the resale of natural gas service by any customer is prohibited.
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Renumber accordingly

Attachment 2
1398
2-2-17

**Testimony from Julie Fedorchak, Public Service Commissioner
HB 1398
House Government and Veteran Affairs Committee
Feb. 3, 2017**

Good afternoon members of the House Government and Veteran Affairs Committee. I'm Julie Fedorchak, member of the ND Public Service Commission.

The Commission as a whole is neutral on this legislation. I am here today individually offering some comments in support of this approach and to stand for any questions you have about this change from a regulatory standpoint.

If you will indulge me for a minute I'd like to offer a little background. In the interim preceding the 2015 session, I worked with a group of legislators, the Economic Development Association of North Dakota, our investor owned utilities and some leaders of small North Dakota towns that don't have natural gas service. We explored ways to expand natural gas service to rural areas.

EDND has been looking at this issue for years because business developers know when it comes to small town development natural gas service is an important factor between being a viable location for industrial development and not.

This collaborative work resulted in a package of incentives proposed in the 2015 session that attempted to fill the financing gap that impedes extending natural gas to many of the more than 300 unserved communities in North Dakota.

This package of incentives last session was strongly opposed by the propane dealers as providing an unfair advantage to what would be their competitors in many rural communities that the propane industry currently serves.

Another interim study was undertaken, this one by the legislature. I provided a lot of information to that committee about approaches that other states are taking to address this challenge. After the interim committee completed its work, we learned about an approach in Minnesota and that was the seed for this bill.

Rep. Nelson has already summarized the bill.

First, to be clear, this isn't a silver bullet that's going to solve everything. The economics of delivering natural gas to small communities far from a main natural gas line are tough.

However, I think it's a step worth trying. This bill allows a utility, small or large, to work directly with a community to identify their needs and possible solutions to their needs. If they can come up with a solution that community leaders can embrace and the utility can make work

economically, they can enter into an agreement and essentially opt out of our rate regulation.

This allows them to pursue more unconventional approaches perhaps than the commission, taking a more traditional and conservative approach to regulation, might entertain. For example, a utility might facilitate service through compressed or liquefied natural gas that can be transported by truck not pipeline, eliminating the largest cost of connecting to natural gas which is the cost to extend a lateral line to a community.

It allows a utility to segregate service tailored to the needs of one community without subjecting rate payers in a broader service territory to the costs of that system. It also all exempts them from regulatory processes such as a certificate of Public Convenience and Necessity, annual tariff filings, and rate cases. All of these carry associated costs which, for a business with tight margins, could make a significant difference.

I met with the propane dealers in December to get their take on this approach. Mike Ruud is here today and I suspect will be visiting with you later about some of their concerns. But in general, he assured me that his organization isn't opposed to competition. If the bill doesn't provide incentives or financial benefits to one industry over another, he suggested they would not be opposed.

This bill could open the door to some innovative new approaches that might provide solutions to some of our rural communities. In fact, it

may even provide a new business opportunity for propane dealers themselves who already have relationships in many of these communities.

The Commission has reviewed the concept at length and our changes are reflected in this bill.

I've talked with my colleagues in Minnesota about their experiences with this policy and overall it has been quite favorable.

Thank you for your attention to this idea. I'm happy to stand for any questions.

Nelson, Jon O.

From: Fedorchak, Julie L.
Sent: Wednesday, February 8, 2017 12:26 PM
To: Nelson, Jon O.
Subject: Clarifying information

Some confusing and inaccurate information was presented during testimony for HB 1398 relating to natural gas service to unserved small communities.

HB 1398 does not allow municipalities to become utilities. Municipal systems can and already do operate as utilities with limited PSC jurisdiction (*see The City of Granville*). North Dakota Century Code section 49-02-01.1 currently limits the PSC's jurisdiction with regard to rates, contracts, services rendered, adequacy, and sufficiency of facilities for such municipal systems.

The purpose of HB 1398 is to allow a natural gas provider –new or existing – to enter into an agreement directly with a municipality to provide natural gas service to an unserved community under terms and conditions mutually agreed to by the company and the municipality. If such an agreement is reached, this bill allows the municipality to request an exemption from PSC regulation of rates, contracts, services rendered, and service adequacy. This would leave the utility subject to the municipality's oversight for cost and service while remaining subject to the PSC's pipeline safety regulation.

This bill allows a community that doesn't have natural gas service today to be the regulator of a natural gas utility serving their community, not to be the utility itself.

Opponents suggested that the bill will impede the free market or provide some economic benefits to the public utility that would result in unfair competition to propane suppliers. This is not the case. Actually, the opposite is true. The bill intends to stimulate competition and increase potential energy suppliers to rural communities. The bill's intention is to reduce the regulatory barriers that impede innovative or unconventional approaches to natural gas service that might otherwise be developed by a utility working directly with a municipality and its leaders.

Sent from my iPhone

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Attachment 3
1398
2-2-17

Testimony HB 1398
February 2, 2017 – House GVA

Chairman Kasper and Committee Members:

For the record, my name is Mike Rud. I'm the Executive Director of the North Dakota Propane Association. On behalf of our association's 130 members and thousands of workers they employ, many of which might serve your homes and businesses, I'm here urging a **"DO NOT PASS" on HB 1398.**

Let me begin by stating very clearly NDPGA is pro-natural gas. After all, propane delivered to customers across North Dakota comes directly from natural gas production.

The ongoing production of natural gas means an increased production of propane nationwide. These are terrific moves for North Dakota and our nation when it comes to energy security.

That being said, NDPGA believes the legislation before you could allow cities to enter into contracts with a natural gas provider with the municipality essentially competing directly with propane dealers in rural areas. Passage of this bill could potentially threaten the livelihoods of propane companies across rural North Dakota, while jeopardizing several thousand industry jobs at the same time.

Propane has been a reliable heating source in rural ND for many years.

Millions of private business dollars have been spent by propane marketers to meet the needs of rural residents and small communities. To my knowledge the state's propane industry has never asked for legislation to expand *propane's* customer base. We ask for a level playing field—not special treatment.

This issue of natural gas expansion was thoroughly discussed during the interim in the Economic Impact Committee. The EDND said it would not be bringing legislation forward during the 2017 session. There was not a lot of appetite for it among committee members as well. To my knowledge, there is no public outcry from state residents for natural gas in rural communities.

I think natural gas utilities in our state already have the ability to expand their natural gas lines to rural areas. In fact, the natural gas utilities are already expanding to areas where there are propane customers and the utilities have been doing so for quite some time. Last fall, I believe MDU announced it's considering a 38- mile extension off a natural gas pipeline in MN that would tie into a line in eastern ND. Like any business, if it is cost effective for them to expand, they will do so.

I would argue these are large and powerful businesses. Successful operations more than capable of tackling the financial burden of expansion on their own. I've also heard the argument rural ND is losing out on economic development opportunities because of a lack of natural gas distribution systems. Having served on a rural economic development board, I can say with full confidence the energy source for a business is only one piece of the puzzle when it comes to expansion or relocation of businesses to a rural community.

NDPGA members are by no means afraid of competition as long as all competitors are on equal footing.

Let free enterprise determine the consumer choice of a primary heating source, not the government.

Again, NDPGA urges a DO NOT PASS on HB 1398.



Attachment 4
1398
2-2-17

Testimony HB 1398
February 2, 2017 – House GVA

Chairman Kasper and Committee Members:

For the record, my name is Bill Delmore. I'm a lobbyist appearing on behalf of the North Dakota Propane Gas Association. On behalf of the association's 130 members and thousands of workers they employ, I'm here urging a "**DO NOT PASS**" on **HB 1398**.

We are opposed to HB 1398. Among other issues, the Association's most compelling rationale for opposing the bill are:

Initially, it gives the Public Service Commission **NO DISCRETION** in whether to grant an exemption.

Secondly, and more important, it allows the utility seeking the exemption to use all the other resources of its customer base to compete with the individual marketers who have only their own resources with which to compete.

Finally, It will remove the free market system which currently exists.

Again, we urge a **DO NOT PASS** on HB 1398. I would be happy to answer any legal questions you might have.

Fr.
Rep Nelson

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PROPOSED AMENDMENTS TO HOUSE BILL NO. 1398

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Renumber accordingly

Fr. Nelson

during interim

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pg 1

the penalty provisions should be to incentivize excavators to report damage so that repairs may be done rather than punish the excavator for causing the damage.

The committee received testimony supporting three improvements to the one-call excavation notice system:

1. Requiring a minimum fine for damage to an underground facility which is high enough to deter violations and establishing a clear method and schedule of how to progressively assess higher fines for repeated violations.
2. Clarifying the penalties for violating provisions of one-call laws, such as failing to maintain markings.
3. Amending the law to cut down on unreasonably large locate requests and an unreasonable amount of relocate requests.

The committee considered a bill draft that would:

- Revise the reference to midnight in the definition of "locate period" to read "12:01 a.m. of the day after the location request is made" to avoid any confusion about whether midnight is the beginning or end of a day;
- Clarify that a homeowner requesting a locate would not be charged for locate costs;
- Increase the membership of the North Dakota One Call Board from eight to nine members with the addition of a member representing oil or gas transmission or gathering line operators;
- Limit the size of a locate to an area not exceeding three city blocks in diameter within an urban area or an area of 160 contiguous acres or 5 linear miles in a rural area;
- Provide if an excavator is unable to locate a facility within 2 feet on either side of the operator's facility location markings and requests assistance from the operator to locate the facility, but the operator fails to provide the requested assistance within a reasonable time, the operator is responsible for the excavator's reasonable costs incurred to locate the facility; and
- Remove the reference relating to the excavator's state of mind when the damage was caused.

Recommendation

The committee recommends [House Bill No. 1026](#) to clarify the definition of "locate period," increase membership of the North Dakota One Call Board from eight to nine members, identify the size of a locate area, address the assignment of costs of locating underground facilities, and clarify liability provisions relating to damage of underground facilities.

NATURAL GAS SERVICE

Background

North Dakota has nearly 370 communities without natural gas service, including 11 with a population of more than 1,500 people. Natural gas is a resource typically required to attract any significant manufacturing opportunity.

Senate Bill No. 2276 (2015), which directed this study, originally provided incentives to encourage the expansion of natural gas services to communities in the state. The bill would have provided:

- A property tax exemption for infrastructure used to deliver natural gas to unserved communities;
- An income tax credit for conversion to a natural gas heating source;
- A sales and use tax exemption for construction or expansion of a natural gas heating source; and
- A sales and use tax exemption for construction or expansion of a natural gas transmission or distribution system.

According to the testimony on the bill, the purpose of this study was to determine whether it is possible to bridge the gap to bring natural gas to communities not served and to study where the uncommitted gas would be in those transmission lines that are near those underserved communities. Expanding natural gas to communities poses an economic challenge because those communities generally are a distance from the lines.

Pipeline safety is governed by Section 49-02-01.2 which grants authority to PSC to establish and enforce minimum safety standards for the design, construction, and operation of gas distribution facilities and intrastate pipeline facilities used for the distribution and intrastate transportation of gas, liquefied natural gas, or hazardous liquids. The United States Department of Transportation regulates interstate pipelines through its sub agency, the Pipeline and Hazardous Materials Safety Administration.

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Testimony and Committee Considerations

The committee received testimony from a representative of the Economic Development Association of North Dakota which indicated natural gas is needed for significant manufacturing, and other states have programs to expand natural gas to unserved and underserved communities. Testimony from representatives of local economic development organizations indicated Jamestown, Hillsboro, and Wahpeton are underserved communities and Wahpeton has lost several economic development projects because of insufficient natural gas service. The testimony indicated Wahpeton cannot compete with cities in neighboring states for manufacturing businesses because of the lack of natural gas, and many small communities throughout the state have been unable to attract businesses due to the lack of availability of natural gas. However, testimony from a representative from the Economic Development Association of North Dakota indicated the number of potential users in rural communities is not adequate to support the cost of pipeline expansion to obtain service.

The committee was informed there are three major natural gas pipeline systems in the state:

1. The Northern Border Pipeline, which includes the Bison Pipeline. The Northern Border Pipeline is a 40-inch pipeline that runs diagonally from the northwest to southeast portion of the state. The majority of gas produced in North Dakota goes into the Northern Border Pipeline;
2. The Alliance Pipeline, a liquids-rich gas pipeline that carries unrefined gas, meets the specifications for end users. The pipe has a 36-inch diameter.
3. The Williston Basin Interstate Pipeline, an old pipeline that was part of the Montana Dakota Utilities Co. distribution system. The pipeline was turned into a common carrier and interstate pipeline. The pipeline varies in size from a 16-inch diameter at the largest to 8 inches from Bismarck to Jamestown, 6 inches from Jamestown to Valley City, and north by Cavalier from 4 to 6 inches. More customers cannot be added because of the lack of capacity.

The United States produces 73 billion cubic feet (BCF) of natural gas and burns approximately 70 BCF. The committee was informed it would cost approximately \$3 million to tap the Alliance Pipeline and \$300,000 to \$400,000 to access the Williston Basin Interstate Pipeline. The cost of pipe is \$1 million per mile for steel and \$400,000 per mile for plastic. In addition, there are costs associated with the downsizing of pipe and for a city connection converting businesses and homes from propane to natural gas. The cost of converting from a propane furnace to a natural gas furnace is approximately \$4,000 and the cost of converting other appliances in a home may be approximately \$1,000.

Representatives of the propane industry expressed concern with the state providing assistance to expand natural gas service to unserved communities because of the millions of dollars in infrastructure already in these communities to provide propane that would be displaced. Propane industry representatives emphasized that propane is provided without state incentives and the decision to expand natural gas service should be done without government involvement.

The committee received information relating to efforts across the country to expand natural gas service areas. Minnesota recently enacted legislation to allow utilities to recover 30 percent of costs of expansion from the customer base, but legislation also has been filed to repeal that provision. The committee was informed there have been proposals in about 30 states to encourage natural gas service expansion. In addition to a variety of funding mechanisms, including loan programs, states have focused efforts on regulatory matters and enabling legislation.

Although large amounts of gas are coming from shale production, there are problems associated with the cost of extending pipelines and infrastructure. Representatives of the National Propane Gas Association encouraged free-market competition with electric, fuel oil, and natural gas. They contended subsidizing natural gas service is economically inefficient because it underprices the service, results in a misallocation of resources, and creates an artificial demand for the service.

Testimony from a representative of the Bank of North Dakota indicated the Bank had not been requested to consider assistance for a project for gas service extension. However, any existing Bank loan program would be available only to political subdivisions for critical infrastructure projects and not to private businesses.

A representative from the Department of Commerce indicated the economic development programs in the state are focused primarily on economic development projects and may not be a good fit for expanding natural gas service. However, it was suggested the North Dakota Pipeline Authority may be leveraged to expand natural gas across the state. The Legislative Assembly established the Pipeline Authority in 2007 to facilitate development of pipeline facilities to "support the production, transportation, and utilization of North Dakota energy-related commodities." The Pipeline Authority has broad ability to participate in pipelines, but not necessarily funding to do so. Although the Pipeline Authority may not have resources to assist in financing, it may collaborate in bringing parties together for a project.

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A representative of the Economic Development Association of North Dakota indicated it may not be the right time to request tax incentives because of the budget environment. However, additional tools may be needed to help communities meet the financing gap in the future.

Conclusion

The committee makes no recommendation regarding its study of providing natural gas service to underserved communities.

REPORTS

Department of Commerce

The committee accepted the report of the Department of Commerce regarding the status of the program to establish and administer a UAS test site in cooperation with UND, the Aeronautics Commission, the Adjutant General, and private parties appointed by the Governor as required by Section 54-60-28. Representatives of the Department of Commerce reported the Northern Plains UAS Test Site continues to be the nation's preeminent UAS test site and helps position the state as a hub for UAS activity. The test site is performing increasingly advanced UAS research, development, and testing activities. Those capabilities, in combination with other assets, such as the Grand Sky Business Park and the state's research universities, are attracting private companies to the state and enabling growth of the private sector cluster of UAS activity in the state.

The report indicated the operating budget for the test site for the 2017-19 biennium is estimated at \$3.5 million. With an anticipated carryover of approximately \$1 million in unexpended 2015-17 funds, \$2.5 million will be required to provide the necessary funds to operate the test site through the next biennium. The resources committed by the state to the test site have been used to maximize the state's impact on the national industrial effort in collaboration with the broader state efforts to develop the commercial UAS industry and to promote economic development in the state.

The committee considered a bill draft regarding the frequency of the Department of Commerce's status report of the UAS program. The bill draft would have changed the reporting frequency from semiannually to annually. Representatives of the Department of Commerce indicated reporting to the committee semiannually as required under Section 54-60-28 was preferred.

Emergency Services Communications Coordinating Committee

The committee accepted the report of the Emergency Services Communications Coordinating Committee regarding the use of the assessed communications services fee revenue as required by Section 57-40.6-12. Of the 54 governing bodies imposing a fee, 37 were levying \$1.00 as of June 14, 2016. Voters approved increasing the emergency services communications system fee to \$1.50 in 17 counties, an increase of 4 counties from the previous biennium. A factor that has impacted emergency services communications system revenue is an increasing number of wireless subscribers choosing not to renew wireless contracts and using prepaid wireless services as a replacement. Until January 1, 2014, emergency services communications system fees had not been universally collected on prepaid wireless services. However, through legislation enacted as part of the 2013 Legislative Assembly, these fees are now collected at a rate of 2 percent of the gross receipts at the point of sale. In 2015 the prepaid fees approached nearly \$1 million. The report indicated a continuation of revenue growth from collection of fees with an 18 percent increase from 2013 to 2015.

The report indicated Next Generation 9-1-1 is a nationwide initiative with the goal of improving access to, and interoperability of, 911 service between the public and public safety answering points. With a new Internet protocol network largely in place, the 911 system is positioned to accept new forms of communication from the public. The first of the new communication types allows text-to-911 service across the state. The integration of the 911 networks between North Dakota and Minnesota has improved all services in the state. In 2015 North Dakota, South Dakota, Minnesota, and Iowa were asked to participate in a program sponsored by the National 911 Program called the NG9-1-1 Interstate Playbook. The purpose of the initiative is to identify the technologies, procedures, and policies required to transfer 911 calls across state boundaries without any loss of data or degradation of service. North Dakota and Minnesota were the first of the four states involved in this project to connect 911 networks, and as of May 2016, public service answering points in the state are able to transfer and receive 911 calls with location information from Minnesota.

The report indicated the land mobile radio systems in the state of North Dakota are at a critical juncture for supporting public safety. The land mobile radios serve as an essential communications tool for over 900 public safety and other public sector agencies comprising 20,000 users and devices across all 53 counties and several state agencies. Many of these systems, primarily anchored on 1970s technology and implemented individually by state, local, and municipal entities over the past 3 decades, will soon reach the end of the functional lifecycle of the systems and, as the vendors begin to sunset old technologies, will no longer be supported by the manufacturers. In response to these issues, the 2015 Legislative Assembly directed the Information Technology Department to determine the feasibility and desirability of implementing of a statewide interoperable radio network. The report of that study provided a number of recommendations and tasks to address the governance of a statewide radio system, the contribution and unified

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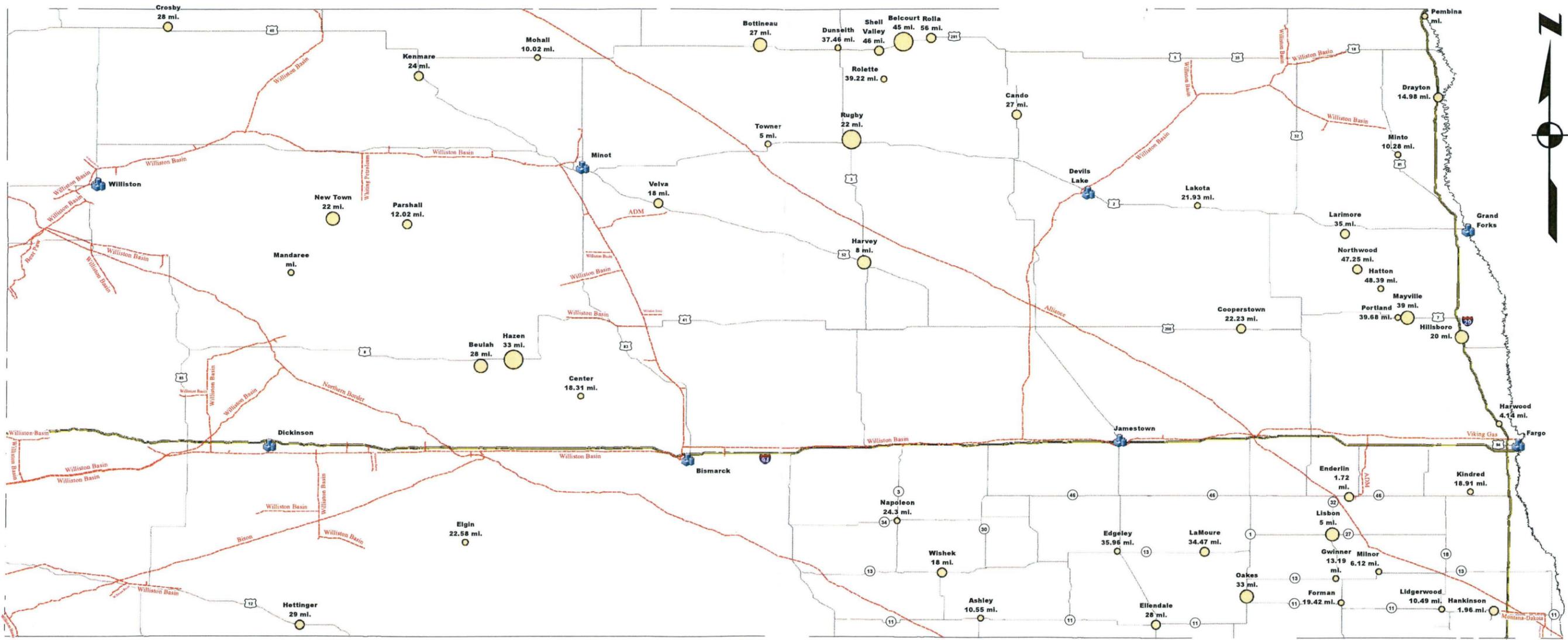
deployment of existing tower and frequency resources for a solid technical solution, and the development of a state and local funding structure for initial and long-term support.

The report of the Emergency Services Communications Coordinating Committee included recommendations to amend statutory provisions to address the transition to Next Generation 9-1-1, align standards for public safety communicators with federal requirements in related standards, and align billing practices with modern 911 database provisioning practices.

Recommendation

The committee recommends [House Bill No. 1027](#) to address the transition to Next Generation 9-1-1, align standards for public safety communicators with federal requirements in related standards, and align billing practices with modern 911 database provisioning practices.

ND Towns Without Gas Services



- Target Cities
Population
- 501 - 800
 - 801 - 1500
 - 1501 - 2250
 - 2251 - 3121
- Pipelines



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AH #3
p 91

**Testimony from Julie Fedorchak, Public Service Commissioner
HB 1398
Senate Natural Resources Committee
March 9, 2017**

Madam chair and members of the committee, I'm Public Service Commissioner Julie Fedorchak and I'm here to testify in support of HB1398.

Many of the state's rural communities do not have natural gas service. (Map) This puts them at a disadvantage for economic development. States throughout the country are actively working to extend natural gas infrastructure, recognizing its role along with highways, rail, water, power and broadband in manufacturing and business development.

This bill is intended to reduce a potential regulatory barrier for communities who want to work with a natural gas provider on innovative approaches to service that might not otherwise be pursued through more traditional regulatory structures that exist at the PSC.

This bill allows a community to negotiate directly with a natural gas provider and, if they are able to come to an agreement on a natural gas service plan for the community, then the community can request an exemption for the natural gas provider from PSC regulation. The community will then serve as the regulatory body.

There has been confusion that this bill is an effort to create more municipal gas utilities. That is absolutely not true. The community will not be serving as the public utility in this arrangement. They will not be creating a municipal gas utility. The community will be serving as the regulator of the natural gas utility that is providing service to that community.

This concept is modeled after a policy that was adopted by the Minnesota legislature several years ago and has been used effectively in that state for a number of years. I visited with the chair of the Minnesota Commission and their technical staff about their experience with this policy. It has worked well in Minnesota. The PSC staff and all the public utilities have been partners in developing this legislation. I even met with the Petroleum Marketers Association prior to the session, and at that time they said they would not oppose an approach like this that is free from government-funded incentives.

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pg 2

If you look at your map, you may notice some surprises in terms of communities that are not currently served with natural gas, especially those that are in or close to the Bakken region where natural gas is available in abundance. New Town, Crosby, Rugby, Beulah-Hazen.

These communities are particularly positioned to take advantage of this approach. They could potentially negotiate with a provider of LNG, transported by truck from the Bakken to their community and then re-gasified at a city gate and distributed locally. This would eliminate the need for a pipeline extension, which is the component that typically frustrates the economics of natural gas service.

Some may errantly suggest we can already do this. Municipal utilities are allowed, and we do not regulate them on service or rates. But we cannot currently allow a utility to opt out of our rate regulation.

Another misunderstanding that occurred in the House Committee hearing was that this bill will somehow provide perks to natural gas providers that are anticompetitive and anti-free market. The goal of this bill is the exact opposite of that.

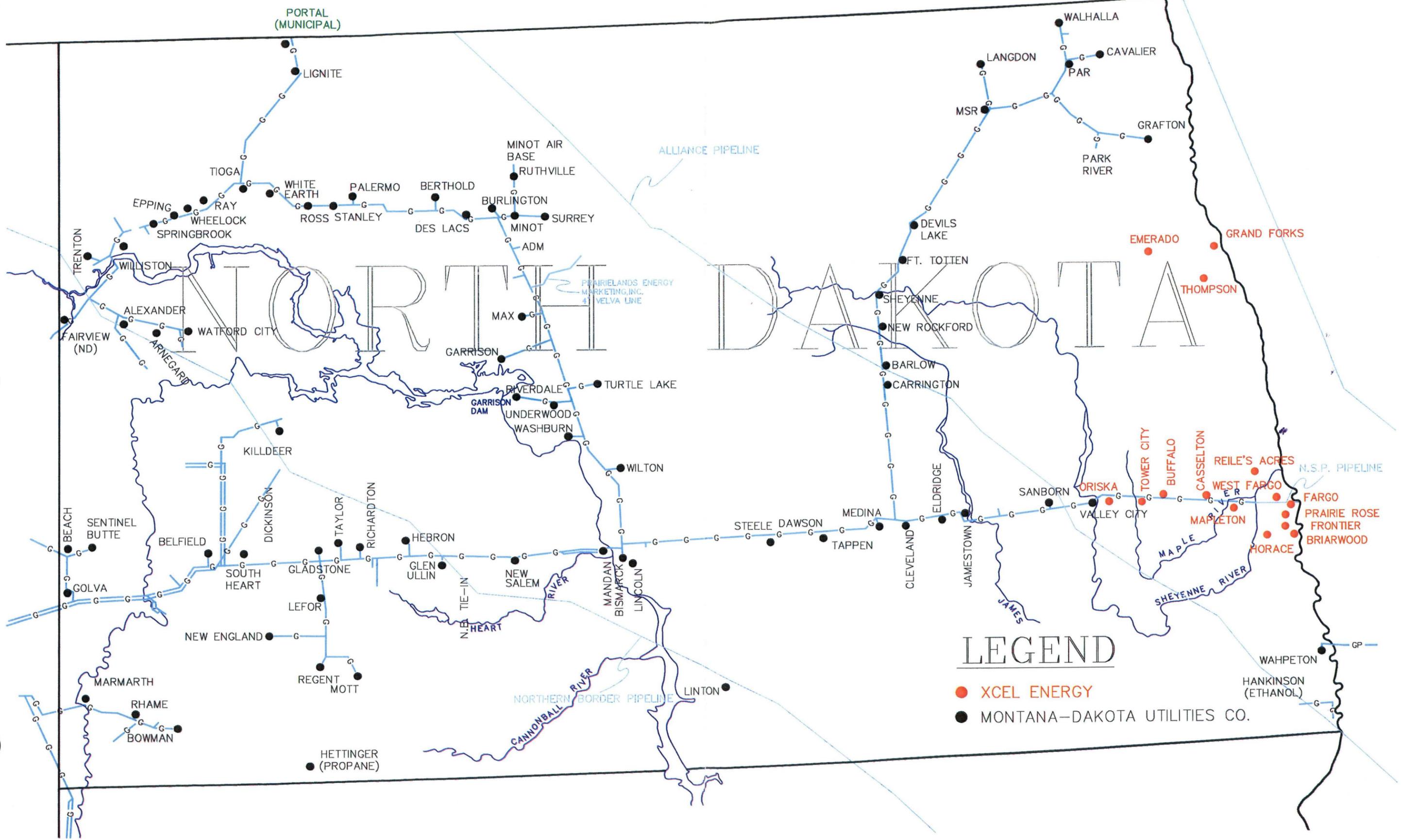
This bill intends to create more market opportunities and stimulate more innovation in small communities by allowing a community to directly negotiate with a public utility for natural gas service. The costs, if such an arrangement could be made, would be entirely born by the company and the rate payers in that community. And, if such an arrangement is achieved, the community would have more competition for energy services, not less.

Thank you.

NORTH DAKOTA NATURAL GAS COMMUNITIES

From PSC Judice

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LEGEND

- XCEL ENERGY
- MONTANA-DAKOTA UTILITIES CO.



Fr: Mike Reede
#B 1398
AH #5
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3-9-17

NDPGA offers this amendment at the urging of the propane industry for the following reasons:

Safety: This has always been the #1 concern of the state's propane marketers

Regarding the key issue of safety: Although improper conversion is already prohibited by appliance manufacturers and national codes, some service providers continue to perform them without making the customer aware of those considerations.

While propane and natural gas share many similarities, they require separate consideration when operating appliances. A home originally piped for propane appliances is designed for a certain BTU load. Converting those appliances to natural gas, even with approved kits, still leaves the original piping intact which may not provide sufficient capacity for the new demand. Natural gas is less energy dense than propane and can require different piping to ensure that the appliances operate correctly."

NDPGA always advises homeowners to ask questions of any fuel provider when it comes to home or commercial energy conversion plans.

Inefficient and wasteful fuel use

This amendment would prohibit the conversion of gas appliances designed for one specific fuel to another fuel. Many appliances are designed to accept orifices that permit operation on either propane or natural gas, and conversion of those units is still allowed.

However, some appliances, such as certain water heaters, fireplaces or space heaters, may be designed by the manufacturer to operate only on a specific fuel. In these cases, no conversion kits are available and the manufacturer instructions prohibit any unauthorized conversion. Unauthorized conversions can be a problem initially for homeowners due to inefficient operation. The units may not run right, and if the homeowner contacts the appliance manufacturer, they will find that the unit is out of warranty due to the conversion.

A COSTLY CONVERSION?

A switch to natural gas could cost you a lot of money.

Be sure to consider:

- ✘ Piping replacement inside your home or building
- ✘ New or modified appliances
- ✘ Meter fees
- ✘ Taxes and surcharges
- ✘ Long-term contracts
- ✘ Expensive and lengthy landscaping projects

Extending natural gas lines often requires new infrastructure (including piping) costing as much as \$1 million per mile or more. Costs go even higher in congested areas or where there is challenging terrain.

Your decision to stay with propane does not require a long-term financial commitment.



For more information, contact your local propane provider.

Handwritten notes: 4/13/13 98, 3-9-17, AH 45, pg 2



IMPORTANT INFORMATION

PROPANE VS. NATURAL GAS IN YOUR NEIGHBORHOOD



FOR NEARLY A CENTURY, PROPANE HAS PROVIDED CLEAN, EFFICIENT, AND AFFORDABLE ENERGY TO HOMES, FARMS, AND BUSINESSES IN NORTH DAKOTA.

FACT: Economical

With propane, you only pay for the propane you use. Your monthly natural gas bill will include meter fees, utility taxes, franchise fees, and environmental remediation surcharges. Switching to natural gas requires the installation of expensive pipelines and costly appliance upgrades.

Nearly 40,000 North Dakota homes are heated with propane.



FACT: Local

Natural Gas utilities are publically traded corporations that answer to shareholders. Most propane companies are local - with delivery salesmen, service technicians, and customer service professionals who live and work in your community. Local propane businesses have supported communities like yours for decades, delivering what you need every day.

The propane industry contributes \$650 million to North Dakota's GDP.



FACT: Competitive

You only have one choice with natural gas utilities. By regulation, only one natural gas utility can service a region, which eliminates healthy competition. On the other hand, the propane industry is highly competitive. There is always a propane retailer who can meet your specific needs.

North Dakota residents can choose from more than 100 independent companies.



AP 12/18
3-9-11
AP #5
AP #3

March 9, 2017

by
Mike Rude

AB 1398
3-9-17
AH # 6
PS'

PROPOSED AMENDMENT TO HOUSE BILL NO. 1398

To be placed at the end of House Bill No. 1398 as is, or as amended:

To add a new subsection to Section 49-02-01.1 Jurisdiction Of Commission Limited As To Certain Utilities - EXEMPTION.

Section 49-02-01.1 Is hereby amended to add a new subsection

3. Any and all equipment covered by this section shall be installed and maintained in compliance with the instructions provided by the manufacturer of any existing equipment to be utilized. Appliances designed to use only a specific fuel may not be converted to use a different fuel if the manufacturer has prohibited such conversions.

Renumber accordingly