

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/16/2017**

Bill/Resolution No.: HB 1408

- 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.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 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).*

HB 1408 creates a natural gas pipeline infrastructure loan 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 of HB 1408 creates a natural gas pipeline infrastructure loan fund for the purpose of providing interest-free loans for the development of natural gas distribution throughout the state. Section 2 of HB 1408 authorizes the use of gross production tax revenue received on the production of gas by an entity that had received a loan from the infrastructure loan fund to be returned to the infrastructure loan fund. The amount of gross production tax revenue that is likely to be reimbursed to the natural gas pipeline infrastructure loan fund will depend on the amount of loans issued, and the amount of gross production tax paid by the entities receiving the loans. There is not enough information on which to estimate this fiscal impact.

Section 3 of HB 1408 transfers \$100 million from the legacy fund to the natural gas pipeline infrastructure loan fund during the 2017-19 biennium. Both of these funds are "other funds" for purposes of 1A above.

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

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

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 701.328.3402

**Date Prepared:** 02/01/2017

**2017 HOUSE ENERGY AND NATURAL RESOURCES**

**HB 1408**

# 2017 HOUSE STANDING COMMITTEE MINUTES

## Energy and Natural Resources Committee Coteau –A Room, State Capitol

HB 1408  
2/2/2017  
27827

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Kathleen Davis*

### Explanation or reason for introduction of bill/resolution:

Relating to the creation of a natural gas pipeline infrastructure loan fund; relating to gross production tax revenue; and to provide for a transfer.

### Minutes:

Attachments #1-#2-#3

**Chairman Porter:** Called the committee to order on HB 1408.

**Rep. M. Nelson** was not yet available so testimony in support began.

**Dana Bohn**, ND Economic Development Association, presented in support **Attachment #1**.

**Blake Crosby**, executive director of the ND League of Cities, presented in support **Attachment #2**.

**Rep. Heinert:** Line 17-18 Page 1, do you think it's necessary to identify the low income areas of the state or that we fulfil the obligation of what this bill's looking for by saying, "without existing services".

**Crosby:** Not being the author of the bill I'd have to ask the sponsor if it's a demographic, low income concept or low income concept being driven by the inability of economic development. Is it definitely necessary to specify low income in there? I would prefer the natural gas conversation be directed to the economic development side of the equation as opposed to the residential side.

**Rep. Anderson:** Are you aware of Rep. John Nelson's bill where they have liquefied gas and truck it into these communities because it's a lot less expensive.

**Crosby:** No, I'm not familiar with that. There are options out there, the options need to be discussed within the realm of a continuous nonstop steady supply of whatever the energy producing compound may be whether electricity, coal, natural gas, liquefied gas. There's pieces to this that could come together and provide that incentive for businesses looking to locate in a community if options were available.

9:58

**Marvin Nelson**, Dist 9., sponsor of the bill arrived and presented testimony and **Attachment #3**. HB 1408. Basically without natural gas we can't get industry. The places that don't have natural gas is most of ND. Even places with natural gas today, like Wahpeton has lost opportunities because they don't have enough additional natural gas. With electricity we had our REC's, loan programs, ways to get service to the state. We've never don't a similar thing to get gas there. So our rural areas of the state where we need diversification, even the oil patch area, we do not have the necessary infrastructure to get diversification. One company asking for this for years is Bobcat in Gwinner. It gets closer, but it's a problem with an industrial owned utility to bring it in, to get the initial costs to get there. Once it gets there, then those areas, if there's additional gas available, it's like our transmission lines with wind power. The thing that's limiting us is transmission lines. So if we wouldn't have had the coal plants here we wouldn't have wind power at all. You don't have demand because you don't have natural gas there. You don't have natural gas there because you don't have the demand. The basic idea is to take money from the legacy fund, money created from oil and gas and to create a no interest loan program, patient money. The loan will not be paid back like you have to start making payments next month, but it will be a charge as the gas goes through the pipeline. When you buy electricity, you're not just paying for the electricity, you're paying for the transmission. As a company builds to an area, there's not going to be that much demand to start with but over time, we see growth. This is the big thing that's made a difference between the eastern part of the state and the other parts of the state. Right along the river had access to gas. Now Mayville Hillsboro area is out, they can't do anymore. Wahpeton's maxed out and can't do anything coming along. Do we do something for them? It looks like you're taking money from the legacy fund and it takes that century code. That's the next section of the bill. I don't know I even like the wording but that's the money that would come from the transmission of the gas through the pipeline to pay it back. It's not taking all the tax off that gas. We have to set up a way for that to be paid back. I have a proposed Amendment for the PSC when they do their rates that we're creating a new rate adjustment off the code for them.

He passed out Proposed Amendment, Attachment #3. It might work out they can do this under their normal rate adjustments. This is just a copy of what they have elsewhere. Maybe they can do some administrative code with this. I would ask this be added to the bill. Currently they have an environmental cost adjustment, transmission facility, etc. This is for infrastructure costs. This is to make sure they have a way to set a rate to pay that loan back. Years ago natural gas pipelines were built across Manitoba even when there was no demand for them. Today it's an unusual community that does not have a manufacturing facility on the edge of town. That's a normal rural community in Manitoba, but not in ND. We never built the infrastructure. I remember when we were talking about the straw plant and get one for Rolla. You could theoretically do it with electricity or propane, but industry does it with natural gas. If you're talking to national manufacturing head hunters, if you don't have natural gas they won't even talk to you. We have special tax credits but people won't talk to us, not because we're on the reservation, it's because they don't have natural gas. You're not even a player in industrial development. We need those types of jobs and industries, and I put forward this is a way to try this program out and see how it works, how we can get infrastructure.

**Rep. Anderson:** Do you know how much it costs to run 10 mi of pipe to a community?

17:00

**Nelson:** I don't know how accurate \$1 million a mile is. Some said you'll have this zero interest loan and build pipelines in the ground. I don't think MDU will go into recreational pipeline. They want to put things where it will result in business. It's expensive.

**Rep. Mitskog:** Regarding liquefied gas. Is that suitable for industrial use?

**Nelson:** It's suitable certainly. Part of the problem is it's not been functional. I think in some circumstances that may be the best choice. It does run into higher transportation costs. We're not going to see a one size fits all.

**Chairman Porter:** There was a question before you got here, regarding low income areas of the state on Line 18 of Page 1. Is that something to find in law, do you have statistics?

**Nelson:** It's simply to give guidance and not to exclude. We're giving a priority to places that don't have service, but it's not to exclude others. If you get a bunch of applications. If everything else was equal, all of our county would have fairly high average wages, say relative to Ramsey County. If everything else was equal, you'd give a priority to Ramsey County to try to get more high paying jobs in an area of lower wages than other to the other.

**Chairman Porter:** Since this is being sold to us economic development type bill, inside of a free market type scenario, wouldn't the money and project follow the economic development not the wages or income of a particular area of the state?

**Rep. Nelson:** If there's more demand and money to go around, if there's an area of low average income relative to an area of high average income, that other things being equal, you'd give a priority to the low the market.

**Chairman Porter:** All the discussion has been to economic development. Are you looking at this, in your last statement, if it's low demand, about a community using this money for non-economic development purposes of just bringing a pipeline to their community for residential services?

**Nelson:** Not really looking at the residential service. It's the ideal of industrial more so. I would hope we wouldn't use this fund for say, laying the pipe in a new neighborhood, new development. If you have a new development, it should be financial feasible if there is a gate for the community for them to put that in themselves. Not just the fact it's 0 interest. This loan wouldn't have to cover the whole cost of the pipeline, it could cover enough costs there to get the gas say, to Bobcat, and then potentially you'd have other spin offs. It's not just the idea of reducing the cost of infrastructure. It's the idea of using this where needed.

23:47

**Rep. Keiser:** Let me applaud you. If we could get natural gas everywhere in the state it would provide some potential that doesn't exist. This is a loan program. There's a very small group that could benefit from a loan payback program. If they can make it without the need for this loan program, the utility will put it in because it will be profitable. If the only thing stopping a

utility company from going forward is that interest, then this would affect them. If it were any of the other groups, we're going to lose money on the deal because the demand isn't there. Do you have any idea how large that segment of the market is they're not moving forward, and the only reason is they'd have to pay 5% on that loan?

**Nelson:** It's not just the fact that it's zero interest. If I put the pipeline in the ground and I didn't sell any gas this month, there's no payment. Normally, if you got a zero interest loan, it's patient money, somewhat like an investor would be, except an investor demands his return. Today, when you buy electricity, you're paying for the transmission facility. It's back to here, the gas as it pays the loan back is paying for the transmission facility.

**Rep. Keiser:** maybe we should just call it a grant and not a loan.

**Nelson:** there is effectively a grant there in that you're taking the earning off your money and granting back. At the same time, it's not completely a grant because we're replenishing the fund hopefully to be able to build another segment someplace else.

**Chairman Porter:** Further testimony in support?

**27:27**

**Shane Goettle,** MDU Resources. MDU has been a strong advocate of getting natural gas to unserved and underserved communities. This helps to create economic development opportunities and jobs in small to midsize communities. Each community is different depending on the as a function of the miles of pipe it would take to get it there. I've worked on this as a commerce commission for 5 years. We've heard from communities wanting to get gas for the first time. I am familiar with some of the communities that desire it and the challenges they have getting it there. If it is economic, it will happen. One of the barriers to some communities is the interest rate of the financing. That can make a difference. Last session that effort to provide a robust set of incentives was turned into a study. That study went to the economic impact committee, and due mainly to the state's budget situation, that committee recognized, and decided not to move forward with any kind of legislation that would be incentive based.

**Rep. Mitskog:** Could you expound on the gap in financing pipeline, between the private side and the end user.

**Goettle:** Let me use the community of Hankinson as an example. They desired natural gas, not because they wanted to hook their town up, they wanted to build an ethanol facility. That did happen and the economics were there. Once there was a big user, it made sense to bring the gas to that town. The town still isn't hooked up. That's a different kind of demand. Those customers have older homes, they're propane and older population doesn't want to put in the investments. We do think in most cases this is an economic issue and not the desire to hook up the town. The gap is a function of the number of miles of pipeline to the community. Gwinner is a good example of that. The gap is more based on the interest rate of the financing than it is anything else. That's also depends on where you bring the pipeline from. Up in the Mayville-Portland area there's a new pipeline that MDU operate. That will change some of the economics, including Wahpeton. There's a gap analysis MDU has done, ExI has done

for a number of these communities, includes towns like Beulah and Hazen, and along the northern tier, which has a bigger gap than some of these areas.

**33:00**

**Rep. Keiser:** What if our approach was, any utility could come to the state, say less than 5000. You're free to put in the gas line and come to us and say the project will cost this much, and we say we will give you the interest, somewhat like the other incentive programs we have buy down (? Inaudible) program where the Bank of ND says, you take the risk except for the interest, would they be open to that.

**Goettle:** I would say yes they would be.

**Kathy Aas,** Exl Energy, spoke in support of HB 1408. Last session we helped work on that bill jointly with MDU to look for opportunities to extend natural gas to smaller communities.

**Chairman Porter:** Further testimony in support? Opposition?

**Mike Rud,** ND Propane Gas Association, ND Retail Association. We stand in opposition to this legislation because you are pitting one industry against another. We've spent millions installing our propane infrastructure in ND and taking care of customers in rural ND. If we're going to open up \$100 million to one type of business, lets open it up to the whole state and let everyone come to the table and get a no interest loan from the legacy fund. That's what it was designed for was the entire state.

**Rep. Mitskog:** I appreciate your comments about competitiveness between industries. This is not about competitive residential propane use more for big industrial use. In Secoded. ND, natural gas was brought to communities and they didn't hook up. The threat to the propane industry, I don't think you've lost any of those customers. I would think this could grow your industry by small towns by population growth, to a new facility, an ag processor, bring new residents and propane users.

**Rud:** That has happened. Economic impact testimony that was given. In Fargo we heard from the Otter Tail engineer when asked the question, could you survive if you had one big plant in an area? That engineer said no that would be tough to do, we need the whole community. Our argument is we've never come before the legislature and asked for money, it's all been out of our own pockets. It's tough to get any business to move to a rural community.

**Chairman Porter** further opposition? Closed the hearing on HB 1408.

# 2017 HOUSE STANDING COMMITTEE MINUTES

## Energy and Natural Resources Committee Coteau –A Room, State Capitol

HB 1408  
2/3/2017  
27861

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Kathleen Davis*

### Explanation or reason for introduction of bill/resolution:

Relating to the creation of a natural gas pipeline infrastructure loan fund; relating to gross production tax revenue; and to provide for a transfer.

### Minutes:

Attachment #1

**Chairman Porter:** Called the committee to order on HB 1408, the natural gas, interest free loan component. Rep. Nelson did pass out an amendment that put a lot of the same language under pipelines and how they work through the PSC. The only thing I don't have a problem amending it to fix it but it certainly is taking a \$100 million from the legacy fund. That money is already spent that's available from the legacy fund. So I don't see that it has potential with that kind of financing package going forward.

**Rep. Keiser:** I move a do not pass.

**Rep. Roers Jones:** second

**Chairman Porter:** Rep. Keiser moves a do not pass, Rep. Roers Jones second. Discussion.

**Rep. Mitskog:** Certainly I recognize the challenges of using that pot of money for something like this. But there is an infrastructure loan program, that's a different subject. Right now it restricts use for this, natural gas pipelines. So I would encourage discussion and support and broadening the use of that and that's a separate issue and separate committee. This is a big problem and the lack of natural gas pipeline in the eastern part of the state all the way to the Canadian border. We have an abundance of natural gas in our state. In SE ND, economic development is stifled because of our limitations in pipe and supply. I would encourage continued discussion, this is an important issue for our state and should be part of a comprehensive energy discussion.

**Rep. Roers Jones:** Based on the testimony we had and the fact this is picking one industry as the winner at the expense of another industry, I have a hard time supporting this and authorizing one industry interest free loans. That's why I recommend a Do Not Pass. It's not right for the government to be getting involved with business decisions like this. As Ms. Bohn

suggested, if this didn't pass they would work with the Bank of ND to find other development opportunities, and I think that's a better option in this case.

**Chairman Porter:** Further discussion? Roll call vote on a Do Not Pass.

Yes 12 No 1 Absent 1 Rep. Seibel is the carrier.

Date: 2-3-17

Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1408

House Energy & Natural Resources Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation

- Adopt Amendment
- Do Pass  Do Not Pass
- As Amended
- Place on Consent Calendar
- Without Committee Recommendation
- Rerefer to Appropriations

Other Actions

- Reconsider
- \_\_\_\_\_

Motion Made By Rep Keiser Seconded By Rep. Roers Jones

Representatives	Yes	No	Representatives	Yes	No
Chairman Porter	✓		Rep. Lefor	✓	
Vice Chairman Damschen	✓		Rep. Marschall	✓	
Rep. Anderson	✓		Rep. Roers Jones	✓	
Rep. Bosch	✓		Rep. Ruby	✓	
Rep. Devlin	✓		Rep. Seibel	✓	
Rep. Heinert	✓				
Rep. Keiser	✓		Rep. Mitskog	<del>✓</del>	✓
			Rep. Mock	AB	

Total (Yes) 12 No 1

Absent 1

Floor Assignment Rep Seibold

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

**REPORT OF STANDING COMMITTEE**

**HB 1408: Energy and Natural Resources Committee (Rep. Porter, Chairman)**  
recommends **DO NOT PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING).  
HB 1408 was placed on the Eleventh order on the calendar.

**2017 TESTIMONY**

**HB 1408**



#1  
2-2-17  
HB1408

**Testimony of Dana Bohn  
Economic Development Association of North Dakota  
In Support of HB 1408  
February 2, 2017**

Chairman Porter and members of the House Energy and Natural Resources Committee, I'm Dana Bohn and I am representing the Economic Development Association of North Dakota (EDND) in support of HB 1408.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy. Providing natural gas to unserved and underserved communities is one of our legislative priorities.

The availability of natural gas and the expansion of natural gas infrastructure play a key role in the continued growth and vitality of many businesses, communities and the state. Natural gas is a resource typically required in order to attract any significant manufacturing opportunity. National site selectors have reported they won't consider a community for a manufacturing project if it does not have natural gas service. Therefore, communities with access to natural gas have an advantage over communities without it.

EDND conducted a membership survey in 2016 to identify examples of communities that have lost opportunities due to the lack of or limited amount of natural gas. This information is included in my written testimony.

The challenge of providing natural gas to unserved or underserved communities lies in financing the gap between the existing pipelines and the community. There is a lot that needs to be done in order to fill this gap, and we are appreciative of the Public Service Commission's (PSC) willingness to engage in the conversation and the Economic Impact Committee's recent interim work, which helped raise the awareness of this issue. The economics for bringing natural gas services to communities will vary, and we know it will take more than one tool to meet the needs of these communities.

Although we are supportive of providing attractive financing to communities looking to bring in natural gas services and have suggested looking at the Legacy Fund to help support critical infrastructure, we understand the state is facing budget constraints and this might not be the right time for such an investment.

In addition, during the interim natural gas study we discovered there are currently tools available that could help to meet some of these needs, including programs already in

place at the Bank of North Dakota (BND). Although we are supportive of HB 1408, if it isn't feasible at this time, we do have some great tools already in place, and we will continue to explore how we can best work with the BND and PSC to provide natural gas to North Dakota communities.

**Natural Gas Lost Opportunities**

<b>Location</b>	<b>Type of Project</b>	<b>Unrealized Jobs</b>	<b>Final location</b>	<b>Reason</b>
Cavalier County	Straw processing plant	30-40		Pipeline at capacity
Cavalier County	Pea protein processing plant	50-100		Pipeline at capacity
Hillsboro	Pre-cast concrete	20+		Lack of natural gas
Hillsboro	Pipe manufacturing	15+	Hawley, MN	Lack of natural gas cited as only reason
Buxton	Plastic pipe manufacturing	10-15	Out of state	Lack of natural gas
Buxton	Food processing	12-15	MN	Lack of natural gas
Hettinger	Home builder			Lack of natural gas
Hettinger	Railroad contractor			Lack of natural gas
Wahpeton	Manufacturing project			Pipeline at capacity
Wahpeton	Agriculture project			Pipeline at capacity
Wahpeton	Soybean crushing facility - 2008	50		Pipeline at capacity
Wahpeton	Soybean crushing facility - 2015	50		Pipeline at capacity

#2  
2-2-17  
HB 1408

February 2, 2017  
House Energy and Natural Resources  
HB 1408  
Rep. Porter, Chair

For the record, I am Blake Crosby, Executive Director of the North Dakota League of Cities, representing the 357 incorporated cities across the state. Approximately 77% of the population of North Dakota lives in those cities.

I am here in a neutral position. However, this bill is an additional indication of the importance that access to natural gas plays in the economic development of many of my cities in their ability to attract business or enhance business expansion.

We heard during testimony in the 64<sup>th</sup> Session and at the interim Economic Impact Committee that lack of an appropriate natural gas pipeline infrastructure was an impediment to economic development. This bill attempts to address that issue with a loan fund but the initial capital outlay appears to be a bit high.

Obviously, there needs to be some movement towards addressing this issue before the economic impact is beyond repair. I have no solution(s) but do encourage the committee to not let the concept of providing natural gas service to my cities fade away. There has to be a reasonable starting point that would provide an adequate Return-on-Investment (ROI) for state, city and private stakeholders.

THANK YOU FOR YOUR TIME AND CONSIDERATION.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1408

Page 1, line 1, after "enact" insert "a new section to chapter 49-05 and"

Page 1, line 2, after the first "to" insert "public service commission approval of rate adjustments for natural gas pipeline infrastructure loan repayment costs and"

Page 1, line 2, remove the second "to"

Page 1, remove line 3

Page 1, line 4, replace "relating to gross production tax revenue" with "to provide a continuing appropriation"

Page 1, after line 5, insert:

"**SECTION 1.** A new section to chapter 49-05 of the North Dakota Century Code is created and enacted as follows:

**Rate adjustment - Natural gas pipeline infrastructure costs.**

1. The commission may approve, reject, or modify a tariff filed under section 49-05-06 which provides for an adjustment of rates to recover and repay the amount of a loan awarded to a public utility under section 2 of this Act. The tariff must:
  - a. Allow the public utility to recover on a timely basis the loan amount awarded for the cost of pipeline infrastructure not reflected in the utility's general rate schedule;
  - b. Allow a return on the public utility's investment made for new pipeline infrastructure at the level approved in the utility's most recent general rate case;
  - c. Provide a current return on construction work in progress, provided the cost recovery from retail customers of the loan amount is not sought through any other means; and
  - d. Terminate the cost recovery after the public utility's loan amount has been recovered in full and remitted to the natural gas pipeline infrastructure loan fund.
2. Rate adjustments filed under the tariff must be accompanied by:
  - a. A description and quantification of the costs incurred by the public utility which were covered by the loan amount subject to recovery;
  - b. A schedule for implementation of the applicable pipeline infrastructure;
  - c. Calculations to establish the rate adjustment is consistent with the terms of the tariff; and
  - d. An application fee in the amount of one hundred thousand dollars.

3. Upon request of the commission and with the approval of the emergency commission, the applicant shall pay such additional fees as are reasonably necessary for completion of the application process by the commission. The commission may waive or reduce the fee.
4. Upon receipt of a rate adjustment filed under the tariff, the commission shall approve the rate adjustment to become effective, unless, after notice and opportunity for hearing and comment, the commission determines the rate adjustment does not comply with the tariff or the loan amount for the pipeline infrastructure was not reasonable or prudent. The commission shall pay the expenses of investigating a rate adjustment for recovery of the loan amount from the application fee paid by the public utility in accordance with section 49-02-02."

Page 1, line 11, remove "subsection 2 of"

Page 1, line 11, replace "57-51-05" with "1 of this Act"

Page 1, remove lines 19 through 24

Page 2, remove lines 1 through 7

Renumber accordingly

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  - c. Calculations to establish the rate adjustment is consistent with the terms of the tariff; and
  - d. An application fee in the amount of one hundred thousand dollars.

3. Upon request of the commission and with the approval of the emergency commission, the applicant shall pay such additional fees as are reasonably necessary for completion of the application process by the commission. The commission may waive or reduce the fee.
4. Upon receipt of a rate adjustment filed under the tariff, the commission shall approve the rate adjustment to become effective, unless, after notice and opportunity for hearing and comment, the commission determines the rate adjustment does not comply with the tariff or the loan amount for the pipeline infrastructure was not reasonable or prudent. The commission shall pay the expenses of investigating a rate adjustment for recovery of the loan amount from the application fee paid by the public utility in accordance with section 49-02-02."

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