

MICROFILM DIVIDER

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DESCRIPTION

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Deanna Hallmark
Operator's Signature

10/3/03
Date

2003 HOUSE FINANCE AND TAXATION

HB 1348

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Donna Hall
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10/3/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1348

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 27, 2003

Tape Number	Side A	Side B	Meter #
1	X		0.7
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. WESLEY BELTER, CHAIRMAN Called the hearing to order.

REP. MATTHEW M. KLEIN, DIST. 40, MINOT, ND Introduced the bill. See attached written testimony.

REP. BELTER Asked for a brief explanation of the current tax structure on the existing lines.

REP. KLEIN Gave an explanation of the current tax structure. In industrial owned utility pays a centrally assessed value, based on what it costs to construct. An IOU pays approximately, depending on when it was constructed, the last line would run at about \$1600 per mile. The rural electric cooperatives pay the same tax on a transmission line 230 KV and higher, only on that size line, of \$225 per mile. So, you have this disparity between the two, partly because the rural electrics are paying in lieu of property taxes, a gross revenue tax on the distribution side, but on the transmission side, the taxes are \$225 per mile, whether the line transmits ten times as much power as the 230 KV or higher, it is still the same. That has not been changed for some years.

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House Finance and Taxation Committee
Bill/Resolution Number HB 1348
Hearing Date January 27, 2003

The concern is getting the power out of state. When the power goes out of state, the two percent gross revenue tax is not realized. It is only realized if the power is consumed within the state.

The committee that I served on in the last five years, has struggled with this system, trying to combine and separate generation taxes, which are very similar, because of the coal severance and use tax we implemented last session. The transmission area, other than the only bill that came out of committee in the last five years, was to designate what is transmission and what isn't.

REP. IVERSON To clarify, the IOU pays \$1600 per mile and the REC's pays \$225 per mile and then a \$300 tax is incurred in that?

REP. KLEIN No, this new system, on a new upgraded line, both will pay \$300 per mile. To go back and reconstruct, is a major battle, we have been working on for five years, and haven't come to a resolution. This is only for new lines. There is no fiscal effect at this stage of the game.

REP. WINRICH As I understand it, a significant portion of the problem involved in generating additional power and exporting it, is that the transmission lines in other states, are severely limited, and other states severely limit the construction of new transmission lines. It isn't going to do us a whole lot of good just to get it to our border, is it?

REP. KLEIN There are some things that Minnesota will start to realize, is that they will have to build transmission lines, with the area around the twin cities, looking at a negative three or four hundred megawatts of energy they will require in the next five to ten years, and no way of getting it there, there will have to be some changes. Some things that could be done, you could upgrade lines. This addresses upgrading a line. If your capacity could be increased by fifty percent or more. There are several lines that have been constructed. Basin Electric has a line

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House Finance and Taxation Committee
Bill/Resolution Number HB 1348
Hearing Date January 27, 2003

from their main power plant, going all the way down to South Dakota. It is designed and built for five hundred kilowatts. It is energized, right now, at three hundred and forty five. They need to change on both ends, the transformers and the switch gears, about twenty million bucks, and basically, upgrade the capacity of that thing by a factor of seventy or eighty percent. There are some of those that exist.

STEVE SCHULTZ, REPRESENTING OTTER TAIL POWER COMPANY Testified in support of the bill. See written testimony.

REP. WINRICH TO REP. KLEIN Asked a question regarding the fiscal note, which states that slight wording changes are needed to make this bill workable. Are you aware of that?

REP. KLEIN Yes, there was a amendment proposed, in discussing it with the legislative council, they said it didn't need that amendment. The amendment referred to property taxes which the rural electric would have to pay, but the rural electrics do not pay property taxes, they pay in lieu of gross revenue taxes.

DENNIS BOYD, REPRESENTING MONTANA DAKOTA UTILITIES, Testified in support of the bill. They are in support of the bill as a general point of view. He stated this company is trying to build a lignite generating plant in southwestern North Dakota. The fact of the matter is, they have also developed an interest in wind generation. No one will be moving any electricity out of North Dakota without the construction or upgrading of additional transmission. There are two obstacles in building the lignite generating plant, they are air quality issues and transmission lines. We are supporting this bill from the standpoint of, anything this legislature can do as an incentive for somebody to build additional transmission, will be helpful.

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House Finance and Taxation Committee
Bill/Resolution Number HB 1348
Hearing Date January 27, 2003

MARCY DICKERSON, SUPERVISOR OF ASSESSMENTS, STATE TAX

DEPARTMENT Testified in a neutral position. She stated she had a couple of technical concerns with the bill. She stated she was not familiar with the amendments that Rep. Klein mentioned. See written testimony.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-29-03, Tape #1, Side B, Meter #32.6

REP. BELTER Presented amendments to the bill which would define "substantial expansion"

REP. IVERSON Made a motion to adopt the amendments as presented.

REP. WIKENHEISER Second the motion. Motion carried by voice vote.

REP. GROSZ Commented that further amendments were probably in order on page 3, line 8, to add to the definition. Rep. Grosz offered to work further with Marcy Dickerson on the amendments. The motions were withdrawn until amendments were prepared.

COMMITTEE ACTION 2-3-03, Tape #1, Side A, Meter 15.9

REP. BELTER Presented amendments to the committee.

REP. IVERSON Made a motion to adopt the amendments as presented.

REP. WIKENHEISER Second the motion. Motion carried by voice vote.

REP. GROSZ Made a motion for a **DO PASS AS AMENDED**

REP. KLEIN Second the motion. **MOTION CARRIED**

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House Finance and Taxation Committee
Bill/Resolution Number HB 1348
Hearing Date January 27, 2003

COMMITTEE ACTION **Cont'd. 2-3-03**

10 YES 0 NO 4 ABSENT

REP. GROSZ Was given the floor assignment.

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10/3/03
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FISCAL NOTE
Requested by Legislative Council
02/05/2003

Amendment to: HB 1348

1A. State fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

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

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

It is not possible to estimate the fiscal effect of Engrossed HB 1348. It will depend on expansion of existing lines and construction of new lines. This bill may reduce revenues to the State Medical Center, counties, cities, and school districts in the 2003-2005 biennium by exempting substantially expanded (needs definition) existing investor-owned transmission lines from taxes that are currently paid by those investor-owned lines. One existing transmission line owned by Otter Tail Power apparently has been expanded and may qualify for exemption under the provisions of this bill. The bill may similarly reduce county general funds by exempting existing cooperative-owned transmission lines that may be substantially expanded. Exemption of newly constructed transmission lines will not change current revenues because the new lines have not yet generated tax revenue.

New or substantially expanded investor-owned transmission lines of 230 kilovolts or larger, placed in service on or after October 1, 2002, will pay no property tax for their first year of operation. In the second year they will pay 25 percent of the tax they would otherwise pay; in the third year, 50 percent; and in the fourth year, 75 percent. Those taxes will be distributed to all taxing districts in which the lines are located.

After the fourth year, new or substantially expanded investor-owned transmission lines will pay \$300 per mile in lieu of property tax on lines and substations. That tax will be allocated entirely to the general fund of the counties where the lines are located. Other political subdivisions will no longer receive any revenue from those lines. Other existing investor-owned transmission lines and substations will continue to pay property taxes that are distributed to all taxing districts in which the lines are located.

The transmission line tax rate for new or substantially expanded cooperative-owned transmission lines of 230 kilovolts or larger, placed in service on or after October 1, 2002, is increased from \$225 to \$300 per mile. Those lines will pay no transmission line tax for their first year of operation. In the second year they will pay 25 percent of the tax they would otherwise pay; in the third year, 50 percent; and in the fourth year, 75 percent. All revenue from the tax is allocated to the county general fund of the counties where the lines are located. Existing cooperative-owned transmission lines of 230 kilovolts or larger will continue to pay a tax at the rate of \$225 per mile, allocated to the county general fund of the counties where the lines are located. Both the \$300 tax and the \$225 tax are in lieu of property taxes on transmission lines and substations.

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.

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

C. Appropriations: Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	02/05/2003

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FISCAL NOTE
Requested by Legislative Council
01/16/2003

Bill/Resolution No.: HB 1348

1A. State fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

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

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

Slight wording changes are needed to make this bill workable. This narrative assumes those changes are made.

It is not possible to estimate the fiscal effect of this bill. That will depend on expansion of existing lines and construction of new lines. This bill may reduce revenues to the State Medical Center, counties, cities, and school districts in the 2003-2005 biennium by exempting substantially expanded (needs definition) existing investor-owned transmission lines from taxes that are currently paid by those investor-owned lines. One existing transmission line owned by Otter Tail Power apparently has been expanded and may qualify for exemption under the provisions of this bill. The bill may similarly reduce county general funds by exempting existing cooperative-owned transmission lines that may be substantially expanded. Exemption of newly constructed transmission lines will not change current revenues because the new lines have not yet generated tax revenue.

New or substantially expanded investor-owned transmission lines of 230 kilovolts or larger, placed in service on or after October 1, 2002, will pay no property tax for their first year of operation. In the second year they will pay 25 percent of the tax they would otherwise pay; in the third year, 50 percent; and in the fourth year, 75 percent. Those taxes will be distributed to all taxing districts in which the lines are located.

After the fourth year, new or substantially expanded investor-owned transmission lines will pay \$300 per mile in lieu of property tax on lines and substations. That tax will be allocated entirely to the general fund of the counties where the lines are located.

Other political subdivisions will no longer receive any revenue from those lines. Other existing investor-owned transmission lines and substations will continue to pay property taxes that are distributed to all taxing districts in which the lines are located.

The transmission line tax rate for new or substantially expanded cooperative-owned transmission lines of 230 kilovolts or larger, placed in service on or after October 1, 2002, is increased from \$225 to \$300 per mile. Those lines will pay no transmission line tax for their first year of operation. In the second year they will pay 25 percent of the tax they would otherwise pay; in the third year, 50 percent; and in the fourth year, 75 percent. All revenue from the tax is allocated to the county general fund of the counties where the lines are located. Existing cooperative-owned transmission lines of 230 kilovolts or larger will continue to pay a tax at the rate of \$225 per mile, allocated to the county general fund of the counties where the lines are located. Both the \$300 tax and the \$225 tax are in lieu of property taxes on transmission lines and substations.

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.

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

C. Appropriations: Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn Strombeck	Agency:	Tax Dept.
Phone Number:	328-3402	Date Prepared:	01/24/2003

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Danica Hall
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Date: 2-3-03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1348

House FINANCE & TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

Do Pass as Amended

Motion Made By

Rep. Grosz

Seconded By

Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	✓				
DROVDAL, VICE-CHAIR	✓				
CLARK	A				
FROELICH	A				
GROSZ	✓				
HEADLAND	✓				
IVERSON	X				
KELSH	A				
KLEIN	✓				
NICHOLAS	✓				
SCHMIDT	A				
WEILER	✓				
WIKENHEISER	✓				
WINRICH	✓				

Total (Yes) 10 No 0

Absent 4

Floor Assignment Rep Grosz

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

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REPORT OF STANDING COMMITTEE (410)
February 3, 2003 3:59 p.m.

Module No: HR-20-1568
Carrier: Grosz
Insert LC: 30181.0303 Title: .0400

REPORT OF STANDING COMMITTEE

HB 1348: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (10 YEAS, 0 NAYS, 4 ABSENT AND NOT VOTING). HB 1348 was placed on the Sixth order on the calendar.

Page 1, line 17, after the first "the" insert "first" and replace "in which" with "after"

Page 2, line 5, after "line" insert ", and "substantial expansion" means an increase in carrying capacity of fifty percent or more"

Page 2, line 19, after "the" insert "first"

Page 2, line 20, replace "in which" with "after"

Page 3, line 8, after "line" insert ", and "substantial expansion" means an increase in carrying capacity of fifty percent or more"

Renumber accordingly

(2) DESK, (3) COMM

Page No. 1

HR-20-1568

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2003 SENATE FINANCE AND TAXATION

HB 1348

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1348

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 3, 2003

Tape Number	Side A	Side B	Meter #
1		X	14-1665
Committee Clerk Signature <i>Mary Kugler</i>			

Minutes:

Senator Urlacher opened the hearing on HB1348. There is a quorum present. This bill relates to property tax exemption for new or expanded capacity electric transmission lines, relating to application of the electric transmission lines mileage tax for cooperatives.

Representative Matthew M Klein (mtr #7) - Introduced the bill and explained its intent. This bill attempts to even the playing field between IOU's and REC's. There is a proposed amendment to clarify the definition of a substation. Written testimony is attached.

Senator Seymour (mtr #723) - Regarding the amendment, what does it do to the bill.

Representative Klein (mtr #745) - Amendments added to clarify the bill. Gave a detailed explanation of the amended bill. Does not want to have one transmission company to have a competitive advantage over another transmission company.

Steve Schultz, OtterTail Power Company (mtr #1005) - Testified in support of HB1348. Written testimony is attached. Spoke in favor of the same kind of tax structure for IOU's and REC's.

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10/3/03
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Page 2
Senate Finance and Taxation Committee
Bill/Resolution Number HB1348
Hearing Date March 3, 2003

Kathy Aas, representing Xcel Energy (mtr #1149) - Testified in support of HB1348. Is in support of an even tax structure. Written testimony is attached.

Senator Seymour (mtr #1315) - Questioned the existence of a line from Harvey to the Canadian border.

Ms. Aas - Deferred to Mr. Schultz to answer that question.

Mr. Schultz (mtr #1342) - The line in question was to allow seasonal exchanges of power.

History on the line, almost all electricity goes north. Early in the life of the line to get a good history.

Bob Graveline (mtr #1431) - Supports HB1338 and encourages a Do Pass.

Senator Urlacher (mtr #1450) - Asked for further testimony or opposition to the bill. Given none, closed the hearing on HB1348.

Senator Wardner moves to amend the bill as proposed. Second by Senator Tollefson. Voice vote to amend. 6 yea, 0 nay. Motion carriers, bill is amended.

Senator Urlacher (mtr #1590) - The bill is before us as amended.

Senator Tollefson moved a Do Pass as Amended. Second by Senator Wardner.

Roll call vote 6 yea, 0 nay, 0 absent. Carrier is Senator Tollefson.

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10/3/03
Date

30181.0401
Title.0500

Prepared by the Legislative Council staff for
Representative M. Klein
March 3, 2003

JB
3-3-3

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1348

Page 1, line 16, after "larger" insert ", and its associated transmission substations."

Page 1, line 18, after "line" insert "and its associated transmission substations"

Page 2, line 2, replace the first "is" with "and its associated transmission substations are" and
replace the second "is" with "are"

Page 2, line 4, after "section" insert "applies to the transmission line and its associated
transmission substations and"

Renumber accordingly

Page No. 1

30181.0401

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Roll Call Vote #: \

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 48 1348

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken As per the command

Motion Made By Sen. Tolson Seconded By Sen. Ladd

[illegible]

Total (Yes) 1 No 0

Absent _____

Floor Assignment Sam Richardson

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

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10/3/03
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REPORT OF STANDING COMMITTEE (410)
March 3, 2003 4:16 p.m.

Module No: SR-37-3799
Carrier: Tollefson
Insert LC: 30181.0401 Title: .0500

REPORT OF STANDING COMMITTEE

HB 1348, as engrossed: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1348 was placed on the Sixth order on the calendar.

Page 1, line 16, after "larger" insert ". and its associated transmission substations."

Page 1, line 18, after "line" insert "and its associated transmission substations"

Page 2, line 2, replace the first "is" with "and its associated transmission substations are" and replace the second "is" with "are"

Page 2, line 4, after "section" insert "applies to the transmission line and its associated transmission substations and"

Renumber accordingly

Deanna Halliwell
Operator's Signature

10/3/03
Date

2003 TESTIMONY

HB 1348

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10/3/03
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TESTIMONY
HB 1348
Representative Matthew M. Klein

Chairman Belter and Members of the Finance & Tax Committee:

For the record, I am Representative Matthew M. Klein representing District 40 in Minot, North Dakota.

HB 1348 before you is a bill to provide an incentive to either an investor owned utility or an electric cooperative to build new or upgrade existing electric transmission lines of 230 KV or higher. As most of you know, at present, about 70 percent of the electricity generated in North Dakota is exported-mostly flowing south and east. At present, we hope additional coal fired plants and wind power generation will be built. However, without additional transmission the power generated can not be delivered to the loads. I believe no new transmission lines of 230 KV or higher have been constructed in North Dakota since the 1970's.

This bill would exempt new or upgraded transmission lines of 230 KV and higher from all taxes for the first year of service, in the second year 25% of the normal taxes would be paid, in the third year 50% of the normal taxes would be paid, and in the fourth year 75% of the normal taxes would be paid. After that both IOU's and REC's would pay \$300 per mile.

The one line placed in service since the Electric Industry Competition Committee was formed in 1997 to study Tax and Deregulation has had a very beneficial effect on the entire electric network allowing Great River Energy to generate an additional 60 MW of energy and transmit it to customer loads.

1/20/2003

Page 1 of 2

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10/3/03
Date

TESTIMONY
HB 1348
Representative Matthew M. Klein

This means additional coal is used, additional earnings are incurred, and additional taxes are paid. At present, the common tax for both IOU's and REC's that the committee strived for is not in place and the North Dakota Electric Consumer is still subsidizing the out of state users of our generation.

This bill will not have a negative effect on present taxes paid but will hopefully help the construction of new transmission lines so our electric generation and economy can grow.

I know you will consider this bill carefully and hopefully give it a solid DO PASS so our resources can be utilized and our economy can move ahead.

Thank you and I will attempt to answer your questions.

1/20/2003

Page 2 of 2

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Deanna Halliwell
Operator's Signature

10/3/03
Date

Testimony of Steve Schultz, Otter Tail Power Company, concerning
HB 1348

Mr. Chairman and members of the committee, my name is Steve Schultz and I'm here representing Otter Tail Power Company.

Our lignite industry growth depends on the industry's ability to generate, transmit, and market electricity. This is also the case for the wind generation industry. There are many challenges facing the electric industry in the area of transmission. Many of them are either regional or national problems. There are organizations working to solve some very complex problems.

HB 1348 addresses an improvement that we can make at the state level. At Otter Tail Power Company we feel the no transmission line owner should be placed at an advantage or disadvantage in the marketplace due to its form of ownership. HB 1348 will place all owners on the same form of taxation.

However, this bill does not affect lines placed in service prior to October 1, 2002. The rates on those existing lines will remain as they have been.

In closing, well planned additions to our transmission systems not only help enable lignite and wind generation projects, they also add to the reliability of the system for our customers within our state and region.

Mr. Chairman and committee members, we ask for your "Do pass" recommendation. Thank You.

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Steve Schultz
Operator's Signature

10/3/03
Date

**BASIN ELECTRIC
POWER COOPERATIVE**

1717 EAST INTERSTATE AVENUE
BISMARCK, NORTH DAKOTA 58501-0664
PHONE: 701/223-0441
FAX: 701/224-5336



HB 1348

November 17, 1998

Representative Matthew Klein
1815 7th Street NW
Minot, ND 58703

Dear Matt:

This letter is in response to your inquiry regarding the power transfer capability of the two large Direct Current (DC) transmission facilities located in North Dakota.

The Square Butte DC line, operated by Minnesota Power, is rated at +/- 250 kV DC and has a nominal power transfer capability of 500 MW. The CU DC line, operated by United Power Association, is rated at +/- 500 kV DC and has a nominal power transfer capability of 1000 MW with a continuous overload rating of 1100 MW. These two DC facilities are limited by the inverter and converter equipment located at each end of the DC lines.

Sincerely,

Ted E. Humann, Manager
Transmission Planning and Tariffs

th/vlw

cc: Harlen Fuglesten/Statewide

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1717 EAST INTERSTATE AVENUE
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PHONE 701/223-0441
FAX 701/224-5336



September 9, 1998

Representative Matthew Klein
1815 7th St. NW
Minot, ND 58703

Dear Matt:

Thank you for stopping by last week. I wish I could have answered your questions while you were at our office and I apologize for not responding to you earlier.

As a general rule of thumb, typical line loadings can be estimated by calculating surge impedance loading. A simple formula for this is 2.5 times kV squared. As an example, a 115 kV line typically carries 2.5 X (115) X (115) or approximately 33,000 kW or 33 MW. For the higher voltage lines in our state, typical numbers based on surge impedance loadings would be:

345 kV	298 MW
230 kV	132 MW
115 kV	33 MW

There are also maximum line carrying capacities for each line in the MAPP region. These ratings represent the highest amount that a line can carry without overloading. Each line has its own ratings dependent on conductor size and other equipment such as circuit breakers, wavetraps and disconnect switches. I have attached copies of various pages from the MAPP Operating Handbook and highlighted some of the lines in North Dakota. As you can see, the lines are usually limited by a piece of substation equipment rather than their thermal conductor ratings.

As an example, the Bismarck to Jamestown 230 kV line shows a limit of 239 MVA due to a current transformer and yet has a winter conductor rating of 575 MVA and a summer conductor rating of 440 MVA.

Please call myself or Del Gallagher of my staff if you have any questions.

Sincerely,

Ted Humann / DCH

Ted Humann

dg/vlw

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Del Gallagher
Operator's Signature

10/3/03
Date

HOUSE FINANCE AND TAXATION COMMITTEE

January 27, 2003

Testimony of Marcy Dickerson, State Supervisor of Assessments

HOUSE BILL NO. 1348

Mr. Chairman, Members of the Committee, for the record my name is Marcy Dickerson and I am employed as State Supervisor of Assessments by the State Tax Commissioner. I have a couple of technical concerns with House Bill 1348.

Property which is subject to assessment under N.D.C.C. chapter 57-06 is assessed with regard to its value on January 1 of each year. Property that is put in place during the year is not assessed until the following January 1. The transmission line tax under chapter 57-33.1 relates to property used in the previous year ended December 31. Therefore, I want to make the following suggestions:

- Page 1 Line 17: After the first "the" insert "first".
After "year" strike "in which" and insert "after".
- Page 2 line 20: Before "taxable" insert "first".
After "year" strike "in which" and insert "after".

I would also like to suggest that "substantial expansion" be defined. It should be clear what the minimum increase for "substantial expansion" is, by percentages or number of kilovolts.

This concludes my prepared testimony. I will be happy to try to answer any questions you may have.

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Donna Hallmark
Operator's Signature

10/3/03
Date

TESTIMONY
HB 1348
Representative Matthew M. Klein

Chairman Urlacher and Members of the Finance & Tax Committee:

For the record, I am Representative Matthew M. Klein representing District 40 in Minot, North Dakota.

HB 1348 before you is a bill to provide an incentive to either an investor owned utility or an electric cooperative to build new or upgrade existing electric transmission lines of 230 KV or higher. As most of you know, at present, about 70 percent of the electricity generated in North Dakota is exported-mostly flowing south and east. At present, we hope additional coal fired plants and wind power generation will be built. However, without additional transmission the power generated can not be delivered to the loads. I believe no new transmission lines of 230 KV or higher have been constructed in North Dakota since the 1970's.

This bill would exempt new or upgraded transmission lines of 230 KV and higher from all taxes for the first year of service, in the second year 25% of the normal taxes would be paid, in the third year 50% of the normal taxes would be paid, and in the fourth year 75% of the normal taxes would be paid. After that both IOU's and REC's would pay \$300 per mile.

The one line placed in service since the Electric Industry Competition Committee was formed in 1997 to study Tax and Deregulation has had a very beneficial effect on the entire electric network allowing Great River Energy to generate an additional 60 MW of energy and transmit it to customer loads.

1/28/2003

Page 1 of 2

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Deanna Hall Smith
Operator's Signature

10/3/03
Date

TESTIMONY
HB 1348
Representative Matthew M. Klein

This means additional coal is used, additional earnings are incurred, and additional taxes are paid. At present, the common tax for both IOU's and REC's that the committee strived for is not in place and the North Dakota Electric Consumer is still subsidizing the out of state users of our generation.

This bill will not have a negative effect on present taxes paid but will hopefully help the construction of new transmission lines so our electric generation and economy can grow.

I know you will consider this bill carefully and hopefully give it a solid DO PASS so our resources can be utilized and our economy can move ahead.

Thank you and I will attempt to answer your questions.

1/28/2003

Page 2 of 2

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However, this bill does not affect lines placed in service prior to October 1, 2002. The rates on those existing lines will remain as they have been.

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Mr. Chairman and committee members, we ask for your "Do pass" recommendation. Thank You.

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10/3/03
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Testimony before the Finance & Taxation Committee
Kathy Aas, Xcel Energy
HB 1348
March 3, 2003

Good morning, Mr. Chairman, members of the Committee. My name is Kathy Aas and I represent Xcel Energy.

Today you have before you HB 1348, relating to the taxes of high voltage electric transmission lines. The present system of taxing transmission lines is inequitable. Present laws tax rural electric cooperative-owned transmission lines at a flat rate of \$225/mile, while investor owned utilities like Xcel Energy are centrally assessed and taxed on the value of these lines.

Recently, Xcel Energy and Otter Tail Power Company made a large investment in North Dakota. They completed construction of a 230,000-volt transmission line that runs from Harvey to the Canadian border, nearly 97 miles sited within the state. Based on today's tax laws, the tax to our companies would exceed \$154,000 annually, a whopping \$1,598 per mile. Compare that to the rural electric cooperative flat tax of \$225 per mile.

In addition, our companies will pay more than \$80,000 annually in property taxes for the substations associated with this line. If cooperatives owned similar facilities, they would pay taxes only on the land under the substations. They would not pay any taxes on the substation equipment.

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Now is the time to change this inequity. The taxes I just mentioned are new revenues, so making a change now will not pull funding from any taxing district.

Mr. Chairman, members of the Committee, you are all aware of the several studies being conducted in the state to promote the construction of at least one new coal fired generation plant. If one of those plants is constructed, new high voltage transmission lines will need to be built to export that electricity from our state to where it is needed. Passage of HB-1348 will help assure North Dakota export power is priced right in the wholesale market place.

Mr. Chairman, members of the Committee, I urge a DO PASS

RECOMMENDATION ON HB 1348.

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