



Representative Anna Novak

District 33
1139 Elbowoods Drive
Hazen, ND 58545-4923
anovak@ndlegis.gov

COMMITTEES:

Education
Energy and Natural Resources (Vice Chair)

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Good morning, Mr. Chairman and members of the committee. For the record, my name is Anna Novak, representative from district 33.

Amended house bill 1579 provides for a shall study on the impact of large energy consumers on the electrical grid.

The original bill idea came about because of data centers coming to the state. Those are the large energy consumers we are most concerned about currently.

Data centers are facilities that house very large amounts of information for organizations. Google, Apple, and Nvidia are just some of the companies that need data centers to store their servers, storage devices and networking equipment. They offer North Dakota a lot of benefits and we should welcome the responsible buildout of these facilities. They offer opportunities to increase property taxes as well as high-paying jobs across the state. And with North Dakota being an energy exporter, it offers unique ways for our baseload energy sources such as coal and natural gas to stay relevant in the future.

North Dakota has become a place targeted by data centers because of three main reasons:

1. Cooler climate: the equipment housed in these data centers generate heat while they're running. Our cooler climate significantly reduces their energy usage.
2. Energy need: data centers require an incredible amount of electricity to operate. It isn't unusual for a facility to need anywhere from 100-300 mw of electricity. One of the most important takeaways regarding electricity for data centers is that they absolutely cannot have a blackout situation. They do have backup generation sources on site, typically, but reliability is important to them too.
3. North Dakota has a business-friendly regulatory environment.

I realize that no industry wants to be regulated. It's important to find a balance of regulation, that ensures we continue being a place that welcomes new and exciting business opportunities like data centers, while ensuring our electrical grid is reliable and North Dakota consumers don't pay higher electricity rates because of the data centers.

Regarding reliability, it is of extreme importance that the legislature does everything we can to protect North Dakotans from energy shortages. We live in a state that has extreme weather. Blackouts could create a potentially deadly situation if they were to happen during a polar vortex.

The original bill would have required a large energy user, one that uses more than 50 mw of electricity, to apply for a Certificate of Public Convenience and Necessity with the Public Service Commission. The bill hearing was contentious because of the different types of electricity producers we have in the state. Co-ops, independent power producers and investor-owned utilities all run differently because of the ways they are governed. I tried to come up with a bill that made everyone happy, but after 7 or 8 different versions, I realized that task was impossible.

So, at the end of the day, we came up with a very robust study. The one in front of you today is a different version than was passed in the House, but only slightly because of some conversations I had with our co-ops and REC's after the bill was passed. That is section 2 of the bill. Section 1 of the bill was also added after this passed the house, at the request of the Retirement and Investment Office. Jodi Smith is here and will discuss the details of that after me.

With that, I'll stand for any questions that you may have. Thank you, Mr. Chairman and members of the committee.

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of North Dakota

**PROPOSED AMENDMENTS TO
FIRST ENGROSSMENT**

ENGROSSED HOUSE BILL NO. 1579

Introduced by

Representatives Novak, Porter, Heinert

Senators Kessel, Patten

1 A BILL for an Act to create and enact a new subsection to section 21-10-11 of the North Dakota
2 Century Code, relating to the legacy and budget stabilization fund advisory board; and to
3 provide for a legislative management study relating to the impact of large energy consumers on
4 the state's electrical grid.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1.** A new subsection to section 21-10-11 of the North Dakota Century Code is
7 created and enacted as follows:

8 The legacy fund may be invested in large-scale infrastructure projects under
9 paragraph 2 of subdivision b of subsection 3 when deemed beneficial to the state. The
10 legacy fund advisory board and state investment board prudently shall diversify the
11 investments of the legacy fund unless the boards reasonably determine that, because
12 of special circumstances, the purposes of the state are better served without
13 diversification of the legacy fund investments.

14 **SECTION 2. LEGISLATIVE MANAGEMENT STUDY - IMPACT OF LARGE ENERGY**
15 **CONSUMERS ON THE ELECTRICAL GRID.**

16 1. During the 2025-26 interim, the legislative management shall study the impact of large
17 energy consumers, including data centers, on the electrical grid of this state,
18 regulatory structure, and economic development. The study must include an
19 evaluation of the:

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- 1 a. Electrical grid reliability and infrastructure requirements within the state, including
2 the capacity of the electrical grid, necessary upgrades to accommodate large
3 energy consumers, the cost of necessary upgrades to accommodate large
4 energy consumers, how the cost of necessary upgrades to accommodate large
5 energy consumers are allocated, effects of congestion on the electrical grid
6 caused by increased development, and best practices for integrating
7 high-demand users while maintaining reliability for all ratepayers;
- 8 b. Regulatory consistency throughout the state, including an assessment of the
9 manner in which state and local laws and regulations impact large energy
10 consumers, whether the certificate of public convenience and necessity process
11 is appropriate for private-sector end users, and whether regulatory
12 inconsistencies exist between investor-owned utilities, rural electric cooperatives,
13 municipal power providers, and independent power producers;
- 14 c. Economic impacts affecting the energy industry of the state, including an
15 assessment of job creation, tax revenue generation, and long-term investment
16 trends tied to data center development and other large energy consumers;
- 17 d. Market dynamics of the local and national energy industry, including the role of
18 demand-side management, local versus regional energy market participation,
19 and the ability of large consumers to support grid stability through off-peak
20 consumption or other grid-supportive practices;
- 21 e. Costs and impacts of all regulated and exempted public utilities, including best
22 reporting practices; and
- 23 f. Regulatory and exemption criteria relating to load size, system integration,
24 application processes, impacts to consumers and access to the regional grid
25 systems, electrical generation sources, the feasibility of colocated backup
26 generators at various facilities, and generation sources including legacy electric
27 generation units.
- 28 2. The study must include input from representatives of:
 - 29 a: Data center operators and other large energy consumers operating or
30 considering investment in the state;

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- 1 b. Investor-owned utilities, rural electric cooperatives, municipal power providers,
- 2 and independent power producers;
- 3 c. The public service commission;
- 4 d. The lignite energy council;
- 5 e. The North Dakota transmission authority;
- 6 f. Regional transmission organizations;
- 7 g. The petroleum council; and
- 8 h. Any other relevant state or federal agency.
- 9 3. The legislative management shall report its findings and recommendations, together
- 10 with any legislation required to implement the recommendations, to the seventieth
- 11 legislative assembly.