

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

ELECTRIC INDUSTRY COMPETITION COMMITTEE

Tuesday, August 23, 2005
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Merle Boucher, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Merle Boucher, Wesley R. Belter, Michael D. Brandenburg, David Drovdal, George J. Keiser; Senators Robert S. Eberle, Tim Mathern, Larry J. Robinson

Members absent: Representative Tracy Boe; Senators Duane Mutch, John O. Syverson, Ben Tollefson

Others present: Matthew M. Klein, State Representative, Minot

David O'Connell, State Senator, Lansford

See attached appendix for additional persons present.

At the request of Chairman Boucher, committee counsel presented a memorandum entitled [*Supplementary Rules of Operation and Procedure of the North Dakota Legislative Council*](#).

Chairman Boucher welcomed the committee members and thanked them for serving on the Electric Industry Competition Committee. He said the importance of energy to this state's economy and the well-being of its citizens is paramount. Chairman Boucher reviewed a letter from the Industrial Commission on the North Dakota Transmission Authority. The letter stated it was too early for the Industrial Commission to provide the committee with any specifics. A copy of the letter is on file in the Legislative Council office.

At the request of Chairman Boucher, committee counsel presented a memorandum entitled [*Impact of Competition on the Generation, Transmission, and Distribution of Electric Energy Study - Background Memorandum*](#).

Ms. Susan Wefald, Commissioner, Public Service Commission, presented written information on how states oversee and influence plans for new transmission lines. A copy of her presentation is on file in the Legislative Council office.

In response to a question from Senator Mathern, Ms. Wefald said she has the electricity portfolio with the Public Service Commission. She said she is very involved in regulatory issues relating to electricity.

Mr. Kim Christianson, Energy Program Manager, Office of Renewable Energy and Energy Efficiency, Department of Commerce, presented written information on wind energy development in this state. In

addition, he provided written information on state and federal incentives for wind development and the Western Area Power Administration's Dakotas wind transmission study project. A copy of his presentation is on file in the Legislative Council office.

In response to a question from Senator O'Connell, Mr. Christianson said there are a number of wind monitoring program grants available. He said the usual grant is a matching grant up to \$10,000 which is provided over a three-year period.

Mr. Dennis Boyd, Senior Governmental Affairs Representative, Public Affairs Department, MDU Resources Group, Inc., Bismarck, presented written testimony on the regulation of the electric utility industry and provided some suggestions on issues the committee might wish to pursue during this interim. He said the committee may wish to review property and income tax disparities between investor-owned electric utilities and rural electric cooperatives, review the progress of the North Dakota Transmission Authority, and review the progress of 2005 Senate Bill No. 2412 on service area agreements. In addition, he said, the committee may wish to review the Territorial Integrity Act which largely prevents investor-owned electric companies from equitably sharing in the growth areas of this state's large cities. A copy of his testimony is on file in the Legislative Council office.

In response to a question from Representative Boucher, Mr. Boyd said collaboration among companies that provide generation and transmission is absolutely critical. He said the electricity market in North Dakota is limited and the major markets are out of state. He said the investor-owned utilities are multistate companies that must look at electricity issues on a regional level.

In response to a question from Representative Boucher, Mr. Boyd said all MDU companies are interested in economic development and in bringing markets to this state.

In response to a question from Representative Boucher, Ms. Wefald said economic development rates and special rates are allowed for new businesses. She said there are many flexible options to entice new businesses to this state.

In response to a question from Representative Keiser, Mr. Boyd said MDU would like to build a generation facility in this state but that does not look

as cost-effective as being part of Big Stone II in South Dakota. He said MDU is investigating being a partner in that plant.

Mr. Harlan Fuglesten, General Counsel and Government Relations Director, North Dakota Association of Rural Electric Cooperatives, Mandan, presented written testimony on the committee's work to date and on the future direction of the committee's studies. He said the bill draft considered last interim which would have established a uniform system of transmission and distribution of taxes for investor-owned utilities and cooperatives may be reviewed for further progress this interim. He said the committee may wish to review the new federal energy legislation and receive reports on the efforts of the new North Dakota Transmission Authority. He said the committee may wish to receive updates on 2005 Senate Bill No. 2412 on service area agreements. A copy of his testimony is on file in the Legislative Council office.

In response to a question from Representative Boucher, Mr. Fuglesten said new generation and transmission facilities will be a collaborative effort. He said making new facilities is a high-cost and high-risk venture in an unstable regulatory environment. He said any effort requires a united effort of business and government.

In response to a question from Representative Boucher, Mr. Fuglesten said a laissez-faire approach to electricity is not viable because electricity is a necessity and must be available on a reasonable basis to all consumers.

Ms. Kathy Aas, Minot Community Relations Manager and North Dakota Governmental Affairs Representative, Xcel Energy, Inc., Minot, presented written testimony to the committee. She reviewed the Energy Policy Act of 2005 as it relates to electricity, energy efficiency, renewable energy, and tax incentives. A copy of her presentation is on file in the Legislative Council office.

Mr. Loren Laugtug, Otter Tail Power Company, Fergus Falls, Minnesota, provided a written presentation on the Edgeley/Kulm and Enbridge wind projects and CapX 2020. He provided a history of the development of Otter Tail Power's generation facilities and transmission. He said economies of scale require large high-cost projects. He said his company is part of the Big Stone II project. He said Big Stone I was built in 1978 and was built with room for expansion.

In response to a question from Senator Mathern, Mr. Laugtug said Minnesota requires Otter Tail Power to use 10 percent renewable energy. He said a 10 percent renewable energy requirement may be met without significantly increasing costs. He said the raw cost of wind power is relatively inexpensive; however, there are other considerations with an intermittent source.

In response to a question from Senator O'Connell, Mr. Laugtug said generally communities are open to wind energy; however, there is a small minority that is against wind energy.

In response to a question from Representative Belter, Mr. Laugtug said at a 10 percent renewable energy requirement, his company can manage the incremented shortfalls of wind without building other plants. He said that if that percentage were increased, Otter Tail Power would have to build more gas backup plants. He said this would subject Otter Tail Power to purchasing gas on the spot market, which can be relatively expensive.

In response to a question from Representative Boucher, Mr. Laugtug said Otter Tail Power had three partners in building Big Stone I and will have six or seven for building Big Stone II. He said more partners provides for a larger facility, which adds to the economies of scale. He said more partners spreads the risk among more companies and makes the bond issued to build the facility more attractive.

In response to a question from Representative Boucher, Mr. Laugtug said his company has traditionally had 60 percent of its business in generation, 15 percent in transmission, and 25 percent in distribution.

In response to a question from Representative Boucher, Mr. Laugtug said the municipal companies that are partners with Otter Tail Power use municipal bonds as a primary means of financing.

No further business appearing before the committee, Chairman Boucher adjourned the meeting at 12:05 p.m.

Timothy J. Dawson
Committee Counsel

[ATTACH:1](#)