

**2023 HOUSE FINANCE AND TAXATION**

**HB 1170**

# 2023 HOUSE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Room JW327E, State Capitol

HB 1170  
1/10/2023

A bill relating to a property tax exemption for certain natural gas pipeline property.

**Chairman Headland** opened the hearing at 9:00am.

**Members present:** Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVille, and Representative Ista. No members absent.

### Discussion Topics:

- Natural gas expansion
- Ad valorem tax exemption
- Property tax relief for natural gas pipelines

**Chairman Headland** introduced the bill.

**Blair Thorson, Dakota Natural Gas**, testified in support.

**Kristine Anderson, Regulatory Affairs and Corporate Counsel for Dakota Natural Gas**, testified in support (#12694).

**Carlee Mcleod, President of Utilities Shareholders of North Dakota**, testified in support.

**Vice Chairman Hagert** closed the hearing at 9:22am.

**Representative Grueneich moved a Do Pass.**

**Representative Dockter seconded the motion.**

Committee discussion.

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	Y

Representative Patrick Halsted	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

**Motion carried 14-0-0**

**Representative D. Anderson is the bill carrier.**

**Additional written testimony:**

**James Murphy, Traill County Economic Development Commission**, testimony in support #12665.

**Cody Chilson, Dakota Natural Gas**, testimony in support #12638.

**Dean Elfman, Mayor of City of Larimore**, testimony in support #12526.

Meeting adjourned at 9:30am.

*Mary Brucker, Committee Clerk*

**REPORT OF STANDING COMMITTEE**

**HB 1170: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1170 was placed on the Eleventh order on the calendar.

**2023 SENATE FINANCE AND TAXATION**

**HB 1170**

# 2023 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1170  
3/8/2023

Relating to a property tax exemption for certain natural gas pipeline property.

**10:38 AM Chairman Kannianen** opens hearing.

Senator Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

### Discussion Topics:

- Natural gas map
- Sales tax
- State reimbursement

**10:38 AM Representative Headland** introduced bill.

**10:41 AM Julie Fedorchak, Commissioner on the Public Service Commission,** testified in favor. #22691

**10:47 AM Blair Thorson, ND Natural Gas,** introduced Kristine Anderson

**10:47 AM Kristine Anderson, in-house corporate attorney for Dakota Natural Gas, LLC,** testified in favor. #22762

**11:08 AM Shane Goettle, Commissioner at North Dakota Department of Commerce Bismarck,** testified verbally in favor.

**11:13 AM Carlee McCloud, President, Utilities Shareholders of North Dakota,** testified verbally in favor.

**11:17 AM Dee Wald, General Counsel for ND Tax Department,** verbally answered questions.

### Additional written testimony:

Dean Elfman #21962

Cody Chilson #22763

James Murphy #22822

Dana Hager #22904

Jay Standish #22905

Kyle Christianson #22907

**11:27 AM Chairman Kannianen** adjourns hearing.

*Nathan Liesen, Committee Clerk*

# 2023 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1170  
3/14/2023

Relating to a property tax exemption for certain natural gas pipeline property; and to provide an effective date.
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**3:05 PM Chairman Kannianen** opens meeting.

Senators Present: **Kannianen, Patten, Rummel, Piepkorn.**

Senators Absent: **Magrum, Weber**

### Discussion Topics:

- Pipelines
- School districts

**3:05 PM Adam Teshar, School Finance Officer for Department of Public Instruction,** provided information. No written testimony.

**3:10 PM Shelli Myers, ND Tax Department,** provided information. No written testimony

**3:15 PM Charles Dendy, Legal Council for the Tax Department,** provided information. No written testimony

**3:16 PM Senator Patten** moved to adopt amendment LC 23.0357.01001.

**3:16 PM Senator Piepkorn** seconded.

Roll call vote.

Senators	Vote
Senator Jordan Kannianen	Y
Senator Mark F. Weber	AB
Senator Jeffery J. Magrum	AB
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Dean Rummel	Y

Motion passed. 4-0-2

**3:17 PM Senator Patten** moved Do Pass as Amended.

**3:17 PM Senator Piepkorn** seconded.

Roll call vote.

<b>Senators</b>	<b>Vote</b>
Senator Jordan Kannianen	Y
Senator Mark F. Weber	AB
Senator Jeffery J. Magrum	AB
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Dean Rummel	Y

Motion passed. 4-0-2

**3:17 PM Senator Piepkorn** will carry.

**Additional written testimony:**

Craig Headland #26722

**3:19 PM Chairman Kannianen** adjourned meeting.

*Nathan Liesen, Committee Clerk*



March 14, 2023

DR  
171  
3-14-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1170

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-06 of the North Dakota Century Code, relating to a property tax exemption for certain natural gas pipeline property; and to provide an effective date.

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

**SECTION 1.** A new section to chapter 57-06 of the North Dakota Century Code is created and enacted as follows:

**Natural gas pipeline infrastructure to underserved communities - Exception.**

All property, excluding the land on which it is situated, which is part of an intrastate natural gas transportation or distribution pipeline system is exempt from taxation for a period of fifteen years following the taxable year in which the pipeline becomes operational. The exemption under this section applies if:

1. Construction of the pipeline commences after January 1, 2023.
2. The pipeline provides service to a city or township located within the state in which the majority of households or businesses did not have access to natural gas service as of January 1, 2023.
3. The pipeline is located within this state.

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2022."

Renumber accordingly

**REPORT OF STANDING COMMITTEE**

**HB 1170: Finance and Taxation Committee (Sen. Kannianen, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (4 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1170 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-06 of the North Dakota Century Code, relating to a property tax exemption for certain natural gas pipeline property; and to provide an effective date.

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

**SECTION 1.** A new section to chapter 57-06 of the North Dakota Century Code is created and enacted as follows:

**Natural gas pipeline infrastructure to underserved communities - Exception.**

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1. Construction of the pipeline commences after January 1, 2023.
2. The pipeline provides service to a city or township located within the state in which the majority of households or businesses did not have access to natural gas service as of January 1, 2023.
3. The pipeline is located within this state.

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2022."

Renumber accordingly

**2023 CONFERENCE COMMITTEE**

**HB 1170**

# 2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Room JW327E, State Capitol

HB 1170  
4/7/2023  
Conference Committee

A bill relating to a property tax exemption for certain natural gas pipeline property.

**Chairman Hagert** opened the conference committee meeting at 9:02 AM.

**Members present:** Chairman Hagert, Representative Motschenbacher, Representative Finley-DeVillie, Chairman Weber, Senator Magrum, and Senator Piepkorn. Members absent: none.

**Discussion Topics:**

- Proposed amendment
- Tax exemption
- Committee vote

**Chairman Hagert** proposed an amendment (#27372) on page 1, line 7, replacing “exception” with “exemption”, on line 9, replace “transportation” with “transmission”, and on line 9, after “system” insert “constructed in this state”.

**Chairman Weber** agrees with the proposed amendment.

**Representative Motschenbacher** moved the Senate recede from Senate amendments and amends as stated above.

**Chairman Weber** seconded the motion.

**Roll call vote: Motion carried 6-0-0**

**Chairman Hagert is the House carrier and Chairman Weber is the Senate carrier.**

**Chairman Hagert** adjourned at 9:07 AM.

*Mary Brucker, Committee Clerk*

April 7, 2023

OK  
41  
4-7-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1170

That the Senate recede from its amendments as printed on page 1264 of the House Journal and page 985 of the Senate Journal and that House Bill No. 1170 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-06 of the North Dakota Century Code, relating to a property tax exemption for certain natural gas pipeline property; and to provide an effective date.

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

**SECTION 1.** A new section to chapter 57-06 of the North Dakota Century Code is created and enacted as follows:

**Natural gas pipeline infrastructure to underserved communities - Exemption.**

All property, excluding the land on which it is situated, which is part of a natural gas transmission or distribution pipeline system constructed in this state is exempt from taxation for a period of fifteen years following the taxable year in which the pipeline becomes operational. The exemption under this section applies if:

1. Construction of the pipeline commences after January 1, 2023.
2. The pipeline provides service to a city or township located within the state in which the majority of households or businesses did not have access to natural gas service as of January 1, 2023.
3. The pipeline is located within this state.

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2022."

Renumber accordingly

**2023 HOUSE CONFERENCE COMMITTEE  
ROLL CALL VOTES**

BILL/RESOLUTION NO. HB 1170 as (re) engrossed

**House Finance and Taxation Committee**

- Action Taken**
- HOUSE accede to Senate Amendments
  - HOUSE accede to Senate Amendments and further amend
  - SENATE recede from Senate amendments
  - SENATE recede from Senate amendments and amend as follows  
See below for explanation of amendments
  - Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Rep. Motschenbacher      Seconded by: Chairman Weber

Representatives	4/7		Yes	No	Senators	4/7		Yes	No
<i>Chairman Hagert</i>	x		x		<i>Chairman Weber</i>	x		x	
<i>Rep. Motschenbacher</i>	x		x		Senator Magrum	x		x	
<i>Rep Finley-DeVille</i>	x		x		Senator Piepkorn	x		x	
Total Rep. Vote			3		Total Senate Vote			3	

Vote Count      Yes: 6      No: 0      Absent: 0

House Carrier Chairman Hagert      Senate Carrier Chairman Weber

LC Number 23.0357 . 01002 of amendment

LC Number 23.0357 . 03000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

- Page 1, line 7, replace "Exception" with "Exemption"
- Page 1, line 8, replace "an intrastate" with "a"
- Page 1, line 9, replace "transportation" with "transmission"
- Page 1, line 9, after "system" insert "constructed in this state"

Insert LC: 23.0357.01002  
House Carrier: Hagert  
Senate Carrier: Weber

**REPORT OF CONFERENCE COMMITTEE**

**HB 1170:** Your conference committee (Sens. Weber, Magrum, Piepkorn and Reps. Hagert, Motschenbacher, Finley-DeVille) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ page 1264, adopt amendments as follows, and place HB 1170 on the Seventh order:

That the Senate recede from its amendments as printed on page 1264 of the House Journal and page 985 of the Senate Journal and that House Bill No. 1170 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-06 of the North Dakota Century Code, relating to a property tax exemption for certain natural gas pipeline property; and to provide an effective date.

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

**SECTION 1.** A new section to chapter 57-06 of the North Dakota Century Code is created and enacted as follows:

**Natural gas pipeline infrastructure to underserved communities - Exemption.**

All property, excluding the land on which it is situated, which is part of a natural gas transmission or distribution pipeline system constructed in this state is exempt from taxation for a period of fifteen years following the taxable year in which the pipeline becomes operational. The exemption under this section applies if:

1. Construction of the pipeline commences after January 1, 2023.
2. The pipeline provides service to a city or township located within the state in which the majority of households or businesses did not have access to natural gas service as of January 1, 2023.
3. The pipeline is located within this state.

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2022."

Renumber accordingly

HB 1170 was placed on the Seventh order of business on the calendar.

**TESTIMONY**

**HB 1107**



**City of Larimore**  
**119 Booth Ave**  
**P.O. Box 766**  
**Larimore, ND 58251**  
**Ph. (701) 343-2181**

**House Bill No. 1170**  
**Testimony**  
**Dean Elfman, Mayor**  
**City of Larimore, North Dakota**  
**House Finance and Taxation Committee**

**January 10, 2023**

My name is Dean Elfman, I am the mayor of the City of Larimore in northeastern North Dakota, and I support House Bill 1170. I believe that this tax exemption will assist with expanding the availability of natural gas throughout the state, bringing it to communities that do not already have natural gas service.

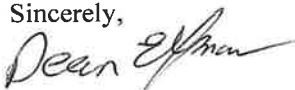
The residents and businesses of Larimore currently lack access to natural gas. Although the city has tried to obtain natural gas in the past, no project was feasible, and Larimore's citizens must continue to rely on other energy sources for their heating and other needs. Currently, the city is working with Dakota Natural Gas, LLC to determine whether a project to bring natural gas to the city can become a reality, but it will not be an easy task.

The city believes that natural gas access – both for Larimore and for other communities – is important to its future. Natural gas service will significantly increase the city's economic development opportunities, as it is a sought-after resource when businesses are selecting development locations. In addition, natural gas prices are very competitive, and the city believes that its residents will experience substantial economic savings if they have the option of using natural gas as an energy source.

There is likely a long list of communities that, like Larimore, would like to provide their residents with access to natural gas but which are unable to do so because of the cost involved in building new natural gas systems. There are many aspects of system cost that we cannot impact, so it is important that we control what we can. Every step toward decreasing the cost of natural gas system construction brings us one step closer to expanding natural gas throughout North Dakota. I believe that creating a tax exemption for new natural gas systems to help offset the early costs of the system will make it easier for communities like Larimore to secure natural gas for our residents. This is something that we can control without causing any adverse effects to current revenue streams or budgets.

I respectfully encourage you to vote affirmatively for House Bill 1170 and help secure a prospective tax exemption that will help the state work toward its goal of natural gas expansion and help communities like Larimore have a better chance at getting natural gas to our cities and towns. Thank you for your consideration.

Sincerely,



Mayor Dean Elfman  
P: 701-343-2181  
F: 701-343-2181



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**House Bill No. 1170**  
**Testimony**  
**Cody Chilson, President Dakota Natural Gas, LLC**  
**House Finance and Taxation Committee**  
**January 10, 2023**

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Chairman Headland and members of the Committee, my name is Cody Chilson, I am the president of Dakota Natural Gas, LLC, and I support House Bill 1170. This measure will help make projects to bring natural gas to unserved communities more economic, which can help close an essential service gap and expand natural gas access within North Dakota.

I appreciate the opportunity to share the reasons for my support with you. Dakota Natural Gas is a relatively new natural gas distribution company here; however, its affiliate companies in Minnesota have been finding creative ways to provide natural gas solutions to unserved rural areas there for many years. We formed DNG to help bring a natural gas solution to unserved communities in North Dakota and, I am proud to say that in our first three years of operation, we have successfully done so and are now serving the Drayton, Hillsboro, Mayville, and Portland communities. Many more communities throughout the state have contacted DNG asking us to help them get natural gas service – something a lot of people around the state have been seeking for decades to no avail. We have been conducting economic viability studies in several parts of the state; but unfortunately, the result is often the same – building out a system to them is just too expensive and there is no way to make such a project economic.

Access to natural gas is often a function of population density and distance from natural gas supply pipelines, which is why many North Dakota communities don't have it. In many cases, that kind of gas line will never make economic sense because there will never be a way to fully recover the cost and generate a return, so regulatory requirements won't allow for the line to be built. The only way to close the gap and get natural gas to all North Dakota residents is for gas companies to make major investments in infrastructure. However, it is very expensive to build natural gas lines out to those communities and it takes quite a while for cost recovery to occur.

We are not asking for the state to subsidize that investment. Instead, we ask you to consider the impact of property taxes, which are an incredibly substantial part of the buildout cost, and the chilling effect they have on natural gas expansion. Without some property tax relief during the initial phases of extending gas to new and underserved communities, the necessary investments may never be made and the service gap may never be closed. Many people do not realize that gas companies pay property taxes based on their real estate AND they pay personal property tax, or ad valorem tax, on their facilities—the pipe in the ground, the equipment, etc., based in part on the cost of the pipe and on the amount of pipe in the system. When companies like ours build a new line to serve an un- or underserved area, the line is necessarily longer and newer than a line in a densely populated area or near an interstate pipeline. Therefore, the property tax impact on a new line is extreme. Since a company's construction and tax costs are incorporated into its gas rates, the gas customers ultimately pay for the cost of construction of new systems, and well over 10% of the cost of building these distributions systems are property taxes.

The heavy burden of property tax assessments has and will continue to prohibit extension of natural gas service to North Dakota citizens, continuing to deny them access to a basic, essential service as well as inhibiting economic development and limiting the long-term development of the state's tax base. This bill can change that. By alleviating the property tax burden at the beginning of a new system's life, the cost of construction will be decreased, bringing these projects closer to being economically viable. That helps get the infrastructure built and allows time for it to become fully operational and move toward providing a return on investment.

DNG is already working with several unserved communities to assess their market needs and design systems; and, as a result, it has identified possible projects to serve new communities that could have construction begin in the foreseeable future; but, those projects cannot happen without steps to improve their economic viability and the tax exemption will help in that regard.

The tax exemption will not just help one company or one community. Rather, the tax exemption would help improve economic viability for new systems in all parts of the state that are still unserved and it could be utilized by any qualified natural gas distribution company, whether existing or yet to enter the market, so it isn't limited to just DNG or DNG's prospective service areas. Moreover, the impact of the new systems will be felt well beyond the initial communities served with them, because the extension of natural gas builds on itself by making subsequent extensions more economic. For example, DNG's recent extension to Portland would have never been economically feasible but for the fact that DNG was already serving Hillsboro and Mayville. Similarly, the communities that will initially be served by new natural gas systems are not the only communities that will benefit from them, because other nearby communities may also have subsequent opportunities to be served for years to come. The initial extension of natural gas to one area makes it much less expensive to expand distribution to additional facilities and communities in the future.

Additionally, once new gas systems are constructed, the state will reap tax benefits from the infrastructure that would not otherwise have been built; and, economic development will be bolstered throughout the state, which helps both residents and communities and enhances the tax base even more. Historically, in areas where our companies have extended natural gas service, it helped attract housing and businesses within the communities, as well as increasing agricultural sector economic development. Similarly, natural gas has helped educational, health care, and other public institutions save money on energy costs and that money gets directed toward other things.

The North Dakota legislature can take a dramatic step to encourage new systems and help bring safe, reliable, and affordable gas to communities throughout the state by limiting the disincentive to building new systems caused by the ad valorem tax. While the tax exemption contemplated by House Bill 1170 will not guarantee that new natural gas systems will be built, it does provide assurance of a greater likelihood that new systems will be economically viable. In that regard, it is a giant step toward more natural gas expansion, and that step comes without any expense to the State.

I am confident that you will agree that the proposed property tax exemption is in the best interest of the people of North Dakota, and I respectfully request that you support it. Chairman Headland and Committee members, thank you for the chance to be heard on this very important matter.



January 9, 2023

Representative Craig Headland, Chair  
Finance & Taxation Committee  
ND Capitol Building  
Bismarck, ND 50504

RE: House Bill 1170

Dear Representative Headland and the Finance & Taxation Committee,

Thank you for taking a few minutes to read this letter of support for House Bill 1170. I appreciate your time and consideration regarding this matter.

I am the executive director for the Traill County Economic Development Commission. In that role I work with the cities in Traill County (Mayville, Portland, Hatton, Hillsboro, etc.) to help position our communities for success. These cities range in population from 400 to 1,600 residents and, collectively, comprise a countywide population of about 10,000 people.

The smaller populations and relatively small energy usage in counties such as Traill make it difficult for companies to invest in these underserved areas in a way that makes it economically viable to build the infrastructure necessary to introduce new – and oftentimes necessary – energy sources to our rural communities.

In August of 2021, Dakota Natural Gas became an energy supply option and partner in the Traill County cities of Hillsboro, Mayville and Portland.

How has this partnership been beneficial – and who has benefited? Heating cost savings to residents is one example. There is much anecdotal evidence to cite, but one situation that comes to mind is the savings of a retired couple – one spouse being disabled – that is on a fixed income. The household's heating expenses have been reduced by roughly 30 percent, meaning they have more disposable income to purchase groceries, medications and other goods locally, so our local businesses also reap the benefits and generate sales tax revenue for the city.

Another example is the cost savings that helps our existing businesses thrive and grow. The expansion of Degelman Industries, a primary sector manufacturer of agricultural equipment with its U.S. headquarters in Hillsboro, is a good example. The company was able to use natural gas for heat, which was more cost-effective than the geothermal heat system used prior to Dakota Natural Gas' buildout. The cost savings helped spur Degelman's expansion plans; the company currently is in the process of



doubling the square footage of its manufacturing area and, in turn, more than doubling its workforce from 50 to more 100 employees.

This sort of expansion is a big deal in a city the size of Hillsboro. This growth will bring more workers to the city; the workers who move to Hillsboro will rent or buy homes, do at least some of their shopping locally, have children enrolled in the local schools, etc. The city and school district have helped incentivize the expansion with various tax benefits because they know that, like the benefits spelled out in HB 1170, any incentives will be rewarded many times over in the long run. The benefits to the city of Hillsboro, in this case, Traill County and the state of North Dakota will be multiplied over generations – indeed, long-term benefits.

These examples deal with the advantages of the Dakota Natural Gas project to existing residents and businesses, but I would be remiss in neglecting to point out the potential for attracting new residents and businesses to our communities. Traill County had been working on obtaining natural gas service for roughly six decades before the Dakota Natural Gas project came to fruition and over the course of those 60 years, countless phone calls with potential business leads ended in a dial tone upon discovering Traill County did not have access to natural gas. It would be impossible to quantify six decades' worth of lost opportunities, but there are still many other areas of North Dakota in that same position.

Successful passage of HB 1170 will help companies take initiative to deliver more energy options to these underserved communities. This variety of options puts North Dakota's communities in a position to win, which ultimately puts the entire state of North Dakota in a position to win. When one extrapolates the long-term, generational benefits to communities like Hillsboro, Mayville and Portland, I hope you see the vision and impacts of this bill.

The state of North Dakota, by investing in these long-term energy infrastructure solutions, will ultimately have this investment returned countless times over the next generations; a great return on the investment, indeed.

As always, if you have questions or concerns you can contact me via email: ([director@traillcountyedc.com](mailto:director@traillcountyedc.com)), on my office phone at (701) 636-4746 or even on my cell at (701) 430-1644.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Murphy', with a long, sweeping underline.

Jim Murphy  
Traill County EDC  
PO Box 856  
102 1<sup>st</sup> St. SW  
Hillsboro, ND 58045



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Visit our Website: [www.dakotaturalgas.com](http://www.dakotaturalgas.com)  
Send us an email: [dng@dakotaturalgas.com](mailto:dng@dakotaturalgas.com)

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**House Bill No. 1170**  
**Testimony**  
**Kristine Anderson, Regulatory Affairs & Corporate Counsel**  
**Dakota Natural Gas, LLC**  
**House Finance and Taxation Committee**  
**January 10, 2023**

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Chairman Headland and members of the Committee, my name is Kristine Anderson. I am the in-house corporate attorney for Dakota Natural Gas, LLC, and I also handle regulatory affairs for the company. DNG and I support House Bill 1170 because it is an excellent means to encourage natural gas expansion and it does not cost the state one penny. By helping to manage one element of the economic disincentives that hinder natural gas expansion, the ad valorem tax exemption assured by House Bill 1170 will likely increase access to natural gas throughout the state.

Those of us in the room that have natural gas service generally take it for granted and, before it became a policy priority, we did not really think about the thousands of people living in rural areas and small communities around the state that do not have any access to natural gas. DNG is focused on providing gas to them, because the lack of access to this essential service affects the quality of life, standard of living, and economic development for those people and their communities. For those of you who do enjoy natural gas service at your homes, businesses, and communities, try to imagine the impact on your lives and the lives of your families if your gas service was suddenly gone tomorrow. Natural gas is a safe, reliable, and affordable energy option that should be ubiquitous but isn't.

As you know, natural gas has become a state priority in recent years. North Dakota produces huge amounts of natural gas – so much that it has to be flared and even that level has hit capacity. Yet, while North Dakota is the 11<sup>th</sup> largest gas producing state in the country, only 91 North Dakota communities have access to natural gas, leaving 366 North Dakota communities unserved. While the unserved areas account for approximately 25% of the state's population, the current economic circumstances make it even less likely that any of the remaining 25% will ever obtain natural gas service in the future without some intervention from lawmakers.

Building a natural gas distribution system for an unserved area is expensive. According to the Interim Energy Development and Transmission Committee, the cost of building distribution systems generally lies between \$750,000 and two million dollars. Unlike many industries, natural gas distribution companies are rate-regulated, so they cannot simply decide to set high rates to recoup their costs of construction quickly. In fact, it takes ten to fifteen years for the cost of building a natural gas system to be earned back before a system becomes profitable.

Another anomaly of the utility industry is the ad valorem tax. Natural gas companies pay property tax on both their real estate and on their personal property, which includes all facilities – pipe, meters, regulator stations, etc. – that are part of the natural gas delivery system. Most commercial entities only pay property tax on their real estate – not on the contents of their buildings or their infrastructure. Moreover, the assessment for the ad valorem property tax is based on a combination of the cost of construction and income from the system and, when there is not an income history, then the lion's share of the assessment is based on the cost of construction. Since new systems are necessarily a long way from existing lines, that means that there is a lot of pipe to be put in the ground – a lot of

expensive pipe. Since the systems are new and not turning a profit, there is not an income history. Therefore, the assessed value is based almost exclusively on the cost of all that pipe and the associated facilities. That makes the tax burden from the ad valorem tax disproportionately high for new systems, which makes them even more expensive to build. Too expensive. That's why so many communities lack natural gas access. House Bill 1170 can fix that.

This bill provides a property tax exemption from the ad valorem tax for the first 15 years of life of a natural gas system built to serve an un- or underserved area. The property tax exemption technique is neither novel nor controversial for the energy industry here and North Dakota has adopted it several times. Similar property tax exemptions exist for personal property associated with the transportation or storage of carbon dioxide for use in enhanced recovery of oil or natural gas; for any equipment directly used for enhanced recovery of oil or natural gas; for property being used at the site of a producing well for the production of oil and gas, and for property used for coal conversion facilities and for associated carbon dioxide capture systems. The Interim Committee reported that incentives like that which already exist are operating as intended. The Interim Committee members also recognized additional tax exemptions may be needed to encourage improvement and expansion of natural gas infrastructure. Good ideas make good policy. Good policy begets more good policy. The measure before you is precisely that kind of good policy.

Of course, the tax exemption alone will not guarantee that systems will be built for all of the unserved areas. It is only one piece of the puzzle. But, that piece comes with a zero dollar price tag. Literally. This bill has no effect on the state's current revenue stream. The bill is only forward looking and would apply to systems that are not yet built. They have not been built in decades, and they will likely never be built because of the economics. If those systems are not built, the state will never see tax revenue from them. The communities will never reap economic development benefits from them. The citizens will never capture energy cost-savings from them. However, by helping make building new natural gas distribution systems more economic, there is a much better chance that some systems will, indeed, be built. All of the benefits of expanding natural gas are possible – and proven – and this bill helps bring them nearer to the state's grasp. And, lest you be concerned about other energy providers, yes – natural gas companies and other energy providers can co-exist harmoniously. In fact, the Minnesota companies that are affiliates of Dakota Natural Gas have helped get both propane cooperatives and a rural electric cooperative in the natural gas distribution business.

People want gas. Businesses want gas. Agricultural producers want gas. They have wanted it for decades. Review the testimony submitted by Jim Murphy from Traill County because Dakota Natural Gas brought gas to three communities there over the last several years. He provided you with empirical evidence of the difference that it has already made there in just three short years. You can help give other communities a shot at similar impacts. You can do that without a downside because it won't cost a thing and, when more systems are built, it will increase state revenues after the exemption period expires. Ask yourselves one question: why not – what have you got to lose?

Thank you for the opportunity to speak with you today. I appreciate your consideration and I truly believe that you will concur with me – and with the legislators before you that employed similar exemptions - that the proposed property tax exemption here is an excellent way to serve the people of North Dakota. I respectfully request that you support it. Chairman Headland and Committee members, thank you again for the chance to be heard. Please give House Bill 1170 a do-pass recommendation.

**City of Larimore**  
**119 Booth Ave**  
**P.O. Box 766**  
**Larimore, ND 58251**  
**Ph. (701) 343-2181**

**House Bill No. 1170**

**Testimony**

**Dean Elfman, Mayor**

**City of Larimore, North Dakota**

**Senate Finance and Taxation Committee**

**March 8, 2023**

My name is Dean Elfman, I am the mayor of the City of Larimore in northeastern North Dakota, and I support House Bill 1170. I believe that this tax exemption will assist with expanding the availability of natural gas throughout the state, bringing it to communities that do not already have natural gas service.

The residents and businesses of Larimore currently lack access to natural gas. Although the city has tried to obtain natural gas in the past, no project was feasible, and Larimore's citizens must continue to rely on other energy sources for their heating and other needs. Currently, the city is working with Dakota Natural Gas, LLC to determine whether a project to bring natural gas to the city can become a reality, but it will not be an easy task.

The city believes that natural gas access – both for Larimore and for other communities – is important to its future. Natural gas service will significantly increase the city's economic development opportunities, as it is a sought-after resource when businesses are selecting development locations. In addition, natural gas prices are very competitive, and the city believes that its residents will experience substantial economic savings if they have the option of using natural gas as an energy source.

There is likely a long list of communities that, like Larimore, would like to provide their residents with access to natural gas but which are unable to do so because of the cost involved in building new natural gas systems. There are many aspects of system cost that we cannot impact, so it is important that we control what we can. Every step toward decreasing the cost of natural gas system construction brings us one step closer to expanding natural gas throughout North Dakota. I believe that creating a tax exemption for new natural gas systems to help offset the early costs of the system will make it easier for communities like Larimore to secure natural gas for our residents. This is something that we can control without causing any adverse effects to current revenue streams or budgets.

I respectfully encourage you to vote affirmatively for House Bill 1170 and help secure a prospective tax exemption that will help the state work toward its goal of natural gas expansion and help communities like Larimore have a better chance at getting natural gas to our cities and towns. Thank you for your consideration.

Sincerely,



Mayor Dean Elfman

P: 701-343-2181

F: 701-343-2181



## House Bill 1170

**Presented by:** Julie Fedorchak, Commissioner  
Public Service Commission

**Before:** Senate Finance and Taxation Committee  
The Honorable Jordan Kannianen, Chair

**Date:** March 8, 2023

### TESTIMONY

Mr. Chair and committee members, I am Julie Fedorchak, Commissioner on the Public Service Commission, and I submit this testimony on behalf of the Commission in support of HB 1170.

During my 10 years on the Commission, I have been involved in numerous efforts to help connect rural communities to natural gas service. North Dakota is the only natural gas producing state in the northcentral region of the US. Yet, we have more than 300 communities that do not have natural gas service.

Natural gas is the most efficient fuel for home heating and industrial processes. When it comes to small town economic development natural gas service is an important factor between being a viable location for industrial development or not.

The challenge for those communities that don't have natural gas service boils down to one thing: cost. The infrastructure necessary to extend service to small communities often costs more than the community can offer utilities in terms of customer revenue to be sustainable long term.

That's where this bill comes in. Providing a property tax break to help reduce that cost of investment could be the difference for some North Dakota communities that are on the bubble of the economic calculation for natural gas service today. This would be a real benefit to those communities, and would help them take advantage of one of North Dakota's greatest resources: our plentiful natural gas.

For these reasons, the Commission supports HB 1170 and encourages you to do the same.



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Main: 888.933.9743 | Fax: 507.665.8602  
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Send us an email: [dng@dakotaturalgas.com](mailto:dng@dakotaturalgas.com)

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**House Bill No. 1170**  
**Testimony**  
**Kristine Anderson, Regulatory Affairs & Corporate Counsel**  
**Dakota Natural Gas, LLC**  
**Senate Finance and Taxation Committee**  
**March 8, 2023**

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Chairman Kannianen and members of the Committee, my name is Kristine Anderson. I am the in-house corporate attorney for Dakota Natural Gas, LLC, and I also handle regulatory affairs for the company. DNG and I support House Bill 1170 because it is an excellent means to encourage natural gas expansion and it does not cost the state one penny. By helping to manage one element of the economic disincentives that hinder natural gas expansion, the ad valorem tax exemption assured by House Bill 1170 will likely increase access to natural gas throughout the state.

Those of us in the room that have natural gas service generally take it for granted and, before it became a policy priority, we did not really think about the thousands of people living in rural areas and small communities around the state that do not have any access to natural gas. DNG is focused on providing gas to them, because the lack of access to this essential service affects the quality of life, standard of living, and economic development for those people and their communities. For those of you who do enjoy natural gas service at your homes, businesses, and communities, try to imagine the impact on your lives and the lives of your families if your gas service was suddenly gone tomorrow. Natural gas is a safe, reliable, and affordable energy option that should be ubiquitous but isn't.

As you know, natural gas has become a state priority in recent years. North Dakota produces huge amounts of natural gas – so much that it has to be flared and even that level has hit capacity. Yet, while North Dakota is the 11<sup>th</sup> largest gas producing state in the country, only 91 North Dakota communities have access to natural gas, leaving 366 North Dakota communities unserved. While the unserved areas account for approximately 25% of the state's population, the current economic circumstances make it even less likely that any of the remaining 25% will ever obtain natural gas service in the future without some intervention from lawmakers.

Building a natural gas distribution system for an unserved area is expensive. According to the Interim Energy Development and Transmission Committee, the cost of building distribution systems generally lies between \$750,000 and two million dollars. Unlike many industries, natural gas distribution companies are rate-regulated, so they cannot simply decide to set high rates to recoup their costs of construction quickly. In fact, it takes ten to fifteen years for the cost of building a natural gas system to be earned back before a system becomes profitable.

Another anomaly of the utility industry is the ad valorem tax. Natural gas companies pay property tax on both their real estate and on their personal property, which includes all facilities – pipe, meters, regulator stations, etc. – that are part of the natural gas delivery system. Most commercial entities only pay property tax on their real estate – not on the contents of their buildings or their infrastructure. Moreover, the assessment for the ad valorem property tax is based on a combination of the cost of construction and income from the system and, when there is not an income history, then the lion's share of the assessment is based on the cost of construction. Since new systems are necessarily a long way from existing lines, that means that there is a lot of pipe to be put in the ground – a lot of

expensive pipe. Since the systems are new and not turning a profit, there is not an income history. Therefore, the assessed value is based almost exclusively on the cost of all that pipe and the associated facilities. That makes the tax burden from the ad valorem tax disproportionately high for new systems, which makes them even more expensive to build. Too expensive. That's why so many communities lack natural gas access. House Bill 1170 can contribute to fixing that.

This bill provides a property tax exemption from the ad valorem tax for the first 15 years of life of a natural gas system built to serve an un- or underserved area. The property tax exemption technique is neither novel nor controversial for the energy industry here and North Dakota has adopted it several times. Similar property tax exemptions exist for personal property associated with the transportation or storage of carbon dioxide for use in enhanced recovery of oil or natural gas; for any equipment directly used for enhanced recovery of oil or natural gas; for property being used at the site of a producing well for the production of oil and gas, and for property used for coal conversion facilities and for associated carbon dioxide capture systems. The Interim Committee reported that incentives like that which already exist are operating as intended. The Interim Committee members also recognized additional tax exemptions may be needed to encourage improvement and expansion of natural gas infrastructure. Good ideas make good policy. Good policy begets more good policy. The measure before you is precisely that kind of good policy.

Of course, the tax exemption alone will not guarantee that systems will be built for all of the unserved areas. It is only one piece of the puzzle. But, that piece comes with a zero dollar price tag. Literally. This bill has no effect on the state's current revenue stream. The bill is only forward looking and would apply to systems that are not yet built. They have not been built in decades, and they will likely never be built because of the economics. If those systems are not built, the state will never see tax revenue from them. The communities will never reap economic development benefits from them. The citizens will never capture energy cost-savings from them. However, by helping make building new natural gas distribution systems more economic, there is a much better chance that some systems will, indeed, be built. All of the benefits of expanding natural gas are possible – and proven – and this bill helps bring them nearer to the state's grasp. And, lest you be concerned about other energy providers, yes – natural gas companies and other energy providers can co-exist harmoniously. In fact, the Minnesota companies that are affiliates of Dakota Natural Gas have helped get both propane cooperatives and a rural electric cooperative in the natural gas distribution business.

People want gas. Businesses want gas. Agricultural producers want gas. They have wanted it for decades. Review the testimony submitted by Jim Murphy from Traill County because Dakota Natural Gas brought gas to three communities there over the last several years. He provided you with empirical evidence of the difference that it has already made there in just three short years. You can help give other communities a shot at similar impacts. You can do that without a downside because it won't cost a thing and, when more systems are built, it will increase state revenues after the exemption period expires. Ask yourselves one question: why not – what have you got to lose?

Thank you for the opportunity to speak with you today. I appreciate your consideration and I truly believe that you will concur with me – and with the legislators before you that employed similar exemptions - that the proposed property tax exemption here is an excellent way to serve the people of North Dakota. I respectfully request that you support it. Chairman Kannianen and Committee members, thank you again for the chance to be heard. Please give House Bill 1170 a do-pass recommendation.



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Send us an email: [dng@dakotaturalgas.com](mailto:dng@dakotaturalgas.com)

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**House Bill No. 1170**  
**Testimony**  
**Cody Chilson, President Dakota Natural Gas, LLC**  
**Senate Finance and Taxation Committee**  
**March 8, 2023**

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Chairman Kannianen and members of the Committee, my name is Cody Chilson, I am the president of Dakota Natural Gas, LLC, and I support House Bill 1170. This measure will help make projects to bring natural gas to unserved communities more economic, which can help close an essential service gap and expand natural gas access within North Dakota.

I appreciate the opportunity to share the reasons for my support with you. Dakota Natural Gas is a relatively new natural gas distribution company here; however, its affiliate companies in Minnesota have been finding creative ways to provide natural gas solutions to unserved rural areas there for many years. We formed DNG to help bring a natural gas solution to unserved communities in North Dakota and, I am proud to say that in our first three years of operation, we have successfully done so and are now serving the Drayton, Hillsboro, Mayville, and Portland communities. Many more communities throughout the state have contacted DNG asking us to help them get natural gas service – something a lot of people around the state have been seeking for decades to no avail. We have been conducting economic viability studies in several parts of the state; but unfortunately, the result is often the same – building out a system to them is just too expensive and there is no way to make such a project economic.

Access to natural gas is often a function of population density and distance from natural gas supply pipelines, which is why many North Dakota communities don't have it. In many cases, that kind of gas line will never make economic sense because there will never be a way to fully recover the cost and generate a return, so regulatory requirements won't allow for the line to be built. The only way to close the gap and get natural gas to all North Dakota residents is for gas companies to make major investments in infrastructure. However, it is very expensive to build natural gas lines out to those communities and it takes quite a while for cost recovery to occur.

We are not asking for the state to subsidize that investment. Instead, we ask you to consider the impact of property taxes, which are an incredibly substantial part of the buildout cost, and the chilling effect they have on natural gas expansion. Without some property tax relief during the initial phases of extending gas to new and underserved communities, the necessary investments may never be made and the service gap may never be closed. Many people do not realize that gas companies pay property taxes based on their real estate AND they pay personal property tax, or ad valorem tax, on their facilities – the pipe in the ground, the equipment, etc., based in part on the cost of the pipe and on the amount of pipe in the system. When companies like ours build a new line to serve an un- or underserved area, the line is necessarily longer and newer than a line in a densely populated area or near an interstate pipeline. Therefore, the property tax impact on a new line is extreme. Since a company's construction and tax costs are incorporated into its gas rates, the gas customers ultimately pay for the cost of construction of new systems, and well over 10% of the cost of building these distributions systems are property taxes.

The heavy burden of property tax assessments has and will continue to prohibit extension of natural gas service to North Dakota citizens, continuing to deny them access to a basic, essential service as well as inhibiting economic development and limiting the long-term development of the state's tax base. This bill can change that. By alleviating the property tax burden at the beginning of a new system's life, the cost of construction will be decreased, bringing these projects closer to being economically viable. That helps get the infrastructure built and allows time for it to become fully operational and move toward providing a return on investment.

DNG is already working with several unserved communities to assess their market needs and design systems; and, as a result, it has identified possible projects to serve new communities that could have construction begin in the foreseeable future; but, those projects cannot happen without steps to improve their economic viability and the tax exemption will help in that regard.

The tax exemption will not just help one company or one community. Rather, the tax exemption would help improve economic viability for new systems in all parts of the state that are still unserved and it could be utilized by any qualified natural gas distribution company, whether existing or yet to enter the market, so it isn't limited to just DNG or DNG's prospective service areas. Moreover, the impact of the new systems will be felt well beyond the initial communities served with them, because the extension of natural gas builds on itself by making subsequent extensions more economic. For example, DNG's recent extension to Portland would have never been economically feasible but for the fact that DNG was already serving Hillsboro and Mayville. Similarly, the communities that will initially be served by new natural gas systems are not the only communities that will benefit from them, because other nearby communities may also have subsequent opportunities to be served for years to come. The initial extension of natural gas to one area makes it much less expensive to expand distribution to additional facilities and communities in the future.

Additionally, once new gas systems are constructed, the state will reap tax benefits from the infrastructure that would not otherwise have been built; and, economic development will be bolstered throughout the state, which helps both residents and communities and enhances the tax base even more. Historically, in areas where our companies have extended natural gas service, it helped attract housing and businesses within the communities, as well as increasing agricultural sector economic development. Similarly, natural gas has helped educational, health care, and other public institutions save money on energy costs and that money gets directed toward other things.

The North Dakota legislature can take a dramatic step to encourage new systems and help bring safe, reliable, and affordable gas to communities throughout the state by limiting the disincentive to building new systems caused by the ad valorem tax. While the tax exemption contemplated by House Bill 1170 will not guarantee that new natural gas systems will be built, it does provide assurance of a greater likelihood that new systems will be economically viable. In that regard, it is a giant step toward more natural gas expansion, and that step comes without any expense to the State.

I am confident that you will agree that the proposed property tax exemption is in the best interest of the people of North Dakota, and I respectfully request that you support it. Chairman Kannianen and Committee members, thank you for considering this very important matter.

# TRAILL COUNTY ECONOMIC DEVELOPMENT

WE KNOW BUSINESS 

March 7, 2023

The Honorable Jordan Kannianen, Chair  
Senate Finance and Taxation Committee  
ND Capitol Building  
Bismarck, ND 50504

Dear Senator Kannianen and Senate Finance and Taxation Committee,

Thank you for taking a few minutes to read this submission of support for House Bill 1170. I am encouraging you to vote yes on this bill. I appreciate your time and consideration regarding this matter.

I am the executive director for the Traill County Economic Development Commission. In my role I work with the cities in Traill County (Mayville, Portland, Hatton, Hillsboro, etc.) to help position our communities for success. These cities range in population from 400 to 1,600 residents and, collectively, comprise a countywide population just under 10,000 people.

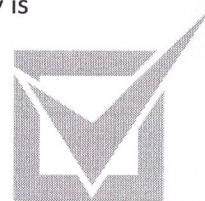
The smaller populations and relatively small energy usage in counties such as Traill make it difficult for companies to invest in these underserved areas. It is difficult to find a way that makes it economically viable to build the infrastructure necessary to introduce new – and oftentimes necessary – energy sources to our rural communities. The economic advantages to having natural gas as an option for our communities can be a great short-term and long-term benefit.

In August of 2021, Dakota Natural Gas became a partner and an energy option in the Traill County cities of Hillsboro, Mayville, and Portland.

How has this partnership been beneficial – and who has benefited? Heating cost savings to residents have gone down. There is much anecdotal evidence to cite, but one situation that comes to mind is the savings of a retired couple – one spouse being disabled – that is on a fixed income. The household's heating expenses have been reduced by roughly 30 percent, meaning they have more disposable income to purchase groceries, medications, and other goods locally, so our local businesses also reap the benefits and generate sales tax revenue for the city.

Another benefit: the cost savings that help our existing businesses thrive and grow. The expansion of Degelman Industries, a primary sector manufacturer of agricultural equipment with its U.S. headquarters in Hillsboro, is a good example. The company was able to use natural gas for heat,

which was more cost-effective than the geothermal heat system used prior to Dakota Natural Gas' buildout. The cost savings helped spur Degelman Industries' expansion plans; the company currently is in the process of doubling the square footage of its manufacturing area and, in turn, more than doubling its workforce from 50 to more 100 employees.



This sort of expansion is a big deal in a city the size of Hillsboro. This growth will bring more workers to the city; the workers who move to Hillsboro will rent or buy homes, do their shopping locally, have children enrolled in the local schools, etc. The city and school district have helped incentivize the expansion with various tax benefits because they know that, like the benefits spelled out in HB 1170, any incentives will be rewarded many times over in the long run. The benefits to the city of Hillsboro, Traill County and the state of North Dakota will be multiplied over generations –long-term benefits, indeed.

These examples deal with the advantages of the Dakota Natural Gas project to existing residents and businesses, but I would be remiss in neglecting to point out the potential for attracting new residents and businesses to our communities. Traill County had been working on obtaining natural gas service for roughly six decades before the Dakota Natural Gas project came to fruition and over the course of those 60 years, countless phone calls with potential business leads ended in a dial tone upon discovering Traill County did not have access to natural gas. It would be impossible to quantify six decades' worth of lost opportunities, but there are still many other areas of North Dakota in that same position.

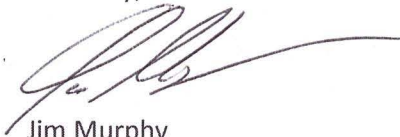
The success of HB 1170 will help energy companies take the initiative to deliver more energy options to these underserved communities. It is a small but vital step in helping deliver more energy options for underserved communities.

This variety of options puts North Dakota's communities in a position to win, which ultimately puts the entire state of North Dakota in a position to win. When one extrapolates the long-term, generational benefits to communities like Hillsboro, Mayville and Portland, I hope you see the vision and impacts of this bill.

By investing in these long-term energy infrastructure solutions, the State of North Dakota will ultimately have this investment returned countless times over the next generations.

As always, if you have questions or concerns you can contact me via email: ([director@traillcountyedc.com](mailto:director@traillcountyedc.com)), on my office phone at (701) 636-4746 or my cell at (701) 430-1644.

Sincerely,



Jim Murphy  
Traill County EDC  
102 1<sup>st</sup> St. SW  
Hillsboro, ND 58045





PO Box 1091 • Bismarck, ND 58502  
701-355-4458 • www.ednd.org

**Testimony of Dana Hager  
Economic Development Association of North Dakota  
In Support of HB 1170  
March 8, 2023**

Chair Kannianen and members of the Senate Finance and Taxation Committee:

My name is Dana Hager, and I am the executive director of the Economic Development Association of North Dakota (EDND). EDND represents more than 80 state economic development organizations and businesses on the front line of economic development efforts throughout North Dakota. The organization's primary purpose is to promote the creation of new wealth throughout North Dakota, develop more vibrant communities and improve quality of life. I want to express our support for HB 1170.

EDND has been involved in conversations with utility companies, legislators, and the Public Service Commission for many years about the topic of natural gas. The availability of natural gas and the expansion of natural gas infrastructure play a vital role in the continued growth and vitality of many businesses, communities and the state. Because of its low-cost and abundance, natural gas offers the promise of an energy future that is affordable and accessible to all incomes and communities. Communities with access to natural gas have an advantage over communities without it.

**The challenge of providing natural gas to unserved or underserved communities lies in financing the gap between the existing pipelines and the community. A lot needs to be done to fill this gap, and we support every effort, including a prospective property tax exemption, to expand natural gas throughout our state.**

Thank you for the opportunity to express our support for HB 1170 and for your continued commitment to serve all communities in North Dakota.

**Senate Finance and Taxation Committee**  
**Chairman Jordan Kannianen**  
**March 8, 2023**

**Testimony**  
**Jay Standish**  
**Mayor, City of New Town**

**HB 1170**

Chairman Kannianen and members of the Committee. My name is Jay Standish and I am the duly elected Mayor of the City of New Town, North Dakota, as well as a lifetime resident and an enrolled member of the Three Affiliated Tribes. I ask that this committee give its approval to the HB 1170 to help the accessibility of natural gas to small communities.

There appears to be little hope for the citizens of my community and other smaller communities across this state to get access to natural gas. The same natural gas we see being flared off in our backyards 24 hours each day. I wonder how many homes could be heated with the gas being flared in the few minutes it takes for you to read this.

We must have a way to get the natural gas from the wells to our homes in rural North Dakota. The communities, in southern Mountrail County, of New Town, Parshall, and Plaza have joined ranks to seek a solution that is economically feasible. We have held joint meetings with our local legislators, our mayors, city council members, representatives from MDU, and Tribal Chairman Mark Fox and Tribal Representative Monica Mayer from Fort Berthold. We have also discussed funding options with the Bank of North Dakota and have heard advice from bond counsel.

Unfortunately, as it stands now, no feasible options exist, without more state involvement. HB 1170 be on step in the direction to aid my community possibly in solving our need for access to natural gas.

Please support this bill and other accessibility options or obstacles.

Thank-you.

Testimony on HB 1170  
Natural Gas to rural communities Study  
City of Parshall  
March 8, 2023

Good Morning Chairperson and Legislative members. I would like to thank you for this opportunity to provide written testimony on the issue before this committee. I am Kyle Christianson, Mayor of the City of Parshall. We live in a small community on the Ft. Berthold Reservation. We are located in the Bakken area. We have constant flaring and waste of the natural gases in this part of ND. I support HB 1170 because I would help available for all small cities to be able to utilize using this natural resource for heating our homes. The cost of this venture is astronomical and communities like ours would need to find ways to lower the cost to get this infrastructure to our communities

HB 1170 would be a benefit to help get natural gas to all rural communities. Infrastructure is huge. I have been in the oil industry for 16 years and flaring is the top priority of being captured.

Refineries need to be built, transmission lines need to be in place in order for infrastructure to be a plan. We have heard that there is money available for transmission line from west to east but nothing that would go from north to south.

We have been in discussion to get a distribution line to our area including the communities of New Town, Parshall, and Plaza at an estimated cost of \$80,000,000. This does not put it into the city limits. Our residents then would have to pay for it to get on their properties. State help is needed for all to benefit.

HB 1170 is a step in that direction.

Kyle Christianson, Mayor, City of Parshall

Prepared for Rep. Headland  
Senate Finance & Taxation Committee  
23.0357.0100  
March 8, 2023

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1170

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new section to chapter 57-06 of the North Dakota Century Code, relating to a property tax exemption for certain natural gas pipeline property; and to provide an effective date.

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

**SECTION 1.** A new section to chapter 57-06 of the North Dakota Century Code is created and enacted as follows:

**Natural gas pipeline infrastructure to unserved communities – Exemption.** Property, excluding the land on which it is situated, which is part of a natural gas transmission or distribution pipeline system constructed in this state is exempt from taxation for a period of fifteen years following the taxable year in which the pipeline becomes operational. The exemption applies if:

- a. Construction of the pipeline commences after December 31, 2023.
- b. The pipeline provides service to a city or township located within the state in which the majority of households or businesses did not have access to natural gas service as of January 1, 2023.
- c. The pipeline is located within this state.

**SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable years beginning after December 31, 2022."

Renumber accordingly

Prepared for Conference Committee  
April 5, 2023  
#23.0357.02000

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1170

That the House accede to the Senate amendments printed on page 985 of the Senate Journal and page 1264 of the House Journal and House Bill No. 1170 be further amended as follows:

Page 1, line 7, replace "**Exception**" with "**Exemption**"

Page 1, line 8, replace "an intrastate" with "a"

Page 1, line 9, replace "transportation" with "transmission"

Page 1, line 9, after "system" insert "constructed in this state"

Renumber accordingly