

FISCAL NOTE

Requested by Legislative Council
02/09/2005

REVISION

Amendment to: HB 1308

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.*

| | 2003-2005 Biennium | | 2005-2007 Biennium | | 2007-2009 Biennium | |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | | | | |
| Expenditures | | | \$1,686,360 | \$2,000,000 | | |
| Appropriations | | | \$1,500,000 | \$2,000,000 | | |

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

| 2003-2005 Biennium | | | 2005-2007 Biennium | | | 2007-2009 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.*

The Agricultural Products Utilization commission shall:

- 1) Administer and use the renewable energy trust fund to carry out the renewable energy Policy of this state.
- 2) Provide feasibility studies, applied research and demonstrations, venture capital investments, grants and matching grants, and low-interest loans and loan buydowns to foster the development of renewable energy, including wind, biofuels, biomass, solar, hydroelectric, geothermal, and hydrogen, that is produced from the foregoing renewable energy sources.

To effectively administer the proposals contained within the bill, it is estimated that the Dept. of Commerce will need one additional FTE.

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.*

None

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.*

Section 1: Estimated costs associated with additional APUC Duties:

- Dept. of Commerce position: (salary @ \$35,000/year, fringe at 30 percent(\$15,000), travel @ \$30,000, office rent @ \$5,680, office supplies & computer @ \$3,500, additional costs @ \$4,000) = \$186,360.

Section 3:

The purchase requirements contained within this bill are now optional. Nonetheless, the potential fiscal impact of such

purchases have been included for informational purposes.

-Electricity purchase from wind energy

Cost associated with this purchase requirement could range from \$0 to approximately \$457,000.

North Dakota facilities use approximately 228,476,000 kWh of electricity per year...10 percent of that would be 22,847,600 kWh. The average cost of electricity for state facilities is \$.044/kWh. If the state could negotiate a premium of \$.02/kWh for wind energy, the additional cost for a 10 percent wind energy purchase would be \$456,952. However, the electricity from the wind energy developments in the Edgeley-Kulm area is purchased by Basin Electric Power Cooperative and by Otter Tail Power Co., which is integrated into their systems' mix. Otter Tail Power Co. currently has a wind energy component of their generation mix of two percent. So only the amount exceeding that two percent would require a premium payment. According to an official of Otter Tail Power Company, a realistic premium range for state facilities would be \$.018 to \$.026 per kWh, or, in this case, \$411,257 to \$594,038. Basin Electric Power Cooperative estimates a much lower premium of \$.01/kWh, or a cost to the state of \$229,950/year. Another option for the state might be to essentially finance its own wind generation. A ten percent purchase of wind energy by the state would require the equivalent output of six 1.3 MW turbines at a 35 percent capacity factor, or one 7.5 MW turbine at the same capacity factor. In very simple terms, assuming generation of 22,995,000 kWh/yr at the current average rate of \$.044/kWh, the turbines would produce \$1,011,780 in revenue per year, and the initial \$7.5 million capital investment would be paid back in 9 years, based on a cost of money of 4.53 percent.

- Use of E10 (10 percent ethanol blended fuel) and B5 (5 percent biodiesel blend) in State Vehicles

In 2004 the ND Department of Transportation Fleet Services reported gasoline usage of 1,912,458 gallons and 1,282,431 gallons of diesel fuel usage. All of the state's gasoline pumps contain E10 fuel, so the state is currently in compliance with the ethanol requirement of this legislation. At this time, five of the twelve district diesel tanks use a 20 percent biodiesel mix in the summer months (they do not use biodiesel fuel in the winter months because of gelling issues). The Transportation Department is considering expansion of its B20 usage to the other districts. Realistically, a five percent biodiesel blend would result in the use of 65,122 gallons of pure biodiesel, which the state is mathematically approaching based on the use of B20 at 5 of the 12 diesel pumps for six months of the year. According to an official of the ND Soybean Council, recent federal legislation allows biodiesel blenders a federal credit to offset the incremental cost of biodiesel fuel, which is estimated at \$.01 to \$.015 per gallon for every one percent of pure biodiesel added to regular diesel fuel. Although the ramifications of this legislation are yet to be determined, a Soybean Council official suggested that there should be no fiscal impact to the state from the B5 requirement.

- Use of E10 and B5 in state contracts exceeding \$100,000

It is very difficult to estimate a fiscal impact of this requirement. Would there be a cost for monitoring and enforcing this contract stipulation? The actual incremental fuel costs should not be significant. For large construction and road contracts, the main usage would be the B5 biodiesel blend, which has already been determined to have minimal or no incremental costs. At local gasoline retail stations, E10 blends sell for a slightly higher cost than regular unleaded gas.

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.*

Section 5 of the bill appropriates \$1.5 million in General Funds for the Agricultural Products Utilization Commission for matching grants to carry out renewable energy projects.

In addition, section 6 appropriates \$2 million of special funds from the ethanol production incentive fund for renewable energy project grants.

This appropriation sections of this bill only apply to the 2005-2007 biennium and do not extend into the future biennium.

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Agency: Dept. of Commerce

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