

The State Board of Equalization met in regular session in the Peace Garden Meeting Room at the North Dakota State Capitol and virtually via Microsoft Teams. Lieutenant Governor Miller called the meeting to order at 1:03 p.m. on July 9, 2024

1. ROLL CALL

*Roll Call of Board Members.* Those present were Lieutenant Governor Miller, State Treasurer Beadle, State Auditor Gallion, Agriculture Commissioner Goehring, and Tax Commissioner Kroshus.

2. PLEDGE OF ALLEGIANCE

3. APPROVAL OF AGENDA

Auditor Gallion moved, and Treasurer Beadle seconded to approve the agenda. Upon voice vote, all participating members voted aye. The motion passed.

4. APPROVAL OF MINUTES FROM THE MARCH 7, 2024 MEETING

Treasurer Beadle moved and Auditor Gallion seconded to approve the minutes from the March 7, 2024 meeting. Upon voice vote, all participating members voted aye. The motion passed.

5. HEARING FOR 2023 REVISED AIRLINE COMPANIES.

Commissioner Kroshus stated that in the 2023 reporting period, Grand Forks and Williston airports did not report properly which caused an undervaluation problem resulting in a shortfall of taxes billed and collected. This error was corrected with a total of \$37,657.83 that will be billed, collected, and sent out to the cities and airport authorities with the board's approval. Auditor Gallion moved, and Commissioner Goehring seconded to approve the revised 2023 airline assessments totaling \$9,121,300. Upon voice vote, all participating members voted aye. The motion passed.

6. HEARING FOR CENTRALLY ASSESSED COMPANIES ON THE 2024 TENTATIVE ASSESSMENTS.

Commissioner Kroshus started with a brief overview of Airlines, stating that lease payments in 2023 declined for Allegiant Air, Envoy Air, and Frontier Airlines. Frontier Airlines only flew into Fargo in 2023. Federal Express Corp, SkyWest Airlines and United Airlines had an increase in lease payments for 2023. Commissioner Goehring moved, and Auditor Gallion seconded to approve the tentative airline assessments totaling \$9,410,100. Upon voice vote, all participating members voted aye. The motion passed.

Commissioner Kroshus stated that on average, Natural Gas companies saw an increase in revenue during 2023. That increase in revenue can be seen in Dakota Midstream LLC, OneOk Rockies Midstream, and WBI Energy Transmission explaining their more significant increase in assessments. Conversely, Pecan Pipeline saw a 55% decrease in net operating income in 2023. The property tax team completed an interim research study of inutility factors this past year. Five companies saw changes due to this study. These changes more significantly affected USG Midstream Bakken and Andeavor Field Services. Both Hess North Dakota Export Logistics and XTO Energy Inc., saw an increase in the miles of pipeline, increasing their assessed value by

approximately 25%. In 2023 Bison Pipeline experienced another drop in operating income. They are planning to complete work on 2-meter stations and 3 compressor stations in 2025 and are expecting to see a positive income again for the 2026 assessment. One Natural Gas company sold during 2023, Paradigm Energy Partners LLC sold to Harvest North Dakota. Commissioner Goehring moved, and Auditor Gallion seconded to approve the tentative natural gas assessments totaling \$3,335,713,000. Upon voice vote, all participating members voted aye. The motion passed.

Commissioner Kroshus stated this year we saw a more significant drop in income in some Oil and Refined Petroleum companies due to the loss of contracts and lack of use of those pipelines. The three companies that were impacted the most were Bakken Pipeline Company, Belle Fourche Pipeline, and Tidal Energy Marketing US LLC. Like Natural Gas, several companies saw an uptick in operating revenue, to include Enbridge Energy LP, OneOk Bakken Pipeline, Plains Pipeline, and Plains Pipeline Montana. Conversely, Dakota Midstream LLC saw a decrease in their net operating income resulting in a decreased assessment. Tesoro Great Plains Gathering and Marketing was impacted by the updated inutility calculation, increasing their overall assessment by 13%. Both Glacier Peak Midstream and Independent Trading and Transportation Company saw huge increases in their assets resulting in increases of 11% and 14% respectively. In 2023 Hawthorn Oil Transportation sold to a new company, Wildrose Pipeline Company. Wildrose Pipeline Company's assessment is significantly higher due to no depreciation at this point, and no income to calculate an income approach to value. Auditor Gallion moved, and Commissioner Goehring seconded to approve the tentative oil and refined petroleum assessments totaling \$2,028,878,000. Upon voice vote, all participating members voted aye. The motion passed.

Commissioner Kroshus stated the team separated out the Carbon Dioxide pipelines this year. There will be one more company being added to the tax roll next year and due to the 10-year exemption for CO2 pipelines, the most efficient way to track the exemption was to have this pipeline type in their own category. Dakota Gasification saw another year of significant depreciation due to the contract entered with the Office of State Tax Commissioner in 1999. This year, the 24-year-old company has depreciated at 92%. Denbury Green saw its first year of normal depreciation at 5%. Treasurer Beadle moved, and Commissioner Goehring seconded to approve the tentative oil and refined petroleum assessments totaling \$7,743,000. Upon voice vote, all participating members voted aye. The motion passed.

Commissioner Kroshus stated that this year a new type of obsolescence was included, a size adjustment for those Railroad companies that are smaller and therefore, typically, less financially sound. This resulted in decreased assessments for Dakota, Missouri Valley & Western Railroad, Dakota Northern Railroad, Northern Plains Railroad, and Red River Valley & Western Railroad. Dakota Northern Railroad saw a significant decrease in income this year, bringing down their 5-year average income by half. For the second year in a row Northern Plains has not filed as statutorily required, therefore, a majority of the information was obtained through the SOO Line Railroad reports. Additional information regarding Northern Plains was estimated given their historical data and projected changes over the past two years. Commissioner Goehring moved, and Treasurer Beadle seconded to approve the tentative railroad assessments totaling \$691,194,000. Upon voice vote, all participating members voted aye. The motion passed.

Commissioner Kroshus stated that electric, gas, and heat assessments are trending upward; most companies experienced an increase in their net operating income this past year. Otter Tail Power Company double-reported Merricourt Wind Center in Electric, Gas & Heat as well as in Generation from Wind taxed under NDCC § 57-33.2. They have removed the value from the utility plant this year. Since they have not reported it properly since 2020, we will have revised assessments for the board at the August meeting as they have not provided all of the documentation yet. This will take care of the double reporting issue and will ensure that it will not happen in the future. Commissioner Goehring moved, and Treasurer Beadle seconded to approve the tentative electric, gas and heat assessments totaling \$598,274,428. Upon voice vote, all participating members voted aye. The motion passed.

Commissioner Kroshus stated that as a whole, the ad valorem wind, assessed under NDCC § 57-06, has decreased approximately 24% mainly due to reduced generation from lower wind resource in 2023, an additional 5% depreciation, significant increase in obsolescence, and an increased capitalization rate. FPL Energy North Dakota Wind decreased 60% over 2022 as it has reached 100% depreciation and a significant decrease in generation, as older wind farms struggle to find buyers for their generated electricity. This farm is scheduled to flip into Electric Tax under NDCC § 57-33.2 in 2024 (2025 assessment year). Commissioner Goehring moved, and Treasurer Beadle seconded to approve the tentative wind assessments totaling \$299,529,500. Upon voice vote, all participating members voted aye. The motion passed.

#### 7. HEARING FOR REVIEW OF ELECTRIC DISTRIBUTION, GENERATION, AND TRANSMISSION PAYMENT IN LIEU OF TAX.

Commissioner Kroshus gave a brief introduction on Electric Distribution. Slope Electric Cooperative's saw a 22% decrease which was due to 2 oil related companies, which accounted for 70% of their usage, seeing decreases in their industry. The overall trend for electric distribution was overall growth of 11%. Lower Yellowstone Rural Electric Association Inc increased 31%. The increase was the result of large commercial oil activity. McKenzie Electric Cooperative increased 10% due to growth in oil and gas. Currently there are new drilling locations in the area. KEM Electric Cooperative's increase of 23% was due to a new pump site for a pipeline that started in April of 2023. Mountrail-Williams Electric Cooperative's 36% increase was due to a data center that was operational for the full year. They also saw an increase in oil activity. Treasurer Beadle moved, and Auditor Gallion seconded to approve the tentative distribution assessments totaling \$15,155,675.11. Upon voice vote, all participating members voted aye. The motion passed.

Commissioner Kroshus stated that there are four Electric Transmission companies that look as if they did not report this year, Ashtabula Wind III LLC, FPL Energy North Dakota Wind LLC, FPL Energy Oliver Wind I LLC, and FPL Energy Oliver II Wind LLC. There was some confusion regarding where to report transmission lines, in ad valorem wind or in electric transmission wind. It was determined that all transmission lines that are within the wind farm boundaries should be valued as ad valorem and included in the wind reporting. All transmission lines that extend beyond the farm boundaries should be reported in electric tax. There were a few outliers to note. Ashtabula Wind LLC decreased 55% due to some of the electric transmission and gen-tie lines falling within the windfarm boundaries. Otter Tail Power had an increase of 34.28 miles of lines added to this return in 2023 which was the result of reporting in

the ad valorem category. These are now being reported properly in electric transmission. Roughrider Electric Cooperative had an increase of 30.32 miles of 115 kV lines added to this return in 2023. Northern Divide and Emmons Wind increased because they graduated from their exemption status for the new lines that were put in place in 2020. They will now be taxed at the full \$300 per mile. Commissioner Goehring moved, and Treasurer Beadle seconded to approve the tentative transmission assessments totaling \$1,955,548.18. Upon voice vote, all participating members voted aye. The motion passed.

Commissioner Kroshus stated that Electric Generation from Wind assessed under NDCC § 57-33.2 shows a slight decrease since last year. Most of it is attributed to decreased generation due to lower wind resource availability in 2023, mechanical/maintenance issues, and weather events. Commissioner Goehring moved, and Auditor Gallion seconded to approve the tentative wind generation assessments totaling \$12,716,901.69. Upon voice vote, all participating members voted aye. The motion passed.

Commissioner Kroshus gave a brief introduction on Electric Generation. Basin Electric Power Cooperative shows an increase due to increased demand in the Bakken area. OREG I and OREG II experienced issues with multiple equipment failures throughout the year as well as being short-staffed. Commissioner Goehring moved, and Treasurer Beadle seconded to approve the tentative generation assessments totaling \$2,537,950.53. Upon voice vote, all participating members voted aye. The motion passed.

#### 8. APPROVAL OF THE STATE MEDICAL CENTER RESOLUTION.

Commissioner Kroshus read the State Medical Center Resolution, WHEREAS ARTICLE X, SECTION 10 of the North Dakota Constitution requires that a one mill levy on all taxable property within the State shall be spread for the purpose of establishing a Medical Center at the University of North Dakota. THEREFORE, ALBEIT RESOLVED that a Medical Center levy for the year of 2024 is hereby levied at a rate of one mill on each dollar of net taxable valuation of all property subject to the general property tax for the year 2024. Commissioner Kroshus moved and Commissioner Goehring seconded to approve the State Medical Center Resolution. Upon voice vote, all participating members voted aye. The motion passed.

#### 9. GRIGGS COUNTY UPDATE.

Commissioner Kroshus wanted to provide an update to the Board about Griggs County. As of the meeting date, 52 out of 53 counties have submitted their Sales Ratio Study. The final county that had not yet submitted theirs being Griggs County. The due date to have the Sales Ratio Study submitted to the Office of the State Tax Commissioner is June 30 of each year. Commissioner Kroshus stated that the purpose of the State Board of Equalization is not to increase the amount of money collected by the county, but the board's role is to make sure whatever budget is set by the county is distributed fairly and equitably. He stated that Griggs County does not currently have a Tax Director and has not for quite some time. State Supervisor of Assessments & Property Tax Division Director Myers stated that Griggs County contracted with private contractors in 2023 and the Sales Ratio Study was completed in time for the October 2023 meeting. Lieutenant Governor Miller asked about the communications to Griggs County regarding the delay. Supervisor/Director Myers stated that the Property Tax Division has been in communication with them on a fairly regular basis and she has listened to all of the County

Commission meetings. She stated a Tax Director from a different county had offered to do the Sales Ratio Study but rescinded. She continued by saying that Griggs County had three contracts submitted to complete the Sales Ratio Study that were ultimately declined. Commissioner Goehring suggested that Griggs County re-evaluate their budget and use a zero-based budget format. Auditor Gallion announced the Audit Summit happening on July 24, 2024. John Wakefield, Griggs County Commission Chairman, spoke at the meeting relaying the challenges of not being able to produce the sales ratio study. There was discussion between members of the board and Mr. Wakefield. Commissioner Kroshus stated that regarding having the State, mainly the Property Tax Division, do the Sales Ratio Study for Griggs County, the Property Tax Division has a long list of functions and responsibilities as outlined in statute and does not have the bandwidth to handle that type of work on behalf of the counties. He stated that the Sales Ratio Study is completed by a Tax Director at the county level and the responsibility falls to each county. More discussion was had between the board and Mr. Wakefield. Commissioner Goehring asked if the Office of the State Tax Commissioner has the authority to do the Sales Ratio Study for Griggs County as they have suggested. Attorney Dendy answered that the Office of the State Tax Commissioner under statute is not the one charged with collecting the data and providing it. He continued that it is supposed to be collected and updated at the city and county level and then provided to the State. Commissioner Kroshus extended a thank you to Mr. Wakefield for speaking at the meeting and stated he wants a cooperative working relationship based on understanding and respect with the counties.

#### 10. OTHER BUSINESS.

Lieutenant Governor Miller asked when the next State Board of Equalization meeting is. Commissioner Kroshus stated that it is August 13, 2024 at 8:30 A.M.

#### 11. ADJOURNMENT

Commissioner Goehring moved, and Treasurer Beadle seconded to adjourn. Upon voice vote, all participating members voted aye. The motion passed. Lieutenant Governor Miller adjourned the meeting at 2:27 p.m. on July 9, 2024.