

MEETING MINUTES

LIGNITE RESEARCH COUNCIL

June 19, 2002

Doublewood Inn, Bismarck, ND

MEMBERS (or their authorized alternates) PRESENT:

Dick Bergstad, International Brotherhood of Electrical Workers, # 714
John Bluemle, North Dakota Geological Survey
Randy Christmann, North Dakota Senate
John Dwyer, Lignite Research Council
Layton Freborg, North Dakota Senate
Dave Glatt, North Dakota Department of Health
John T. Graves, Minnkota Power Cooperative
Carlyle Hillstrom, North Dakota Farm Bureau
Mike Hummel, BNI Coal, Ltd.
Robert Johnson, Great River Energy
Mike Jones, Energy & Environmental Research Center
John O'Laughlin, Dakota Westmoreland Corporation
Dean Peterson, The North American Coal Corporation
Lee Peterson, North Dakota Department of Commerce
Jan Rudolf, Otter Tail Power Company
Dave Schmitz, Basin Electric Power Cooperative
Susan Wefald, North Dakota Public Service Commission

OTHERS PRESENT:

Mike Altavilla, Dakota Westmoreland Corporation
Jeff Burgess, Lignite Vision 21 Program
Charlene Crocker, Energy & Environmental Research Center
Jim Deutsch, North Dakota Public Service Commission
Karlene Fine, North Dakota Industrial Commission
Vicki Gilmore, Lignite Energy Council
Dennis James, The Falkirk Mining Company
Carmen Miller, North Dakota Attorney General's Office
Harvey Ness, Lignite Research Council
Tony Rude, Lignite Vision 21 Program
Mark Strohfus, Great River Energy
Bill Weaver, Dakota Westmoreland Corporation
Richard Weinstein, The Falkirk Mining Company

Lignite Research Council (LRC) chairman John Dwyer called the LRC meeting to order on June 19, 2002 at the Doublewood Inn, Bismarck, North Dakota.

Approval of April 11, 2002 LRC Minutes

Dwyer asked for a motion to approve the minutes of the April 11, 2002 LRC meeting. Dean Peterson so moved; seconded by Mike Hummel. Motion carried.

Financial Summary as of April 30, 2002

Harvey Ness, technical advisor for the North Dakota Industrial Commission (NDIC) and the LRC, summarized the North Dakota Lignite Research, Development and Marketing Program (Program) financial information that is available on the NDIC web site. As of April 30, 2002, available funding balances from the Lignite Research Fund (LRF) for the 2001-2003 biennium were as follows: \$275,031 for administration of the Program; \$100,000 in non-matching funds for lignite marketing feasibility studies, \$603,798 in uncommitted funds for small research projects; \$155,000 for the joint program with the U. S. Department of Energy, Electric Power Research Institute and other entities; and \$4,062,947 for demonstration projects.

Lignite Research, Development and Marketing Program Updates

Ness said that 18 small research projects are currently active. Funding from the LRF for the small research projects is \$2,529,147. Total project costs, including the industrial cost-share, is \$11,974,373. The funding ratio is \$1 in state dollars for \$4.7 dollars of total project costs. Ness said that some of the projects that were approved during the past year of the current biennium (2001-2003) include “Low-Temperature NO_x Reduction Using High-Sodium Lignite-Derived Chars”, “Biomass Impacts on Selective Catalytic Reduction (SCR) Performance”, “Center for Air Toxics Metals (CATM) Affiliates Program – Continuation of Membership”, “Mercury Control Options Evaluation, Phase II at Stanton Station, Stanton, North Dakota”, “Anaerobic Treatment of Dakota Gasification Company Stripped Gas Liquor”, and “Mercury Control Technologies for Electric Utilities Burning Lignite Coals”.

Ness said that there are currently four active demonstration projects that were committed to for the 2001-2003 biennium. Three of the four demonstration projects are Lignite Vision 21 (LV21) Program-related. The one non-LV21 project's funds were committed prior to the 2001-2003 biennium. This is project FY98-XXVIII-80 (“Construction of a Forced Oxidation Plant for Gypsum Production”), for the purpose of constructing a gypsum plant at Great River Energy's Coal Creek Station for the manufacturing of wallboard. The three LV21-related projects are: Great River Energy's Lignite Vision 21 project, Montana-Dakota Utilities Company/Westmoreland Coal Company's Lignite Vision 21 project for Gascoyne, ND, and Great Northern Power Development's Lignite Vision 21 feasibility project.

Lignite Vision 21 Program Update

An update about the LV21 Program's environmental strategies and transmission issues was presented by Jeff Burgess, LV21 Program manager of environmental services, and Tony Rude, LV21 Program manager of transmission services. There are three applicants under contract with the NDIC for LV21 demonstration projects: Great River Energy (contract approved April 19, 2001); MDU/Westmoreland (contract approved May 2, 2001), and Great Northern Power Development (contract approved September 7, 2001).

Burgess said that two critical areas for the LV21 projects are environmental regulations and transmission of electricity. Four major environmental issues for the LV21 Program are prevention of significant deterioration (PSD), visibility, regional haze, and mercury. He said that a public hearing was held May 6-8, 2002 by the North Dakota Department of Health concerning its proposal that the North Dakota implementation plan is adequate to protect Class I PSD increments for air quality.

Regarding transmission issues, Rude said that there are two new transmission studies under way. He said that for the LV21 Program to be successful for transmission developers, the transmission developers should 1) be provided with federal incentives such as low-cost loans and tax credits; 2) the rate tariff should be spread among all customers within the RTO region; and 3) both embedded costs and new construction costs should be recovered from the tariff. Rude said that by the end of 2002, Great River Energy (GRE) expects to decide if their feasibility studies indicate that GRE will go forward with their LV21 project. He said that MDU/Westmoreland is looking at the 2002-2004 time frame in which to decide whether or not to proceed.

Grant Round XLVI (46) Grant Applications

Ness said that there are two requests to be considered at today's LRC meeting. He said that in the small research projects area, there is \$603,798 in available funds. If both of these requests (LRC-XLVI-A and LRC-XLVI-B) are fully funded, the remaining available fund balance for the small research projects area will be \$238,798.

Dwyer requested a change in the LRC meeting agenda so that the open session discussion of LRC-XLVI-B and the project status update would precede the closed confidential session discussion of LRC-XLVI-A. LRC-XLVI-B was then discussed:

LRC-XLVI-B = Request for additional funds for a Grant Round XLII proposal: NDIC Contract No. FY02-XLII-108 (“Low-Temperature NO_x Reduction Using High-Sodium Lignite Derived Chars”); Submitted by: Energy and Environmental Research Center; Project Manager: Steve Benson, Ph.D.; Request for: \$40,000; Total Project Costs: \$1,020,000; Time Frame: Two Years.

Ness said that this Grant Round XLII proposal was approved by the LRC at its meeting on July 25, 2001. \$40,000 in additional funding is now being requested by the contractor (Energy & Environmental Research Center) for the project (NDIC Contract No. FY02-XLII-108). He said that the primary goal of this project is to reduce NO_x emissions from cyclone-fired boilers. A secondary goal is the oxidation of Hg⁰ to Hg⁺⁺.

Ness said that the technical advisor's recommendation at the 7-25-01 LRC meeting was that this proposal be funded, with conditions (funding not to exceed \$160,000). The initial request was for \$320,000. Ness said that the contractor was urged to seek additional sponsors to provide the \$160,000 and get a commitment by December 31, 2001. The project manager, Steve Benson of EERC, found four additional sponsors, for a total of \$160,000. Ness said that after the commitments were made, one sponsor had a management change and dropped out of the project, leaving EERC a deficit of \$40,000. EERC is requesting that NDIC increase the grant funding by \$40,000. The state/industry funding ratio is 1:3.

As technical advisor, Ness said that his recommendation is to fund the \$40,000 request because the results of this project are important to cyclone-fired plants with respect to NO_x and mercury emissions.

Ness said that there are no contingencies to his recommendation for funding. He said that conflict-of-interest parties in regard to this proposal are Minnkota Power Cooperative, BNI Coal, Minnesota Power Company, Basin Electric Power Cooperative, and EERC. Charlene Crocker of EERC gave a slide presentation in support of the proposal.

Project Status Update: “Mercury Control Options Evaluation, Phase II, Stanton Station, Stanton, North Dakota”

Mark Strohfus of Great River Energy gave a slide presentation to update the LRC members concerning a Grant Round XLIV proposal (NDIC Contract No. FY02-XLIV-112; “Mercury Control Options Evaluation, Phase II, Stanton Station, Stanton, North Dakota”).

Mercury Task Force Formed

Ness said that the utilities and producers, along with the Lignite Energy Council, have formed a Mercury Task Force to address potential regulations for mercury control.

Motion for Closed Confidential Session re: LRC-XLVI-A (“Implementation of Regional Lignite Energy Marketing Plan”)

Dwyer requested a motion to close the LRC meeting prior to the confidential session.

It was moved by Mike Jones and seconded by Dick Bergstad that the Lignite Research Council meeting be closed to consider the application “Implementation of Regional Lignite Energy Marketing Plan” that includes a request for confidentiality pursuant to North Dakota Century Code 54-17.5-06. Motion carried.

Motion for Opening the LRC Meeting for Continuation of Non-Confidential Matters

At the end of the confidential session, Dwyer requested a motion to open the meeting. Dave Schmitz so moved; seconded by Dean Peterson. Motion carried. The meeting was then opened for continuation of non-confidential matters.

Ballot results re: LRC- XLVI-A and LRC-XLVI-B

Dwyer announced that the LRC voted as follows to recommend that the Industrial Commission approve funding of the two Grant Round XLVI requests:

LRC-XLVI-A (“Implementation of Regional Lignite Energy Marketing Plan”; Submitted by: Lignite Energy Council; Project Manager: John W. Dwyer; Request for: \$325,000 annually; Total Project Costs: \$1,950,000; Time Frame: Three Years): **Fund:** 17 votes. **Do Not Fund:** 0 votes.

LRC-XLVI-B (Request for additional funds for a Grant Round XLII proposal: Contract No. FY02-XLII-108, titled “Low-Temperature NO_x Reduction Using High-Sodium Lignite Derived Chars”; Submitted by: Energy and Environmental Research Center; Project Manager: Steve Benson, Ph.D.; Request for: \$40,000; Total Project Costs: \$1,020,000; Time Frame: Two Years.): **Fund:** 17 votes. **Do Not Fund:** 0 votes.

The LRC’s recommendations for the two Grant Round XLVI requests will be considered by the NDIC at its meeting on June 27, 2002.

2002 Grant Application Deadlines; LRC Meetings

Dwyer requested a motion to establish a grant application deadline date of July 1, 2002 to give the LRC the opportunity to respond to an expected mercury proposal from EERC. John Graves so moved; seconded by Mike Hummel. Motion carried. Dwyer said that if a proposal is submitted by July 1st, there will be a Lignite Research Council meeting at 12:00 p.m. August 27, 2002 at Doublewood Inn, Bismarck.

Dwyer said that there is an October 1, 2002 grant application deadline date. The LRC will meet at 12:00 p.m. November 26, 2002 at Doublewood Inn, Bismarck.

Adjournment

There being no further business, Dwyer asked for a motion to adjourn the meeting. Lee Peterson so moved; seconded by Senator Randy Christmann. Motion carried.

Vicki Gilmore, Recording Secretary