

**MEETING MINUTES**  
**LIGNITE RESEARCH COUNCIL**  
**August 17, 2006**  
**Kelly Inn, Bismarck, ND**

**MEMBERS (or their authorized alternates) PRESENT:**

Fred J. Anderson, ND Geological Survey  
Kevin Cramer, ND Public Service Commission  
Carroll Dewing, The Falkirk Mining Company  
Tom Durham, Westmoreland Coal Company  
John Dwyer, Lignite Energy Council/Lignite Research Council  
Layton Freborg, State Senator  
L. David Glatt, North Dakota Department of Health  
Paul Govig, North Dakota Department of Commerce  
Daniel H. Hagemeister, ND Coal Conversion Counties Association  
Carlyle Hillstrom, North Dakota Farm Bureau  
Mike Holmes, Energy & Environmental Research Center  
Mike Hummel, BNI Coal, Ltd.  
Luther Kvernen, Minnkota Power Cooperative, Inc.  
Vernon Laning, Basin Electric Power Cooperative  
Dean Peterson, The Coteau Properties Company  
Allan Rudeck, Minnesota Power  
Jan Rudolf, Otter Tail Power Company  
Dave Smith, SaskPower  
Andrea Stomberg, Montana-Dakota Utilities Co.  
Rich Voss, Great Northern Power Development  
John Weeda, Great River Energy

**OTHERS PRESENT:**

Dave Allard, Lignite Energy Council  
Mike Briggs, The Falkirk Mining Company  
Jeff Burgess, Lignite Research Council  
Jim Deutsch, North Dakota Public Service Commission  
Karlene Fine, North Dakota Industrial Commission  
Vicki Gilmore, Lignite Energy Council  
Al Kuntz, Lignite Energy Council  
Brad Manz, Bosco Inc.  
Greg Ridderbusch, Great River Energy  
Vicky Steiner, ND Coal Conversion Counties Association  
Andy Stewart, Great River Energy

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Lignite Research Council (LRC) chairman John Dwyer called the LRC meeting to order at 12:16 p.m. (Central Time) August 17, 2006, at the Kelly Inn, Bismarck, ND.

**Approval of May 18, 2006 LRC Meeting Minutes**

Dwyer asked for a motion to approve the minutes of the May 18, 2006 LRC meeting. Dean Peterson so moved; seconded by Vern Laning. Motion carried.

**Program Financial Summary**

Karlene Fine, executive director and secretary of the North Dakota Industrial Commission (NDIC), said that she had updated the Program financial summary handouts, and that the updated information she referred to is in today's slide presentation, not in the handouts. She said that as of 6/30/06, the cash balance summary of available funds is as follows for the Lignite Research, Development and Marketing Program (Program): Administration: \$283,213; Non-Matching: \$970,000; Small Research Projects: \$651,618; Demonstration Projects: \$5,124,959. She said that construction commitments for Lignite Vision 21 (LV21) projects will be funded from the demonstration projects line item. The North Dakota Industrial Commission has made a \$7.15 M commitment to MDU/Westmoreland for construction (Phase III) and \$8.8 M to Headwaters Incorporated, The North American Coal Corporation, and The Falkirk Mining Company for the Coal-to-Liquids Plant project.

She summarized the annual allocations that were approved at the May 18, 2006 LRC meeting:

(-Other demonstration projects (42.4%) = \$1,579,400; Lignite Vision 21 (13.4%) = \$499,150)		
• Demonstration Projects -	55.8%	\$ 2,078,550
• Marketing Projects -	21.4%	\$ 797,150
• Small Research Projects -	17.4%	\$ 648,150
• Administration	5.4%	\$ 201,150
TOTAL:	<u>100%</u>	<u>\$3,725,000</u>

Jeff Burgess, technical advisor for the NDIC and the LRC, summarized the Lignite Research, Development and Marketing Program (Program) financial information. From 1987 to present, there have been 120 small research projects (\$13.3 M from NDIC for the 120 projects; \$92 M total project costs; \$1 in state funds to \$7 total investment); 12 demonstration projects excluding LV 21 projects (\$14.7 M from NDIC for the 12 projects; \$206 M total project costs; \$1 in state funds to \$13.9 M total); and six LV 21 projects (\$22.9 M from NDIC; \$796 M total project costs.) He said that the current technical advisor activities involve 32 projects (\$28.9 M in project funds). There are 22 small research projects (\$3.2 M from NDIC; \$46.9 M total project costs); nine demonstration projects (\$1.3 M (non LV21 projects); \$82.8 M total project costs); \$22 M (LV21 projects); \$796 M total project costs); and 1 marketing project (\$2.4 M from NDIC; \$4.8M total project costs).

**Lignite Research, Development and Marketing Program Updates**

Burgess gave a short summary about FutureGen. FutureGen is a U. S. Department of Energy \$1 billion public/private partnership to design, build and operate the world's first coal-fueled, "zero emissions" power plant. He said that North Dakota was one of seven states to submit FutureGen proposals. Two FutureGen sites in Illinois and two sites in Texas were selected for final consideration. The final FutureGen site selection will be made in September 2007.

LRC member Carroll Dewing of The Falkirk Mining Company gave a brief update about the Grant Round LVII (57) project titled "Lignite Vision 21 Project Coal-to-Liquids Plant, McLean County, North Dakota".

**Grant Round LVIII (58) Grant Application LRC-LVIII-A: "Spirit Energy Power Plant Project"; Submitted by: Great River Energy; Principal Investigators: Greg Ridderbusch, Richard Lancaster; Request for: \$10,000,000; Total Project Costs: \$157,017,896.**

Burgess said that the objective of this proposal is the construction and operation of a beneficiated lignite-fired combined heat and power plant near Spiritwood, ND, that would provide steam for a new ethanol plant and an expanded malting facility.

Burgess said that the three technical peer reviewers gave the proposal an average weighted score of 189 out of 250 points. (The weighted scores were 235 out of 250 points from reviewer 06-7, 177 out of 250 points from reviewer 06-8 and 155 out of 250 points from reviewer 06-9.) Technical peer reviewers 06-7 and 06-9 recommended that the project be funded; technical peer reviewer 06-8 recommended that funding may be considered.

As technical advisor, Burgess recommended that the proposal be funded at a level not to exceed a total contract value of \$2,000,000 (from demonstration funds) over 30 months, with the following conditions: 1) NDIC disbursements will be made upon execution of the contract and over the period of construction and startup (startup anticipated on or about March 2009); 2) Partners will pay back \$350,000 (17.5%) of \$2,000,000 received by NDIC if Partners do not construct and operate the power plant; 3) Partners will pay back \$900,000 (45%) of \$2,000,000 over 10 years (\$90,000/year) after commencement of commercial operations starting on or about March 2009; 4) Submittal of periodic progress reports on the power plant, including certification of industry matching funds; and 5) Funds to be used only for the Spirit Energy Power Plant utilizing ND beneficiated lignite.

Burgess said that Great River Energy is the conflict-of-interest party for this proposal.

Greg Ridderbusch and Andy Stewart, both of Great River Energy, gave a presentation in support of the proposal.

**Motion to Close LRC Meeting for Confidential Session to Consider Grant Round LVIII (58) Grant Application LRC-LVIII-B: “Lignite Vision 21 Program – Phase V ‘Environmental Permitting & Transmission Plan Development of Lignite Vision 21 Projects’ “; Submitted by: Lignite Energy Council; Principal Investigator: Jeff Burgess; Request for: \$851,000 over 21 months; Total Project Costs: \$851,000.**

Dwyer requested a motion to close the LRC meeting for the LRC members to proceed into confidential session to discuss confidential proposal LRC-LVIII-B (“Lignite Vision 21 Program – Phase V ‘Environmental Permitting & Transmission Plan Development of Lignite Vision 21 Projects’ ”), pursuant to ND Century Code 54-17.5-06. Kevin Cramer so moved; seconded by Dean Peterson.

Karlene Fine took a roll-call vote of the LRC. The roll-call results regarding the motion were as follows (yes: 21; no: 0); motion carried:

Anderson, Fred: YES.  
Cramer, Kevin: YES.  
Dewing, Carroll: YES.  
Durham, Tom: YES  
Dwyer, John: YES.  
Freborg, Layton: YES.  
Glatt, L. David: YES.  
Govig, Paul: YES.  
Hagemeister, Daniel: YES.  
Hillstrom, Carlyle: YES.  
Holmes, Mike: YES.  
Hummel, Mike: YES.  
Kvernen, Luther: YES.  
Laning, Vernon: YES.  
Peterson, Dean: YES.  
Rudeck, Allan: YES  
Rudolf, Jan: YES.  
Smith, Dave: YES  
Stomberg, Andrea: YES.  
Voss, Rich: YES.  
Weeda, John: YES.

The confidential session started at 1:03 p.m. (Central Time) August 17, 2006.

**Motion to Open LRC Meeting**

After a slide presentation and discussion concerning proposal LRC-LVIII-B, Dwyer requested a motion to end the confidential session and open the LRC meeting. Mike Hummel so moved; seconded by Tom Durham. Motion carried. The LRC meeting returned to open session at 2:00 p.m. (Central Time) August 17, 2006.

**Confidentiality Request for LRC-LVIII (58)-A (“Spirit Energy Power Plant Project”)**

Dwyer requested a motion that the LRC recommend to the NDIC that the reports on proposal LRC-LVIII-A (“Spirit Energy Power Plant Project”) be determined to be confidential pursuant to North Dakota Century Code 54-17.5-06. Paul Govig so moved; seconded by John Weeda. Fine conducted a roll-call vote of the LRC. (Kevin Cramer and L. David Glatt were not present for the roll-call vote.) The roll-call results regarding the motion were as follows (yes: 19; no: 0); motion carried:

Anderson, Fred: YES.  
Dewing, Carroll: YES.  
Durham, Tom: YES  
Dwyer, John: YES.  
Freborg, Layton: YES.  
Govig, Paul: YES.  
Hagemeister, Daniel: YES.  
Hillstrom, Carlyle: YES.  
Holmes, Mike: YES.  
Hummel, Mike: YES.  
Kvernen, Luther: YES.  
Laning, Vernon: YES.  
Peterson, Dean: YES.  
Rudeck, Allan: YES  
Rudolf, Jan: YES.  
Smith, Dave: YES  
Stomberg, Andrea: YES.  
Voss, Rich: YES.  
Weeda, John: YES.

**Confidentiality Request for LRC-LVIII (58)-B (“Lignite Vision 21 Program Phase V ‘Environmental and Transmission Plan Development of Lignite Vision 21 Projects’ ”)**

Dwyer requested a motion that the LRC recommend to the NDIC that the grant application and reports for proposal LRC-LVIII-B (“Lignite Vision 21 Program Phase V ‘Environmental and Transmission Plan Development of Lignite Vision 21 Projects’ ”) for which a confidentiality request was received be determined to be confidential pursuant to North Dakota Century Code 54-17.5-06. Dean Peterson so moved; seconded by Rich Voss. Karlene Fine conducted a roll-call vote of the LRC. (Kevin Cramer, Layton Freborg and L. David Glatt were not present for the roll-call vote.) The roll-call results regarding the motion were as follows (yes: 18; no: 0); motion carried:

Anderson, Fred: YES.  
Dewing, Carroll: YES.  
Durham, Tom: YES  
Dwyer, John: YES.  
Govig, Paul: YES.  
Hagemeister, Daniel: YES.  
Hillstrom, Carlyle: YES.  
Holmes, Mike: YES.  
Hummel, Mike: YES.  
Kvernen, Luther: YES.  
Laning, Vernon: YES.  
Peterson, Dean: YES.  
Rudeck, Allan: YES  
Rudolf, Jan: YES.  
Smith, Dave: YES  
Stomberg, Andrea: YES.  
Voss, Rich: YES.  
Weeda, John: YES.

**Ballot Results re: Grant Round LVIII (58) Proposals**

Dwyer announced the results of the LRC's confidential ballots concerning recommendations for NDIC funding of the two Grant Round LVIII (58) proposals:

**Grant Round LVIII (58) Grant Application LRC-LVIII-A: “Spirit Energy Power Plant Project” -**

**Fund:** 20 votes. **Do Not Fund:** 1 vote.

**Grant Round LVIII (58) Grant Application LRC-LVIII-B: “Lignite Vision 21 Program – Phase V ‘Environmental Permitting & Transmission Plan Development of Lignite Vision 21 Projects’ ” -**

**Fund:** 20 votes. **Do Not Fund:** 1 vote.

**NDIC Meeting – September 22, 2006**

The LRC's recommendations concerning the Grant Round LVIII (58) requests will be considered by the NDIC on September 22, 2006.

**Grant Application Deadline Date; Next LRC Meeting**

October 1<sup>st</sup> is the remaining grant application deadline date for 2006. The next LRC meeting will be held Nov. 21, 2006.

**Adjournment**

There being no further business, Dwyer requested a motion to adjourn the LRC meeting. Vern Laning so moved; seconded by Carlyle Hillstrom. Motion carried.

Vicki Gilmore, Recording Secretary