

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 10, 2015 beginning at 9:00 a.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Lynn Helms, DMR  
Bruce Hicks, DMR Oil and Gas Division  
John Morrison, Fleck, Crowley  
Jason Nisbet, Governor's Office  
Kari Doan, Department of Agriculture  
Danette Welsh, Oneok  
Jim Page, Quantum Industries  
Alison Ritter, DMR Oil and Gas Division  
Pamela Link  
David Johnson, Nuverra Environmental Solutions  
Senator Triplett  
Members of the Press

Governor Dalrymple called the Industrial Commission meeting to order at 9:00 a.m. and the Commission took up Department of Mineral Resources business.

Mr. Lynn Hems, Department of Mineral Resources Director, presented the legislative update with action items. (A copy of the update is available in the Commission files.)

Mr. Helms said 15 bills directly affected the Agency and out of those there are eight that require some action.

- HB 1014 – the Core Library construction had an emergency clause on it – the Core Library is underway, the soil testing started this week and demolition will begin in early July on the existing lab and offices and continue through August. It is being done in conjunction with the construction of the new collaborative Energy Center across the street. That will probably be all that is done this year and next year the big construction project will take place. In regards to the reduced parking spaces, Mr. Helms stated that the legislative intent will be addressed when the University seeks funding to build a parking structure. He indicated that they have a three-phase plan for adding the needed FTEs that were approved in the budget--internal promotion, then internal/external and finally external. There were 17 FTE's approved in the budget. They are also working with other states on the migration of the Risk Based Data Management System to a new or better platform.
- HB 1021 – the consolidation of computer services was not passed but we are upgrading our physical and cyber security on our servers in the Bismarck building.
- SB 2015 - the agency applied for housing assistance but there were other agencies that received the funding. The pool of funding for housing assistance was reduced significantly from the Executive Budget recommendation and other agencies had higher needs. The Department's request was not granted yesterday by the Emergency Commission.
- HB 1358 gives the Department several tasks – 1) set up a pipeline inspection group; 2) begin looking for legacy sites to clean up--the staff has a plan for how they are going to compile that list and the Commission will see that list in the July time frame and then have an environmental contractor go out and do an assessment of all those sites and come up with a plan for cleanup; 3) a gathering pipeline study is taking place. Once those results are known then there will be rulemaking tasks to follow that. In January or February the Department will be coming with proposed rules that would be put into effect next year. 4) A pilot salt remediation program RFP for

north central North Dakota is to be released by the OGRC and it is funded through the Abandoned Well Plugging and Site Restoration Fund.

- HB 1068 requires some additional reporting on gas flaring so we are looking at some boiler plate language to include in orders that you will see on flaring – we have already incorporated that required reporting into the monthly Director’s Cuts.
- SB 2190 requires some transferring of funds from the Abandoned Well Plugging and Site Restoration Fund (AWPSRF) to an Environmental Fund in the Health Department. The staff has met with the Department to talk about projects and funding needs and the necessary interagency transfers are being planned.
- SB 2271 is the Pipeline Ombudsman Program. Staff has met a couple of times with the Agriculture Department and we are going to be providing technical assistance on problem reports that come into Agriculture Department, and a fund transfer from AWPSRF on a quarterly basis.
- SB 2343 requires reporting to the Budget Section if the Commission takes some action that impacts state revenues by more than \$20 million. He noted that the legislation includes a retroactive aspect - back to July 1, 2013. He stated that the staff has developed a financial model that will allow staff to evaluate orders to see if an order is going to have more than a \$20 million impact. He stated that he will keep the Commission informed of whether or not a report needs to be presented to the September Budget Section meeting. It was noted that this would be a report. There was discussion on the time frame for the \$20 million impact and that the Commission’s previous action on gas capture may have met the \$20 million impact level but they don’t know that for sure yet. That is currently be analyzed.

Mr. Bruce Hicks, Oil and Gas Division Assistant Director, presented the Oil and Gas Division Quarterly Report. (A copy of the Quarterly report is available in the Commission files.) Mr. Hicks pointed out the new additions that have been made to the report - information on the Areas of Interest sites; a new statistic - wells waiting on completion; gas capture statistics; inspection goal percentages (weekly rigs; UIC wells; well inspections), problems encountered section, complaints, ongoing investigations.

The Commission and Mr. Helms and Mr. Hicks discussed specific items:

- Mr. Helms noted that when the inspectors are making the 32,000 inspections they are finding 97% of the time the industry is in full compliance. The 3% could range from minor to more significant ones. The most common non-compliance is not sealing their tanks.
- Mr. Hicks pointed out that the construction of well sites is significantly improved from what was being constructed 15 years ago.
- It was clarified that the statistic on complaints is referring to formal complaints. Complaints from the public would be reflected in the problems encountered statistic.

Mr. Hicks reviewed in detail the new summary (Page 4 of the Report) on the Areas of Interest Review Policy. The Report shows the stipulations that were imposed on the permits in addition to the more typical stipulations that are placed on all permits. He stated that this Report is the complete list of all the Areas of Interest well sites that have been received since May 1<sup>st</sup> of 2014. The 10 permits have all been issued. In response to a question, Mr. Helms walked through the process that is followed:

- Each permit that is received goes through a spatial query to determine if the permit falls within the Areas of Interest.
- If it does the Industrial Commission Administrative Office is notified and the individual responsible for summarizing all comments is notified.
- The permit and location is listed on the daily activity report with the notice that there is a 10-day comment period.

- An e-mail is sent to a list of federal and state agencies notifying of the Area of Interest Permit application and they have 10 days to comment;
- Industrial Commission Administrative Office person provides the Oil and Gas Division with copies of all comments and provides a summary.
- Mr. Helms, Mr. Hicks and the Permit Supervisor meet and go over the comments, talk about the permit, the area and what stipulations should be added to the permit.

In response to a question, Mr. Helms indicated that he was satisfied with the process. It was noted that all the 10 permits were for locations on existing pads. Mr. Helms noted the Morgan Draw permit which is over the hill from a camp ground. DMR included a stipulation that the operator needed electrify the pumping unit or put mufflers on it and aim them away from the campground. He indicated that was a result of a comment from the Park Service regarding the location of the campground. Mr. Hicks indicated that the Division has inspectors on all permit locations and the Division makes stipulations also based on the information they learn from their inspectors.

The Commission members thanked Mr. Hicks for including this in the quarterly report - it is an excellent record to have and to list the stipulations that were imposed.

Mr. Hicks then reviewed the new section (Page 5) in the Quarterly Report on Complaints. He indicated this is a list of ongoing complaints that are not settled yet so some of them were initiated back in 2013. He stated that most of these complaints they would try to get a settlement and a consent agreement with the operator. He stated that it has been working very well to have suspended penalties; the Division does not have these operators violate the same rules down the road because the operators have that suspended amount of money that could be imposed again if they have a similar violation.

Mr. Hicks went over the report and the information that was reflected on the document. It has been the policy of the Division to put in the complaint the maximum amount of the penalty. Then based on the information that they learn during the investigation and additional information that the company may supply they prepare the consent agreement. This report then shows the amounts that were collected, the amounts that were suspended and the suspended period of time the company would have to make sure they stay in compliance.

Mr. Helms stated that they wanted to include this report for the Commission so you would be aware of how this philosophy of penalties and expenses works in regards to collections and recidivism. If we see that the process stops working we will have to change our approach. The approach has been to hold a large suspended portion of the penalty over their head for a year or more to get a long term behavior change. When they sign that stipulation agreement they agree to immediately pay the suspended penalty if they violate again within that time period. So that forces them to bring their contractors in and their employees and talk to them about what they did wrong and how they need to change their behavior.

The Commission members indicated that they appreciated having this information so they are getting a regular look at it. The suggestion was made that there be more information showing what the company did that resulted in the amount of the suspension. There was a discussion on the public perception that the Commission proposes a big penalty but then suspends a large portion of it and the public doesn't understand why. If more information could be added to the report that would be very helpful in explaining what the Commission is doing with the suspension of the penalty.

There was a discussion of how the amount of the initial proposed penalty is determined and whether that should be reconsidered. It was stated that the Division should be as accurate as you can initially in determining the appropriate penalty.

Mr. Helms indicated that they would incorporate that suggestion into the next quarterly report--include information on why the proposed penalty was reduced, if it was, and if there is a suspension then what are the terms of the suspension--what does the company have to do during that suspension period.

Commissioner Goehring indicated that this is the model they use in his department with the goal to change behavior. It may be a reason why the State has the highest compliance with our rules in the nation.

Mr. Helms indicated that their goal was to be transparent in what they are doing. He is convinced that this model works. The Commission members indicated that it is important to get the attention of the company and to keep them focused on operating within the rules. It is not unusual to have a substantial penalty of some sort - courts do it all the time. Then if there is another infraction the payment is automatic plus the penalty for the new violation.

Mr. Hicks continued going through the quarterly report and discussed the performance measures - he noted that the orders pending is going down. He noted that the rig efficiency is improving. Mr. Helms indicated that they are seeing better than 95% compliance with the well construction rules. Less than 5% of the time does the inspector have to intervene with some remedial cementing or casing repairs. The industry is getting very good at building these wells.

Mr. Hicks pointed out a new graph which reflects the number of field inspections. Included on this graph is the number of inspectors in the field plus the number of producing wells. They wanted to track this information so they keep the ratio about the same -- number of wells per inspector.

There was discussion on the number of wells assigned to each inspector - in 2013 it was one inspector per 500 wells. In response to a question, Mr. Helms indicated that the State of Ohio was the closest with 1 inspector per 800 wells. North Dakota does the most inspections of any state and we try to maintain that ratio. Mr. Hicks pointed out that North Dakota has 12,000 producing wells and there are some states that have 12,000 orphan wells that aren't plugged. That is the difference of being a state where oil production started in the late 1800's versus North Dakota where oil production began in 1951.

The Commission members indicated that these were good improvements to the quarterly report. Governor Dalrymple stated that he was impressed that they had gone from 32,000 inspections in the 4<sup>th</sup> quarter compared to 20,000 a year earlier. There was discussion about the number of inspections and the workload for the inspectors. Mr. Helms indicated that the morale was good in the field. Mr. Hicks stated that 6 of the new positions related to the new responsibilities related to the pipeline programs.

Mr. Hicks presented the Oil and Gas Division 2015 Strategic Plan. (A full copy of the Plan is available in the Commission files.)

Mr. Hicks pointed out under No. 5 that the Oil and Gas Division provides service to over 3,000 website subscribers. The Division has been and will continue to be very adamant about avoiding legislative attempts to consolidate its servers. Mr. Hicks indicated that four other states that had recent consolidations had advised the Division to do whatever we can to make sure they do not consolidate those servers. When it has been done in their states they have seen a number of issues where morale is poor, services go down and costs go up. If this would happen the product the Division provides for industry and the public would be severely disabled.

He said under implementation of the one-year goals - No. 6 will go away--that has been done. He discussed the goals involving training in-house as well as offering a training program by an entity called Top Core

which is a group that includes Penn State, Texas University of Austin and the Colorado School of Mines for petroleum, geology, and engineering technology, communications and environmental management as a refresher course for some of the Division's inspectors and staff. We are going to develop the Regulatory Pipeline Program Rules pursuant to EERC's recommendations after their study is done. We will coordinate with the OGRC and work with research facilities in North Dakota to determine the best techniques for remediating salt and other contamination from legacy waste pits. Last the Division will defend the State's rights with regards to hydraulic fracturing chemical disclosure, methane emissions which are coming soon and also other federal regulatory overreach. The three year plan has not really changed much – we do want to upgrade our current RBDMS to a .Net platform and that is ongoing. No changes in our five-year plan of implementation.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Oil and Gas Division 2015 Strategic Plan be adopted as follows:**

## **OIL AND GAS DIVISION STRATEGIC PLAN**

June 10, 2015

### **MISSION**

Encourage and promote the development, production, and utilization of oil and gas in the state in such a manner as will prevent waste, maximize economic recovery, and fully protect the correlative rights of all owners to the end that the landowners, the royalty owners, the producers, and the general public realize the greatest possible good from these vital natural resources.

### **GOALS**

- 1) Give timely hearing, consideration, and processing to all forms and applications.
- 2) Open communication with the Industrial Commission.
- 3) Achieve clean audits, high employee morale and professionalism, and efficient use of division employees and assets.
- 4) Leadership in maintaining good relationships with other state agencies, federal agencies, and the legislature.
- 5) Service over 3,000 website subscribers and the data needs of seven state agencies through our current Risked-Base Data Management System (RBDMS) and web servers by avoiding legislative attempts to consolidate our servers into the Information Technology Department.

### **IMPLEMENTATION**

#### **1- YEAR**

- 1) Provide regular quarterly reports to Industrial Commission members.
  - 2) Develop web-based forms and batch systems to implement electronic filing of “most used” Oil and Gas Division forms.
  - 3) Provide computer and job skill training for appropriate agency staff.
  - 4) Review and revise Rules and Regulations as appropriate.
  - 5) Review and recommend revisions to Century Code as appropriate.
  - 6) Implement an in-house training program for sampling spills.
  - 7) Develop tier-subscription services to provide daily, weekly, and monthly data downloads for industry.
  - 8) Coordinate with TOPCORP to provide training courses for OGD staff in petroleum
-

- geology & engineering, petroleum technology, communication, and environmental management.
- 9) Develop a regulatory pipeline program and rules pursuant to Energy and Environmental Resource Center recommendations per study due December 1, 2015.
- 10) Coordinate with Oil and Gas Research Council and research facilities in North Dakota to determine best techniques for remediating salt and other contamination from soil surrounding legacy waste pits.
- 11) Provide funding through AWPSRF to Agriculture Department in establishing a pilot program to provide technical assistance and support to surface owners on pipeline restoration and reclamation.
- 12) Provide funding for North Dakota Department of Health's Environmental Quality Restoration Fund through AWPSRF.
- 13) Defend State's rights with regard to hydraulic fracturing, chemical disclosure, methane emissions, and other federal regulatory overreach.

#### **IMPLEMENTATION**

#### **3-YEAR**

- 1) Provide regular quarterly reports to Industrial Commission members.
- 2) Provide additional training and professional development opportunities for entire agency staff.
- 3) Continue scanning new case and well files.
- 4) Increase field inspection and support staffing.
- 5) Review and revise Rules and Regulations as appropriate.
- 6) Review and recommend revisions to Century Code as appropriate.
- 7) Continue developing web-based and batch forms for electronic filing of remaining Oil and Gas Division forms.
- 8) Set up procedure for carbon dioxide administration.
- 9) Upgrade current RBDMS to a .net platform.

#### **IMPLEMENTATION**

#### **5-YEAR**

- 1) Provide regular quarterly reports to Industrial Commission members.
- 2) Continue scanning new case and well files.
- 3) Begin utilizing Internet / Video Conferencing for expert testimony at hearings.
- 4) Provide training and professional development opportunities for entire staff including tuition reimbursement.
- 5) Review and revise Rules and Regulations as appropriate.
- 6) Review and recommend revisions to Century Code as appropriate.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Helms gave a report on EPA Draft Assessment on Potential Impacts to Drinking Water Resources from Hydraulic Fracturing Activities as follows:

***EPA Releases Draft Assessment on the Potential Impacts to Drinking Water Resources from Hydraulic Fracturing Activities***

Release Date: 06/04/2015

Contact Information: Cathy Milbourn, milbourn.cathy@epa.gov, (202) 564-7849, (202) 564-4355

*Assessment shows hydraulic fracturing activities have not led to widespread, systemic impacts to drinking water resources and identifies important vulnerabilities to drinking water resources.*

WASHINGTON—The Environmental Protection Agency (EPA) is releasing a draft assessment today on the potential impacts of hydraulic fracturing activities on drinking water resources in the United States. The assessment, done at the request of Congress, shows that while hydraulic fracturing activities in the U.S. are carried out in a way that have not led to widespread, systemic impacts on drinking water resources, there are potential vulnerabilities in the water lifecycle that could impact drinking water. The assessment follows the water used for hydraulic fracturing from water acquisition, chemical mixing at the well pad site, well injection of fracking fluids, the collection of hydraulic fracturing wastewater (including flowback and produced water), and wastewater treatment and disposal [<http://www2.epa.gov/hfstudy/hydraulic-fracturing-water-cycle>].

“EPA’s draft assessment will give state regulators, tribes and local communities and industry around the country a critical resource to identify how best to protect public health and their drinking water resources,” said Dr. Thomas A. Burke, EPA’s Science Advisor and Deputy Assistant Administrator of EPA’s Office of Research and Development. “It is the most complete compilation of scientific data to date, including over 950 sources of information, published papers, numerous technical reports, information from stakeholders and peer-reviewed EPA scientific reports.”

EPA’s review of data sources available to the agency found specific instances where well integrity and waste water management related to hydraulic fracturing activities impacted drinking water resources, but they were small compared to the large number of hydraulically fractured wells across the country. The report provides valuable information about potential vulnerabilities, some of which are not unique to hydraulic fracturing, to drinking water resources, but was not designed to be a list of documented impacts.

These vulnerabilities to drinking water resources include: water withdrawals in areas with low water availability; hydraulic fracturing conducted directly into formations containing drinking water resources; inadequately cased or cemented wells resulting in below ground migration of gases and liquids; inadequately treated wastewater discharged into drinking water resources; and spills of hydraulic fluids and hydraulic fracturing wastewater, including flowback and produced water.

Also released today were nine peer-reviewed EPA scientific reports ([www.epa.gov/hfstudy](http://www.epa.gov/hfstudy)). These reports were a part of EPA’s overall hydraulic fracturing drinking water study and contributed to the findings outlined in the draft assessment. Over 20 peer-reviewed articles or reports were published as part of this study [<http://www2.epa.gov/hfstudy/published-scientific-papers>].

States play a primary role in regulating most natural gas and oil development. EPA’s authority is limited by statutory or regulatory exemptions under the Clean Water Act, Safe Drinking Water Act, the Comprehensive Environmental Response, Compensation and Liability Act, and the Resource Conservation and Recovery Act. Where EPA’s exemptions exist, states may have authority to regulate unconventional oil and gas extraction activities under their own state laws.

EPA's draft assessment benefited from extensive stakeholder engagement conducted across the country with states, tribes, industry, non-governmental organizations, the scientific community and the public to ensure that the draft assessment reflects current practices in hydraulic fracturing and utilizes all data and information available to the agency.

The study will be finalized after review by the Science Advisory Board and public review and comment. The Federal Register Notice with information on the SAB review and how to comment on the draft assessment will be published on Friday June 5, 2015.

For a copy of the study, visit [www.epa.gov/hfstudy](http://www.epa.gov/hfstudy).

To submit comments on the report, see

[http://yosemite.epa.gov/sab/sabproduct.nsf/fedrgstr\\_activites/HF%20Drinking%20Water%20Assessment?OpenDocument](http://yosemite.epa.gov/sab/sabproduct.nsf/fedrgstr_activites/HF%20Drinking%20Water%20Assessment?OpenDocument)

Mr. Helms said it is a five year study initiated in 2010. He recommended that the Commission submit comments. (There will be a comment period for 90 days.) The press release and study summary affirms what the Commission has been doing in North Dakota almost completely. The document refers to the following vulnerabilities to drinking water resources:

- Water withdrawals in areas of low water availability; North Dakota's response is that North Dakota has a Water Commission that is very vigilant in maintaining non-mining of our ground water resources and the Department of Mineral Resources has worked cooperatively with them since 2009 to make sure that those groundwater resources are protected;
- Hydraulic fracturing conducted directly into formations containing drinking water resources; This is not done in North Dakota because of our unique geology;
- Inadequately cased or cemented wells resulting in below ground migration of gases and liquids; Again this not the case in North Dakota because of our geology – we have multiple salts and shales – it is a mile and a half between where there is fracturing and where we get our drinking water and we have had cementing rules in place since the early 2000s;
- Inadequately treated wastewater discharged into drinking water resources; That is not done in North Dakota--everything is underground injection;
- Spills of hydraulic fracturing fluids and hydraulic fracturing wastewater including flowback and produced water; The Commission did new rules in 2004 and updated those in 2014 and there is another update coming.

He indicated that, with the Commission's consent, he would prepare some proposed comments for the Commission to submit pointing out the uniqueness of North Dakota's program and to affirm the good things about the study. When the study did identify impacts on drinking water it wasn't hydraulic fracturing itself; it was always from associated activities with most of them being handling of flowback water. The Commission indicated that Mr. Helms should proceed with the drafting of comments with those comments being specific to North Dakota and North Dakota geology--just talk about North Dakota and not what is happening in other states.

Attorney General Stenehjem updated the Commission regarding the litigation the State has against the Bureau of Land Management in Wyoming.

- The rules were announced and published in the federal register on March 26, 2015
- North Dakota sought to intervene in that lawsuit and were granted authority to intervene by the District Court in Wyoming
- The rules are scheduled to take effect on June 24

- The District Judge in Wyoming has scheduled a hearing that is anticipated to last six hours on June 23 on the State's motion for a preliminary injunction to prohibit the rules from taking effect. This is being done in conjunction with the State of Wyoming, who initiated the lawsuit, and the State of Colorado who has also intervened.

Attorney General Stenehjem said he would be attending the hearing in Casper, Wyoming on June 23 and Mr. Helms will be there as well to present the case on behalf of the State of North Dakota. North Dakota is contending that the federal government through the BLM is proceeding to usurp authority that belongs to the State of North Dakota notwithstanding that there are specific federal statutes that prohibit the federal government from regulating hydraulic fracturing. In addition to that concern the federal rules are duplicative or in some areas they are weaker than North Dakota's rules. North Dakota no longer allows open pits, the federal fracturing rules do allow them. That is weaker than what we have in North Dakota and yet their rules will purport to circumvent and supersede our rules. So the BLM rules are either duplicative or in some areas even weaker and contrary to federal law as well.

Mr. Helms provided the Commission with the final EPA report on the North Dakota Retrospective Case Study - Killdeer, North Dakota (Dunn County). This is the study on the well that had the casing rupture during hydraulic fracturing. (A copy is available in the Commission files.) He thought the key thing to note is the comment on the first page "North Dakota responded to the blowout and the site remediation is complete. No further actions are required for this site." There was no significant impact to drinking water resources and the North Dakota State response was appropriate. Mr. Helms stated that he may blend this into the comments noting the State of North Dakota's participation in a retrospective study and the study shows our rules and regulations are effective in protecting drinking water.

Being no further Department of Mineral Resources business, Governor Dalrymple adjourned this portion of the meeting at 9:58 a.m. and the Commission took up Oil and Gas Research Program business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 10, 2015 beginning at 9:00 a.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Brent Brannon, Oil and Gas Research Program  
Jason Nisbet, Governor's Office  
Kari Doan, Department of Agriculture  
Jim Page, Quantum Industries  
David Johnson, Nuverra Environmental Solutions  
Justin Kringstad, Pipeline Authority  
John Harju, EERC  
Members of the Press

Governor Dalrymple called the Oil and Gas Research Program portion of the Industrial Commission meeting to order at 10:00 a.m. following completion of Department of Mineral Resources business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented the financial report and the Oil and Gas Research Council's recommendation for allocation of funding for the 2015-2017 biennium as follows:

Oil and Gas Research Fund  
Financial Statement  
**2013-2015 Biennium**  
June 10, 2015 Oil & Gas Research Council Meeting

	<u>Cash Balance</u>
July 1, 2013 Balance	\$ 3,875,671.18
Revenues through April 30, 2015	\$10,009,014.47
Transfer to the Pipeline Authority Fund	\$( 200,400.00)
Expenditures through April 30, 2015	<u>\$(9,002,717.91)</u>
	<b>\$ 4,681,567.74</b>
Outstanding Administration Commitment*	\$ (84,221.06)
Outstanding Project Commitments as of April 30, 2015**	<u>\$(3,094,057.00)**</u>
Balance	<b>\$ 1,503,289.68**</b>

Oil and Gas Research Fund  
Continuing Appropriation Authority  
2013-2015 Biennium

Uncommitted Balance July 1, 2013	\$ 000.00
Carried Over Administration Allocation	\$ 32,106.18
Projected Income from Project Applications & Interest	\$ 20,000.00
Revenues (2% of State's Share of Oil Tax Revenues)	\$10,000,000.00
Returned Commitments	\$ 20,056.03
Unused commitment from 2011-2013 biennium	<u>\$ 1,000,000.00</u>
	\$11,072,162.21
Transfer to Pipeline Authority	\$ (200,400.00)
Administration Commitment	\$ (332,706.00)
Approved Project Commitments 2013-2015	\$ (2,482,342.00)
Carried over Project Commitments for 2013-2015	<u>\$(6,542,439.00)</u>
<b>Available Funding</b>	<b>\$ 1,514,275.21**</b>

**57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.**

*There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues in the general fund, property tax relief sustainability, strategic investment and improvements fund or the state disaster relief fund, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to ten million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6.*

\*This includes the remaining amount of \$134,938 owed on the NDSU Workforce Study

\*\*This amount does not include research/education funding for:

Contract G-028-058 with \$1,100,000 to be expended in the 2015-2017 biennium;

Contract G-030-060 with \$3,027,250 to be expended in the 2015-2017 biennium;

Contract G-034-065 with \$669,690 to be expended in the 2015-2017 biennium.

RE: 2015-2017 OGRF allocations

Attached is a spread sheet for the allocation of the \$10,020,000 of funding that is anticipated to be available in the Oil and Gas Research Fund for the 2015-2017 biennium. Please note that \$4,796,940 of that funding has already been committed by prior actions of the Council/Commission. At this point I do not have the final amounts that will not be committed or used during the 2013-2015 biennium.

The attached spreadsheet proposes the following allocation of \$10,000,000 plus investment earnings:

Research	80.0%	\$ 8,016,000
Education	13.5%	\$ 1,352,700
Pipeline Authority	2.0%	\$ 200,400
Administration/Legislative action	4.0%	<u>\$ 450,900</u>
		\$10,020,000

I have increased the amount for Administration to include the funding for the \$100,000 Natural Gas Production Study that was passed by the Legislature in Senate Bill 2035.

This breakdown does not include any of the dollars that the Legislature directed in House Bill 1358 be transferred to the Oil and Gas Research fund for specific studies/pilot program.

The Oil and Gas Research Council at their meeting on May 26, 2015 recommended that the Industrial Commission approve this allocation for the 2015-2017 biennium.

Ms. Fine said there is sufficient funding available if the Commission wishes to approve the recommended application. She said the Council recommended approval of the allocation.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Oil and Gas Research Council and allocate the Oil and Gas Research funding for the 2015-2017 biennium as follows:**

<b>Research</b>	<b>80.0%</b>	<b>\$ 8,016,000</b>
<b>Education</b>	<b>13.5%</b>	<b>\$ 1,352,700</b>
<b>Pipeline Authority</b>	<b>2.0%</b>	<b>\$ 200,400</b>
<b>Administration/Legislative action</b>	<b>4.0%</b>	<b><u>\$ 450,900</u></b>
		<b>\$10,020,000</b>

**and authorizes the transfer of \$200,400 from the Oil and Gas Research Fund to the Pipeline Authority Fund after July 1, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Brent Brannon, Oil and Gas Research Program Director, presented the Oil and Gas Research Council recommendation for the following project:

G-035-02 - Recycled Drilling Cuttings Beneficial Reuse Demonstration Projects; Submitted by Nuverra Environmental Solutions; Project Duration - 12 months; Total Project Costs - \$1,523,384; Request - \$759,860; Board Recommendation - \$744,860 (A copy is available in the Commission files.) He said the project is a three field scale demonstration using drill cuttings for gravel road resurfacing, road subbase and landfill daily cover demonstration. There were three technical reviewers with two recommending funding and one said consider funding. He had questions on the project administration line item and recommended funding of \$629,860. However, at the Council meeting the applicant provided additional clarification and justification for the administrative expenses. The Council recommended funding in the amount of \$744,860 - with a 5 to 1 vote and 1 absent and not voting.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the Oil and Gas Research Council recommendation to fund the grant application “Recycled Drilling Cuttings Beneficial Reuse Demonstration Projects” and authorizes the Industrial Commission Executive Director to execute an agreement with Nuverra Environmental Solutions to provide Industrial Commission Oil and Gas Research Program funding in an amount not to exceed \$744,860.**

It was stated that this is research where the applicant is taking cleaned up cuttings and we are finding out things about their utility value and various uses for that product.

In response to a question, it was indicated that the findings from the study will be public property.

In response to a question Mr. Brannon stated that the EERC is involved in this project.

In response to a question regarding how many potential uses they will analyze, Mr. Brannon said the EERC is the group that will better determine that, they are the group that does the lab testing. Over time with the public/private partnership, once we have that information available any other company out there - alternative uses - could make a business out of it. From the Council’s standpoint, it is something that’s needed - the industry has these drill cuttings and we are helping to identify some alternative uses for them

In response to a question, it has nothing to do with the cleaning up of the drill cuttings--this is focused on the uses after the drill cuttings have been cleaned up.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Brannon discussed the proposed Request for Proposals for a Pilot Program to Determine Best Techniques for Remediating Contaminates from Soil Surrounding Legacy Waste Pits in north central North Dakota authorized in H.B. No. 1358 (A copy is available in the Commission files.) He said his plan

is to distribute by June 15 to the EERC, NDSU and UND as well as posting it on the Oil and Gas Research Program website.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the Oil and Gas Research Council recommendation and authorizes the Oil and Gas Research Program Director to issue a Request for Proposals for a Pilot Program to Determine Best Techniques for Remediating Contaminates from Soil Surrounding Legacy (1951-1984) Waste Pits in North Central North Dakota (Section 9 of House Bill 1358 - 2015 Legislative Session).**

In response to a question Mr. Brannan said that the goal is to have the research facilities in our state determine what are the best practices to be used so we can determine how we can move forward in dealing with these legacy waste pits.

Ms. Fine stated what they hope to see in the final report is a list of best practices as well as a monitoring plan for the DMR to use under their abandoned well program. The plan is to bring back the recommendation to the Commission in August.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. John Harju, Energy & Environmental Research Center, updated and reported on the Produced Fluids Gathering Pipeline Study as follows:

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***EERC Gathering Pipeline  
Construction and Monitoring Study/  
Pilot Demonstration***

NDIC Briefing  
Bismarck, ND  
June 10, 2015

John Harju  
Associate Director for Research



## Legislature-Commissioned Pipeline Study (HB1358)

- HB 1358 -- A wide-ranging bill focused on produced fluid gathering lines with a section that appropriates \$1.5M directly to the EERC for a pipeline study and pipeline monitoring pilot project
  - Signed by governor on Monday, April 20
- HB1358 also appropriates up to \$1.5M per biennium for remediation and reclamation projects
- HB1358 also appropriates \$500k for pilot program with UND/NDSU for remediation of waste pits



## Gathering Pipeline Study Goal

- Project will focus on conducting analysis of crude oil and produced water pipelines including:
  - Construction standards
  - Depths
  - Pressures
  - Monitoring systems
  - Maintenance
  - Types of materials used in the pipeline backfill, and
  - Analysis of the ratio of spills and leaks occurring in this state in comparison to other large oil and gas-producing states with substantial volumes of produced water



## Gathering Pipeline Study Objectives

- **Phase I** **(\$899k)**
  - Analyze the existing regulations on construction and monitoring of crude oil and produced water pipelines
  - Determine the feasibility and cost-effectiveness of requiring leak detection and monitoring technology on new and existing pipeline systems
  - Provide a report with recommendations to the NDIC and the EDTC by December 1
- **Phase II** **(\$601k)**
  - Pilot project to evaluate a pipeline leak detection and monitoring system

**\$1.5M covers BOTH phases**



## EERC-Developed Scope of Work – Phase I (Study)

- Project management
  - Stakeholder recruitment
  - Stakeholders meetings
  - Gathering pipeline conferences
  - Tour gathering line sites
- Understanding infrastructure
  - Process description
  - Construction standards
  - Pipeline materials
  - Monitoring systems
  - Maintenance
  - Reclamation
  - Abandonment
- Analyze options for liquids storage on network
  - Research issues/risks
  - Compile info on opportunities
  - Summarize regulations
  - Investigate secondary containment options and costs
  - Cost sensitivity analysis on volumes vs. storage costs
- Leak/spill statistical analysis
  - Survey of spills/leaks history
  - Root cause analysis review
  - Comparison of ND to other states



## EERC-Developed Scope of Work – Phase I (Study) (Cont'd)

- Techno-economic analysis of leak detection & monitoring
- Make recommendations
  - Construction considerations
  - Inspection considerations
  - Monitoring considerations
  - Material considerations
  - Summary of situational peculiarities
- Compile final report
  - Draft report
  - Vet draft with key partners & stakeholders
  - NDIC review of draft
- Continuing support & outreach after report
  - Continuing testimony to EDTC and other committees



## Phase II -- Pilot Demonstration

- Coordinate a pilot project to evaluate pipeline leak detection and monitoring systems
  - Validate pipeline monitoring concepts for use in North Dakota
  - Identify operational challenges inherent in their use
  - Demonstrate their employment in a relevant environment
- Will require financial and technical participation from industrial stakeholders
  - State funds budgeted for this work will not be used for purchase of monitoring systems or pipeline segments
  - Industrial partners with vested interest in the success of these systems will purchase necessary hardware and own the systems after this publicly-funded validation effort is complete



## Phase II (Demonstration) Scope of Work

- Planning the pilot project
  - Industrial partners recruitment (producers, midstreams, pipeline operators, monitoring system vendors)
  - Site(s) selection
  - Design of site-specific pilot system(s)
  - Coordination w/ partner(s) for procurement activities
- Supervision of pilot project construction
- Monitor pilot performance
  - Data monitoring
  - Ongoing instrument health assessment
  - Instrument calibration certification
  - Sharing data w/ partners
- Analyze pilot performance
  - Post-test data analysis
  - Sensitivity analyses (temperature, sunlight, moisture, snowcover, etc.)
  - Measurement error analysis
- Reporting



## External Teaming

### State Team

- NDIC and EDTC are formal customers
- DMR an active participant

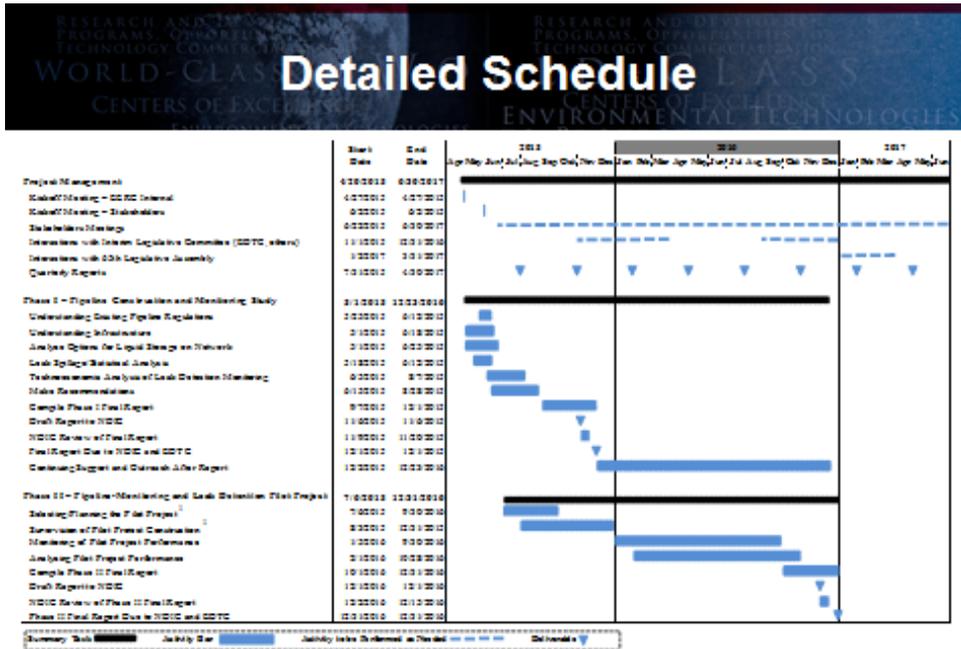
### State Advisors

- Pipeline Authority
- Water Commission
- Ag Commissioners' Ombudsmen
- Governor's Staff
- Others

### Stakeholders

- Producers
- Pipeline operators
- Pipeline vendors
- Pipeline monitoring system vendors
- Pipeline engineering firms
- Landowners Associations





## Contact Information

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 University of North Dakota  
 15 North 23rd Street, Stop 9018  
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**John Harju, Associate Director for Research**  
[jharju@undeerc.org](mailto:jharju@undeerc.org)



Mr. Harju discussed the Resource Characterization Study as follows:



**North Dakota Industrial Commission and U.S.  
Department of Energy Crude Oil Characterization  
Research Study – Project Update**  
NDIC Contract No. G-Sandia 01

North Dakota Industrial Commission  
Bismarck, ND  
June 10, 2015

John Harju, Associate Director for Research



**Crude by Rail –  
Safety Concerns and Responses**

Tight oil physical and chemical properties

- ◆ NDPC, PHMSA, AFPM, COQA, CCQTA crude oil characterization studies
- ◆ DOE Tight Oil Flammability & Transportation Spill Safety Project – Sandia and the EERC

Adequacy of transport rules/regulations

- ◆ PHMSA rule released May 1, 2015

Rail integrity (equipment, procedures)

- ◆ FRA, PHMSA

Packaging (rail tanker construction)

- ◆ FRA, PHMSA

Tight oil conditioning and stabilization practices

- ◆ NDIC Oil Conditioning Order #25417



## DOE/DOT Crude Oil Characterization Research Study

### Phase I – Problem Definition

- Review publicly available literature/data on tight oil sampling, properties, combustion – complete.
- Prepare crude oil sampling, analysis, and experimental plan – final review ongoing.

### Phase II – Sampling, Analysis, and Experimental Plan (SAE Plan) Subject to Federal Budget

- Sample and analyze tight and conventional crudes.
- Develop models, refine with small- and rail car-scale combustion testing.
- Assess if, how, and to what extent properties impact hazard.

Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
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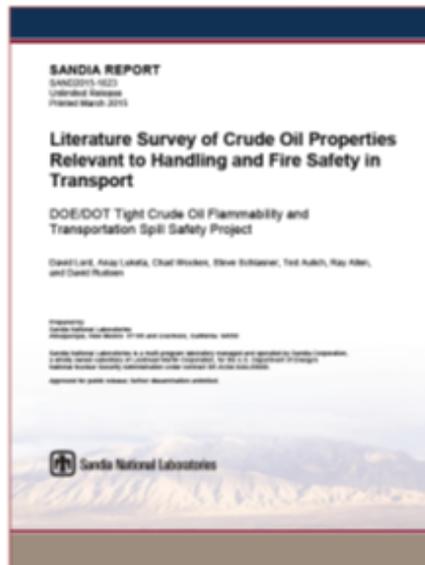
Proposed testing: ~5-meter-diameter pool fire tests at Sandia Labs.



## Literature/Data Survey Execution

- Conducted by Sandia National Laboratories, EERC, Allen Energy Services, and GRAM Inc.
- Primary sources include NDPC, PHMSA, AFPM, COQA, and CCQTA crude characterization studies, and data from U.S. Strategic Petroleum Reserve.
- Published in March 2015 as Sandia Report SAND 2015-1823 – Literature Survey of Crude Oil Properties Relevant to Handling and Fire Safety in Transport.

<http://energy.sandia.gov/tight-oil-study/>



## Literature/Data Survey Outcomes

- Variability in criteria and procedures used in crude oil sample selection, acquisition, and analysis makes comparison—between crudes and/or against standard—difficult, especially for crudes containing dissolved gases and volatile liquids:
  - Supply chain point
  - Extent of conditioning employed
  - Sampling technique (open, closed, online)
  - Analysis method



## Literature/Data Survey Outcomes – 2

- Clear relationships between crude oil properties and probability or severity of rail accident combustion events have not been established.
- Multiple parameters (flashpoint, flammability limits, autoignition temperature, ignition energy, burn velocity, others) needed to define flammability.
- Energy generated from an accident has the potential to exceed flammability impact of above and other crude property-based criteria.





RESEARCH AND  
TECHNOLOGY FOR  
WORLD-CLASS  
CENTERS OF EXCELLENCE  
**Crude Oil SAE Plan**  
CLASS  
RESEARCH AND  
TECHNOLOGY FOR  
WORLD-CLASS  
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ENVIRONMENTAL TECHNOLOGIES

- Sandia National Laboratories, the EERC, and Allen Energy Services recently submitted a draft SAE plan to DOE.
- Objectives include:
  - Evaluating sampling methods, identifying best method(s) for crudes with dissolved gases.
  - Developing database of tight and conventional crude properties (determined under standard sampling and analytical protocol).
  - Identifying any significant differences between tight and conventional crudes.



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**SAE Plan – 2**  
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ENVIRONMENTAL TECHNOLOGIES

- Objectives, continued:
  - Identifying any properties that could contribute to increased likelihood and/or severity of transport-related combustion events.
  - Identifying and quantifying crude conditioning system operational parameters that impact transport safety-critical properties.
  - Developing preliminary recommendation of properties to include as compliance metrics in “crude oil safe transport specification.”





- Task 1: Update Literature Review with New and Emerging Data
- Task 2: Evaluate Sampling Methods
- Task 3: Combustion Experiments and Modeling
- Task 4: Sampling and Analysis of Tight and Conventional Oils
- Task 5: Large-Scale Combustion Testing and Computational Fluid Dynamics Modeling
- Task 6: Comprehensive Crude Oil Characterization



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**John Harju, Associate Director for Research**

[jharju@undeerc.org](mailto:jharju@undeerc.org)



Mr. Harju discussed the report - Determine the Uniqueness of Three Forks Bench Reserves, Determine Optimal Well Density in the Bakken and Optimize Bakken Production (Bakken Optimization Project) as follows:



## Bakken Production Optimization Program

NDIC Briefing  
Bismarck, North Dakota  
June 10, 2015

**John A. Harju**

*Associate Director for Research*

Energy & Environmental Research Center

**Heath Mireles**

*Manager, Resource Development, Northern Region*

Continental Resources, Inc.



**EERC**  
Energy & Environmental Research Center

# UNCONVENTIONAL LEADERSHIP FOR AN UNCONVENTIONAL RESOURCE

**Bakken Production Optimization Program**

- Resource characterization
- Site logistics
- Water management
- Hydrocarbon utilization
- Water management
- Process optimization and systems analysis

**Bakken CO<sub>2</sub> Enhanced Oil Recovery and Storage Project**

- Innovative reservoir characterization
- Fracture characterization and modeling

Logos: Continental, Marathon Oil, QASIS, SMA, JTO, NETL, etc.



## Program Description

- *Pilot hole logs, core data, other data gathering from multiple wells to create a 3-D picture of what happens during and after the hydraulic fracture treatments in a multistage horizontal well. Continental will analyze this data set to:*
    - *Assess total resource available in the second and third benches of the Three Forks Formation (separate and unique?).*
    - *Confirm whether these benches are distinct and independent of the existing Middle Bakken.*
    - *Predict areas of future sweet spots.*
  - *Site logistics, waste management, on-site hydrocarbon utilization, water management, process optimization, and systems failure analysis with an eye on decreased environmental impact.*
- Phase I – Drilling 11 New Wells
  - Phase II – Completions
  - Phase III – Reservoir Engineering
  - Phase IV – Expansion Applications via 3-D Seismic
  - Phase V – Optimization of Wellsite Operations



## Phase V – Optimization of Wellsite Operations

- Consortium-based phase to help industry partners optimize oil and gas activities and improve the efficiency of operation.
- Project scope directed by consortium, not limited to the following topic areas:
  1. Hydrocarbon utilization... *production of oil, gas, or NGLs at wellsites*
  2. Waste management... *handling drilling and production wastes*
  3. Water management... *limit freshwater demand, decrease wastewater production, reduce water/wastewater trucking*
  4. Site logistics... *equipment siting and workflow at multi-operation / multi-well locations*
  5. Process optimization and systems analysis... *analysis of wellsite failures that affect production efficiency*
  6. Waste minimization... *especially drill cuttings recycling*
  7. Spill Remediation... *improved spill cleanup speed/economics/efficacy*
  8. Land Reclamation... *improved return of land to productive use after spills or disturbance*



## This Work Addresses ND Priorities

- Reduce flaring
  - By surveying available technologies, assessing their application to ungathered locations, and demonstrating functional scaled technologies.
- Reduce environmental impacts
  - By exploring surface operations that minimize truck traffic (resulting in decreased diesel emissions, decreased road damage, decreased maintenance costs, decreased road dust, and decreased incidence of spills).
  - By investigating technologies to recycle wastewater and decrease freshwater demand.
  - By minimizing land use impacts (wellpad footprints).
  - By addressing the NORM waste issue with science and outreach/education.
- Define Bakken system resources
  - By gathering new data with advanced tools to characterize the Middle Bakken and multiple benches of the Three Forks.
- Maximize Bakken system recovery
  - By using new data to define two new, undeveloped zones, and by using new data to feed models that will help predict optimum well spacing to maximize resource extraction.
  - By reducing OPEX via focus on systems assessment toward holistic reservoir and operations management.
- Public Education & Outreach



## Bakken Production Optimization Program Membership



## Program Budget

Sponsors	Y1	Y2	Y3	Total
NDIC Share – Cash	\$3,134,512	\$3,204,944	\$2,215,044	\$8,554,500
Industry Share – Cash	\$750,000	\$750,000	\$750,000	\$2,250,000
CLR Share – In-Kind	\$40,989,233	\$40,989,233	\$24,051,534	\$106,030,000
<b>Total</b>	<b>\$44,873,745</b>	<b>\$44,944,177</b>	<b>\$27,016,578</b>	<b>\$116,834,500</b>

**\$6.26M CLR subcontract;**  
**\$4.54M EERC**



## Program Highlights

- Hawkinson Project Results
- Task 1 – Hydrocarbon Utilization
  - Flaring Task Force Technical Support, Flaring Solutions Database
  - Crude Oil Characterization (w/ DOE & Sandia)
- Task 2 – Waste Management
  - NORM Task Force Technical Support, TENORM Primer
- Task 3 – Water Management
  - Water Use Assessment Update
- Tasks 7 & 8 – Spills Remediation and Land Reclamation
  - Saltwater Spills Task Force Technical Support
  - Spills Primer and Best Practices Guide
- BakkenSMART Fact Sheet Series for Public Education
- Flare Lights Mythbuster Fact Sheet
- 2014 IOGCC Chairman’s Stewardship Award for “Best Environmental Partnership”



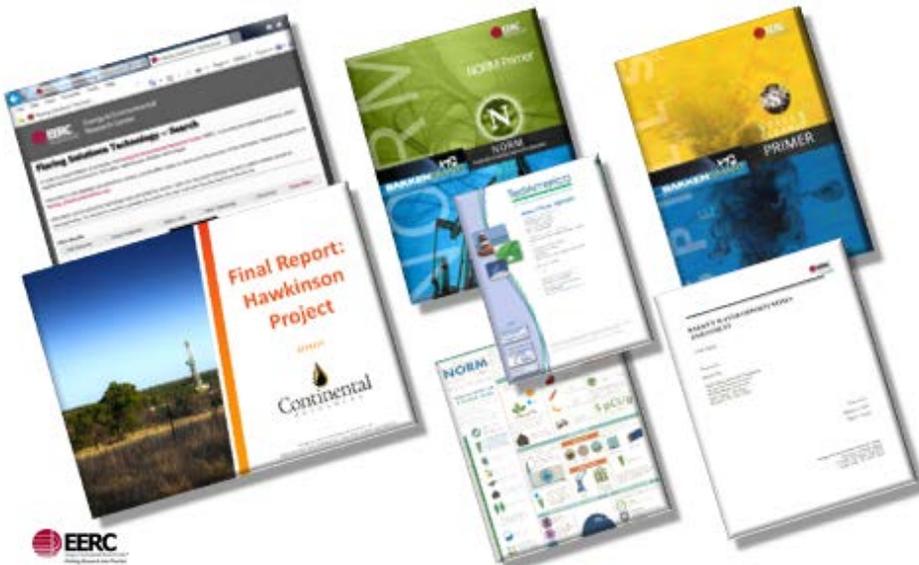
## Continental Resources' Hawkinson Project Completed

### Hawkinson Unit Summary Conclusions

- Results demonstrate that unique reserves exist between the Bakken and Three Forks, even in an area with a high degree of natural tectonic fracturing
- Supports drilling on a denser spacing than 1320' within the same formation
- 200' heel/toe setbacks result in un-captured resources
- Significant un-drained resources remain along section lines
- Fracture asymmetry observed due to pressure depletion and induced stresses
- Stimulations were well contained within the Bakken Petroleum System
- Maximum Positive Curvature is the seismic attribute best suited to predict well performance



## EERC's Major Program Products



## BakkenSMART Fact Sheet Series



## Possible Activities For Coming Year

- Drill Cuttings Recycling Options
- Wellsite Waste Survey
- Well Failure Analysis
- Crude Oil Conditioning Modeling
- Crude Oil Characterization
- UAS-Based Monitoring Demonstrations
- Water Recycling/Reuse Demonstrations
- Spills Remediation / Land Reclamation Demonstrations
- Advanced Reservoir Characterization



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[jharju@undeerc.org](mailto:jharju@undeerc.org)



Being no further up Oil and Gas Research Program business, Governor Dalrymple adjourned this portion of the meeting at 11:02 a.m. and the Commission took Outdoor Heritage Fund business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

A handwritten signature in blue ink that reads "Karlene Fine".

Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 10, 2015 beginning at 9:00 a.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Kari Doan, Department of Agriculture  
Justin Kringstad, Pipeline Authority  
Members of the Press

Governor Dalrymple called the Pipeline Authority portion of the Industrial Commission meeting to order at 12:00 noon following completion of Outdoor Heritage Fund business.

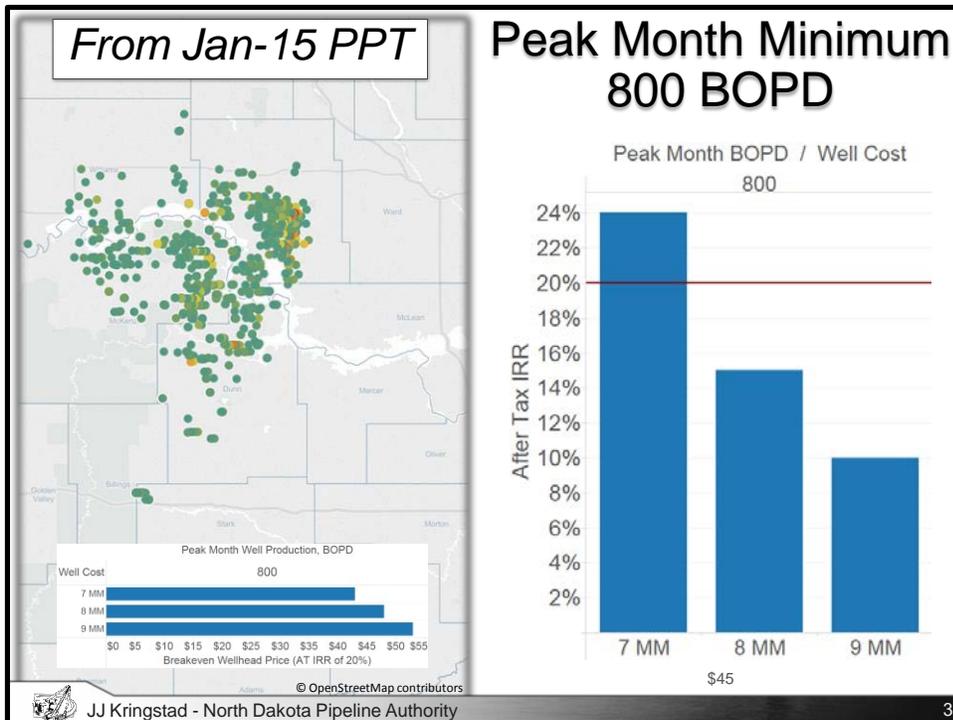
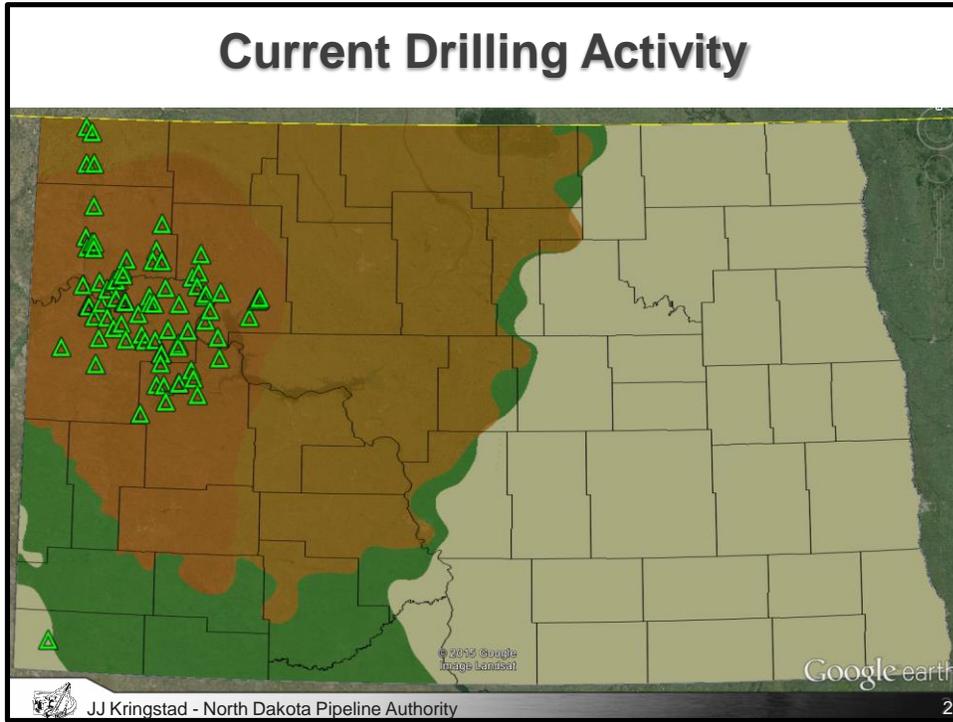
Mr. Justin Kringstad presented the Quarterly Report as follows:

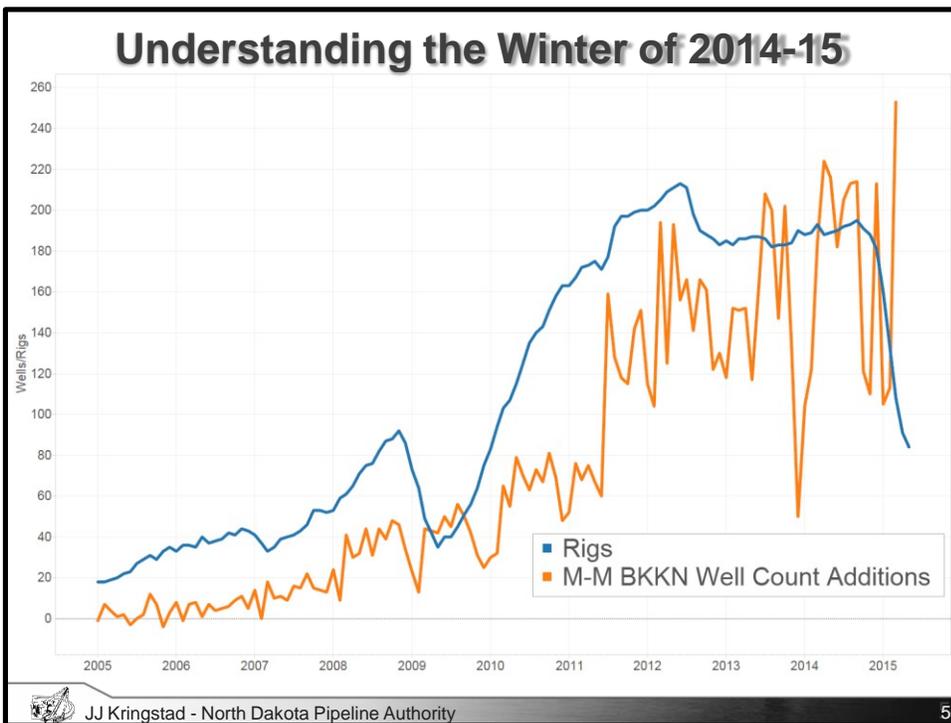
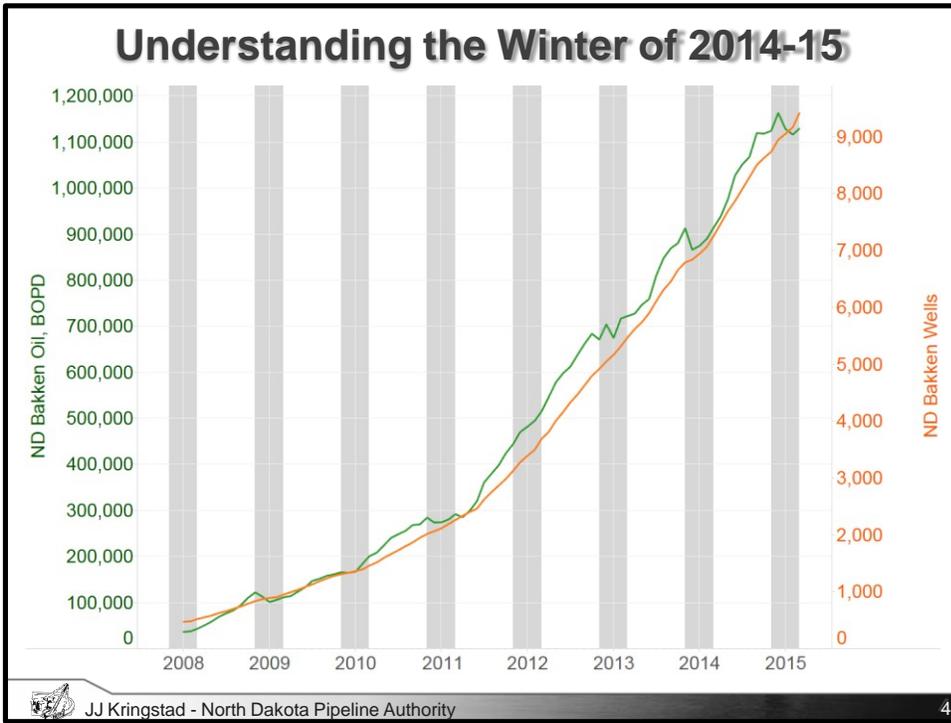
**ND Pipeline Authority**  
North Dakota Industrial Commission

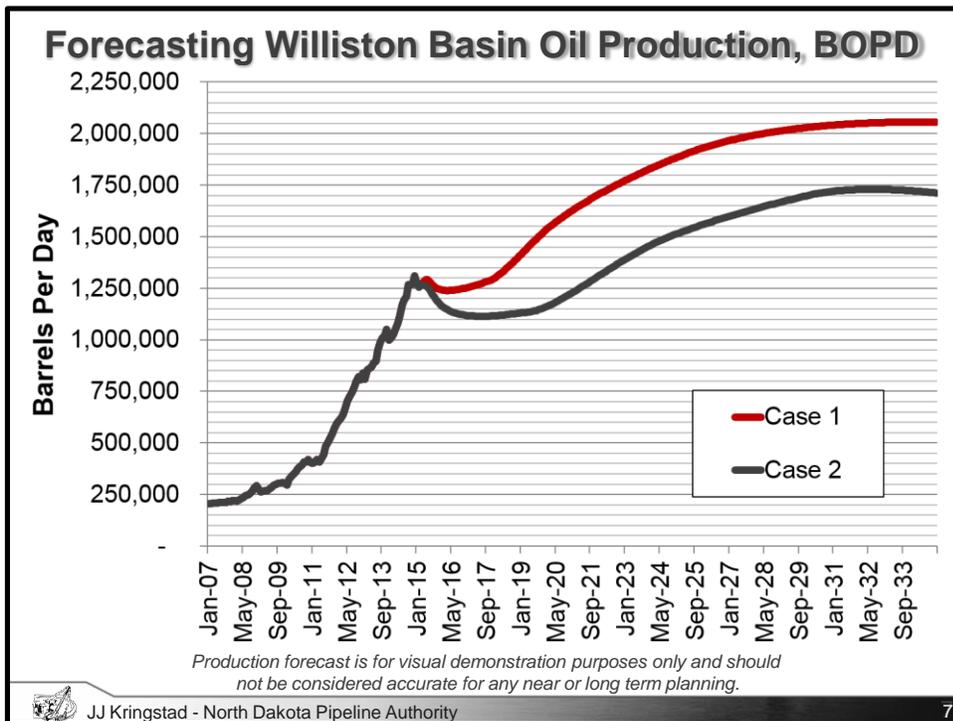
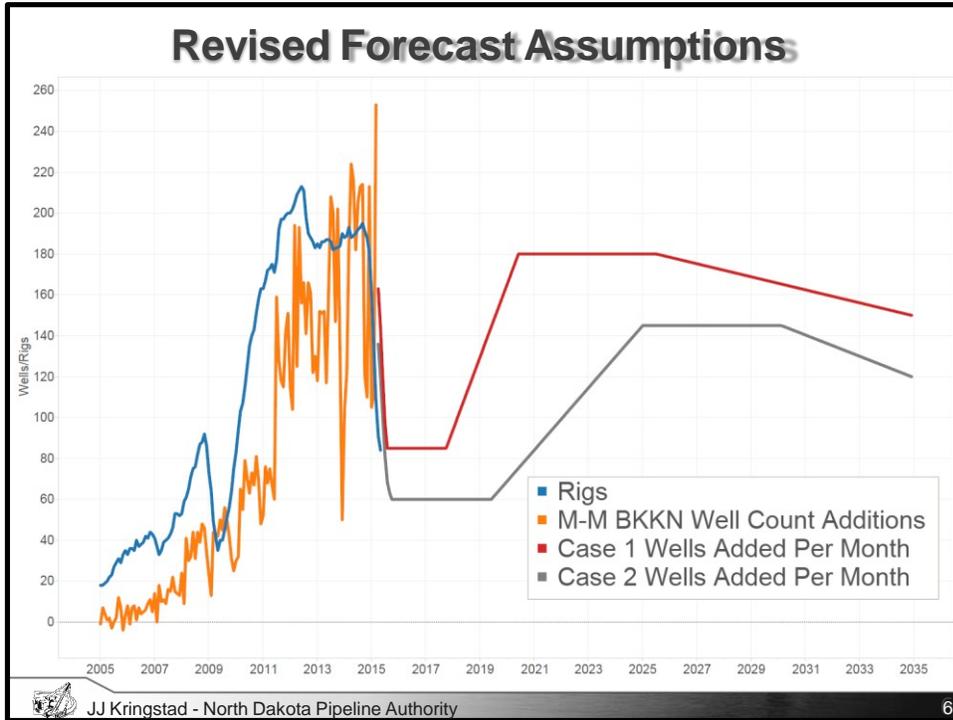
**Justin J Kringstad**  
*Geological Engineer*  
*Director*  
*North Dakota Pipeline Authority*

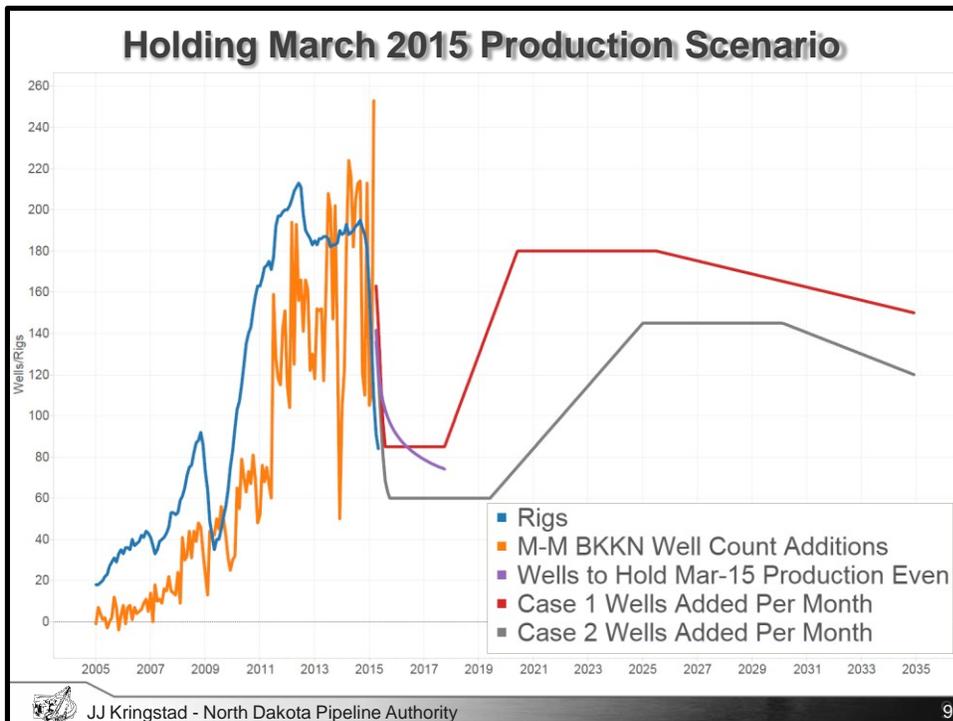
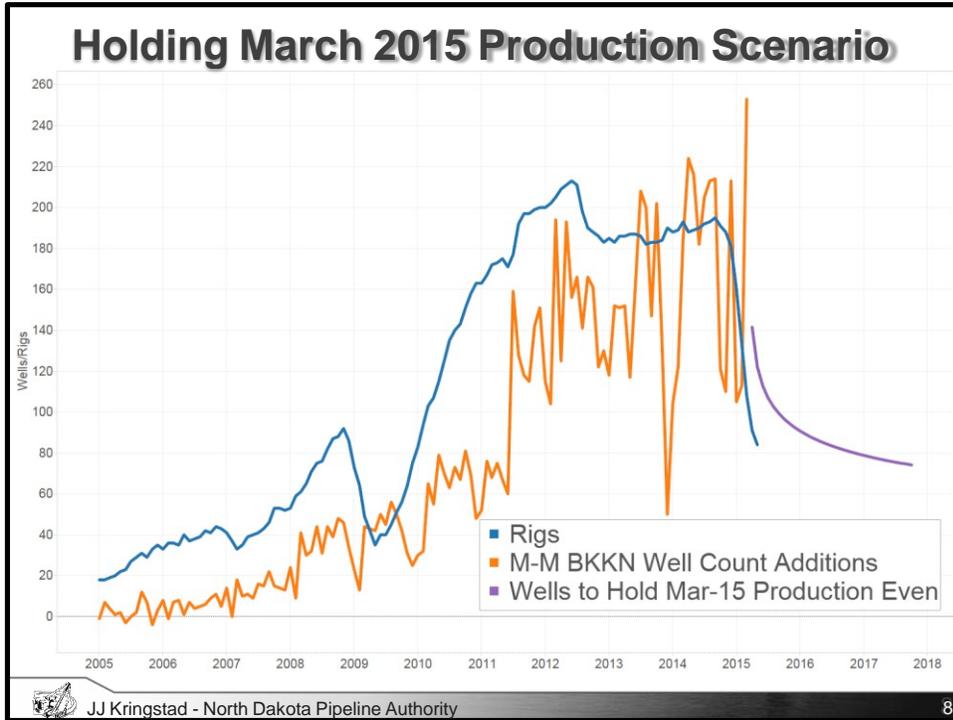
**June 10, 2015**

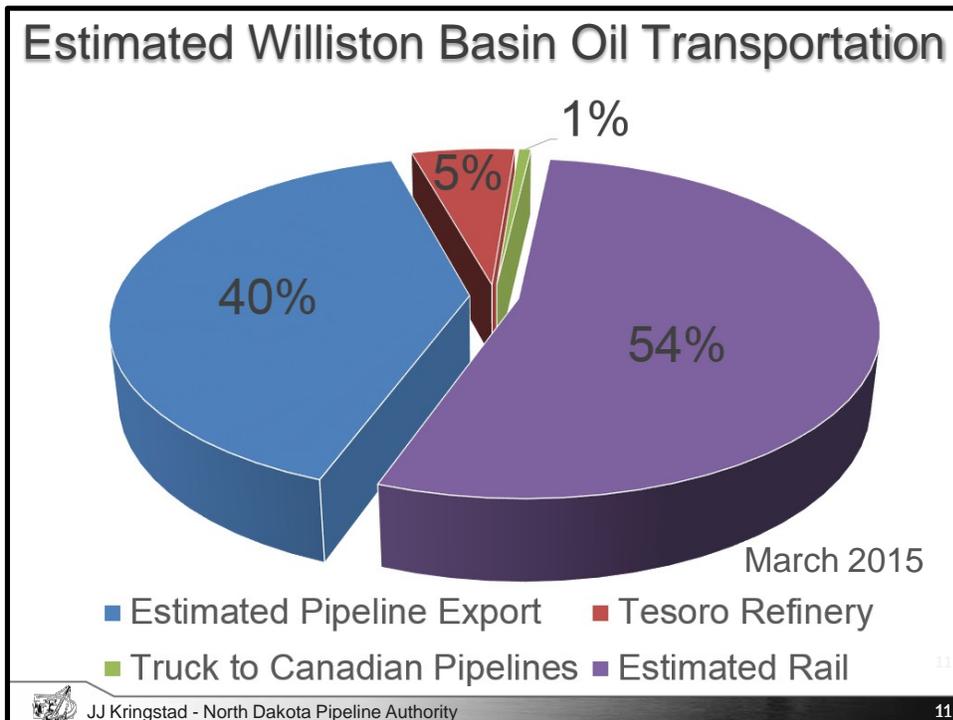
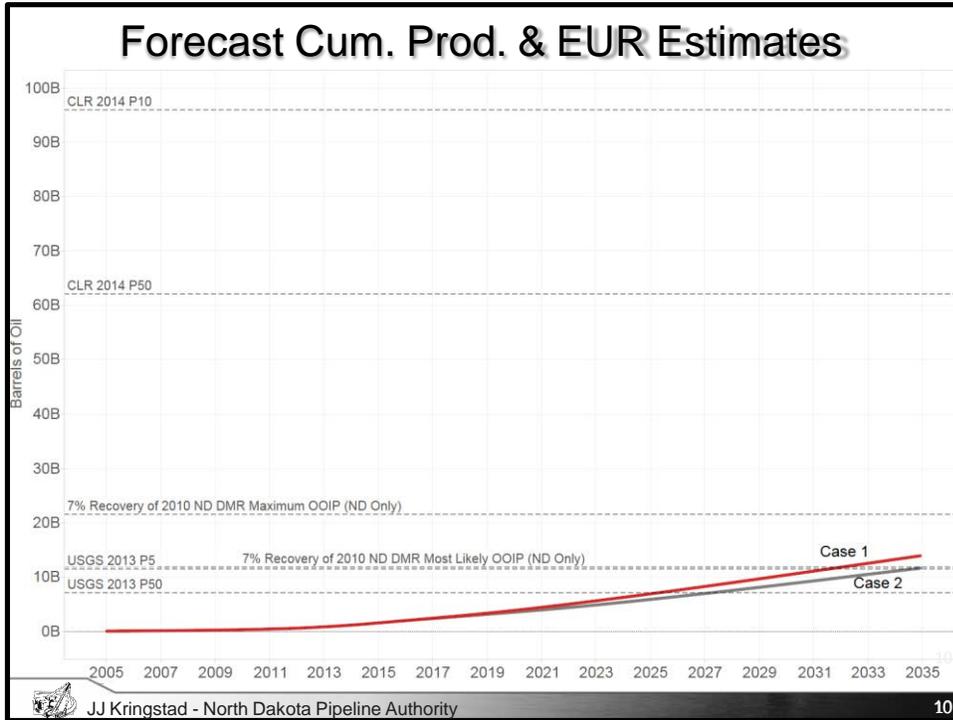


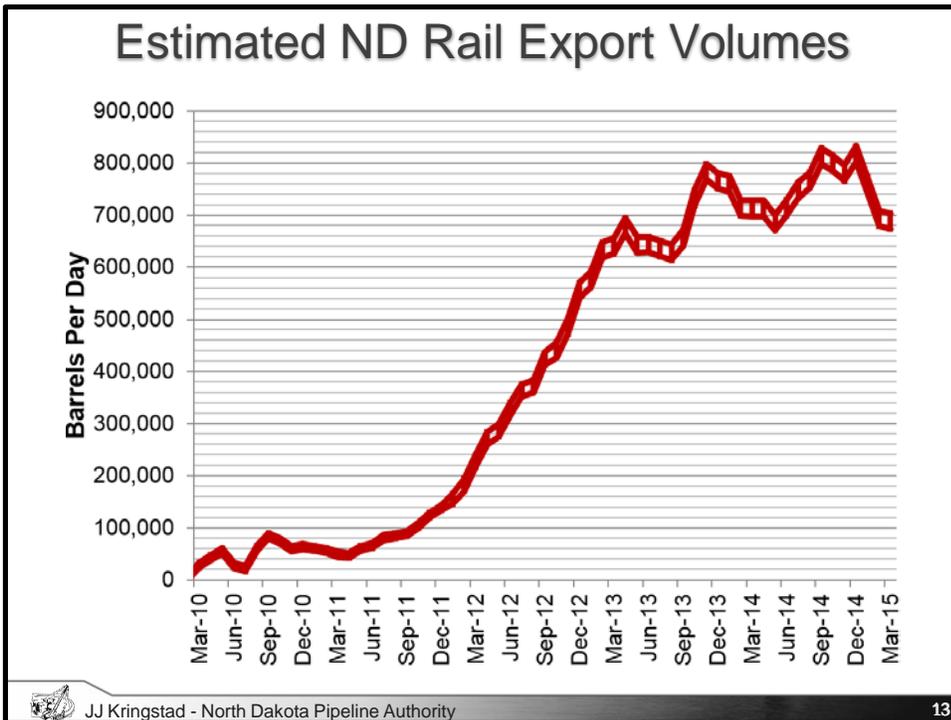
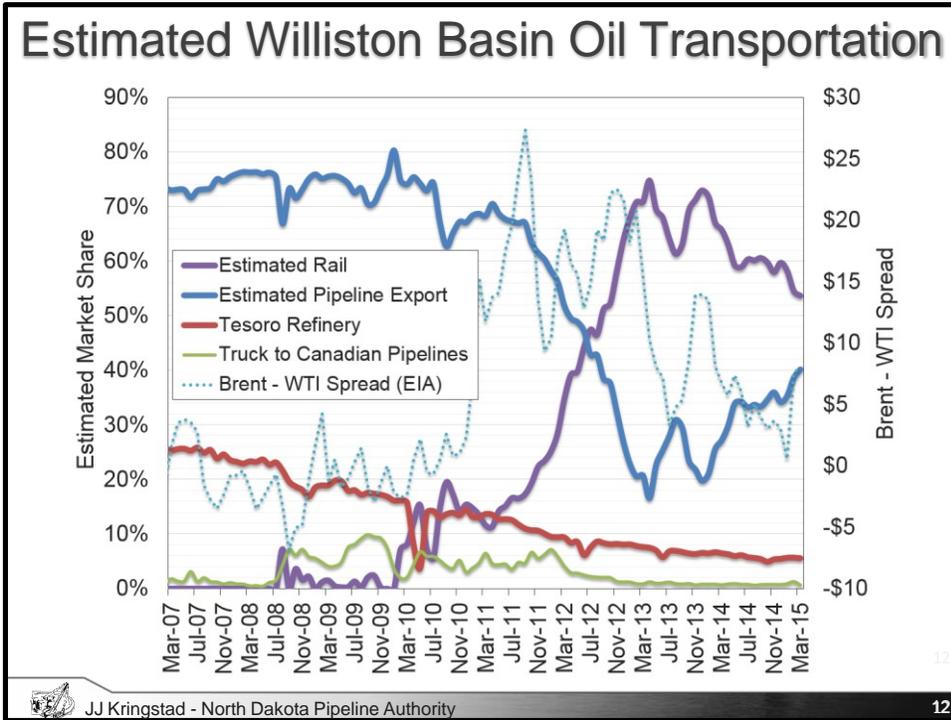


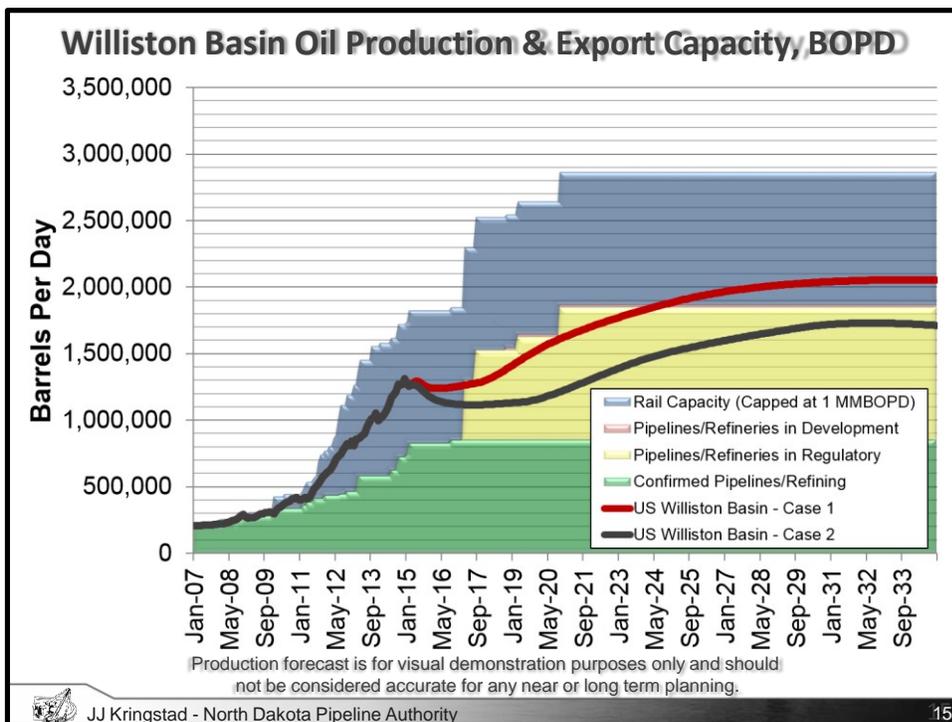
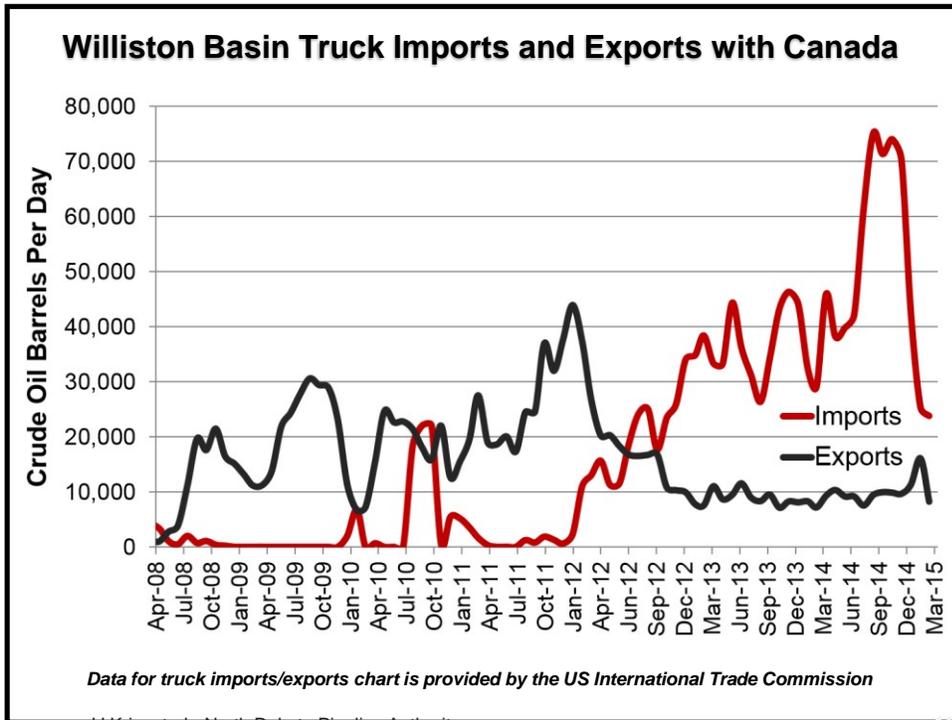




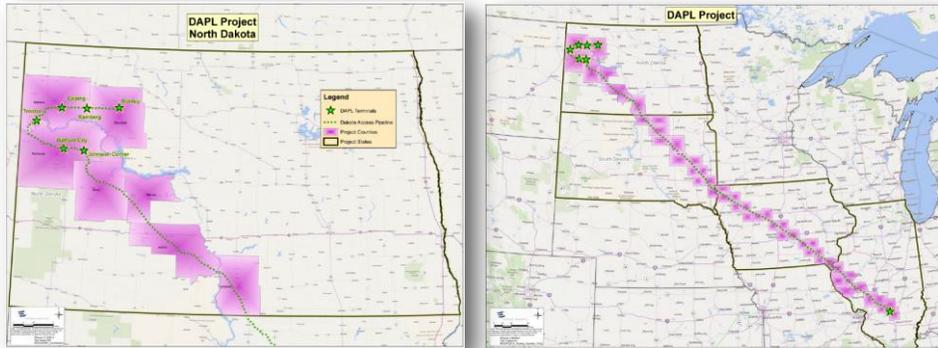








## Energy Transfer Partners: Dakota Access

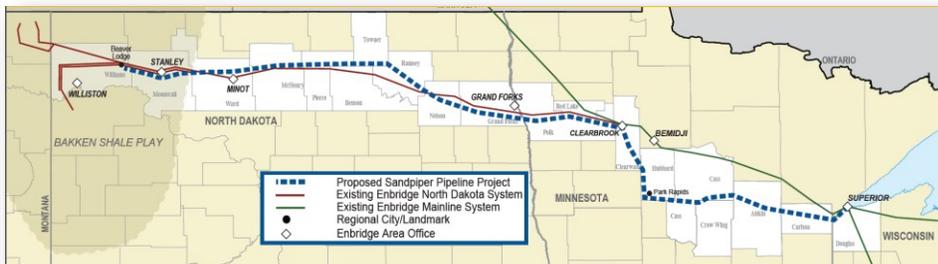


- Successful Open Season During the First Half of 2014
- 450,000 BOPD Capacity to Patoka, IL (30")
- Expandable Up To 570,000 BOPD if Shipper Demand Exists
- Target In-service Date: Late 2016

Map Source: Energy Transfer Partners



## Sandpiper Pipeline

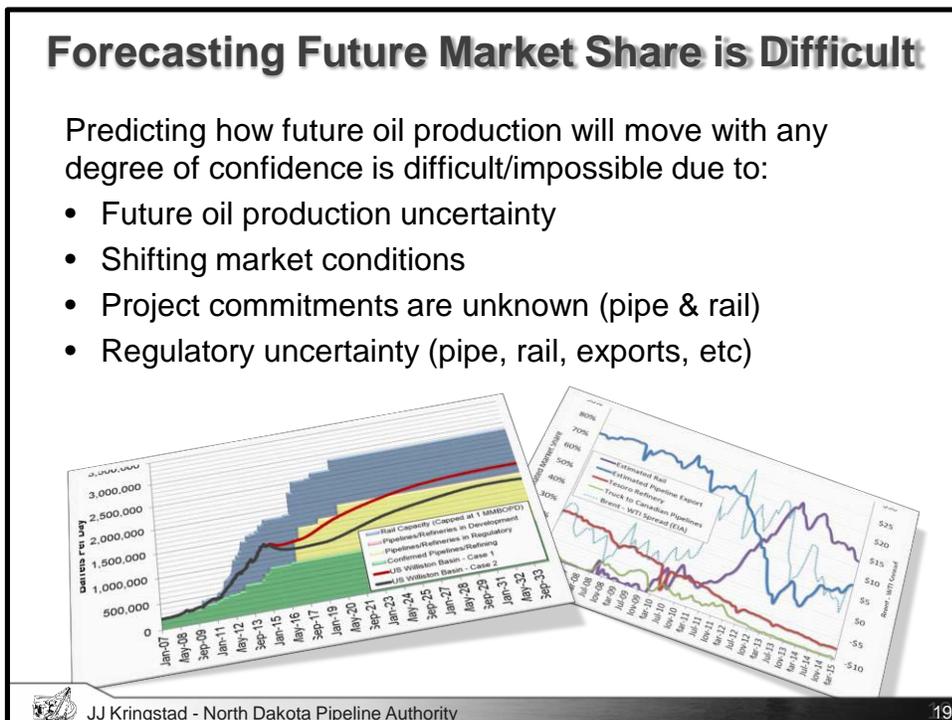
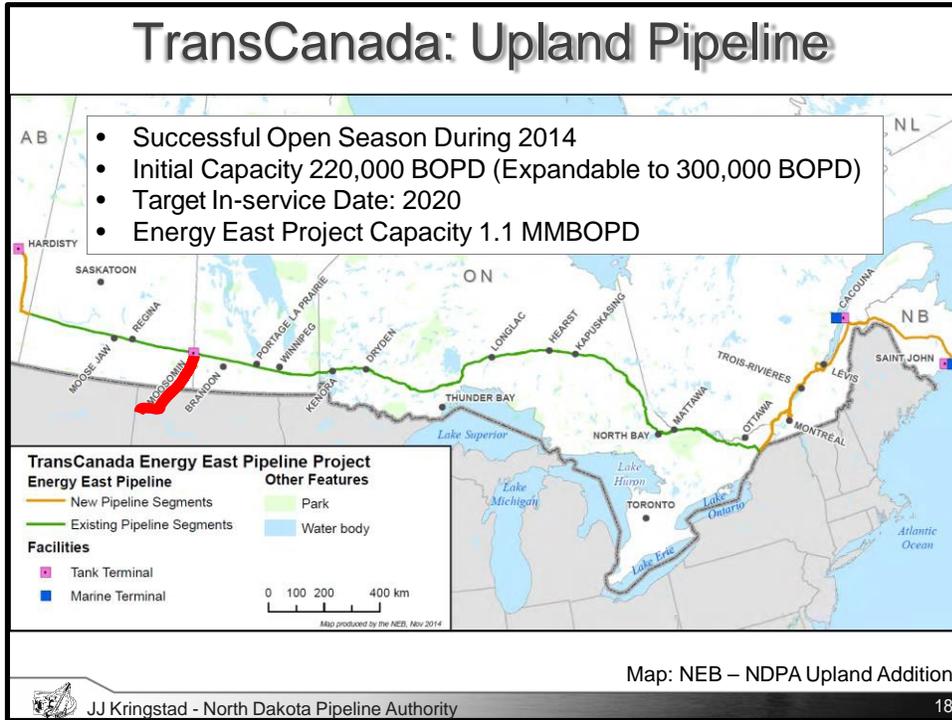


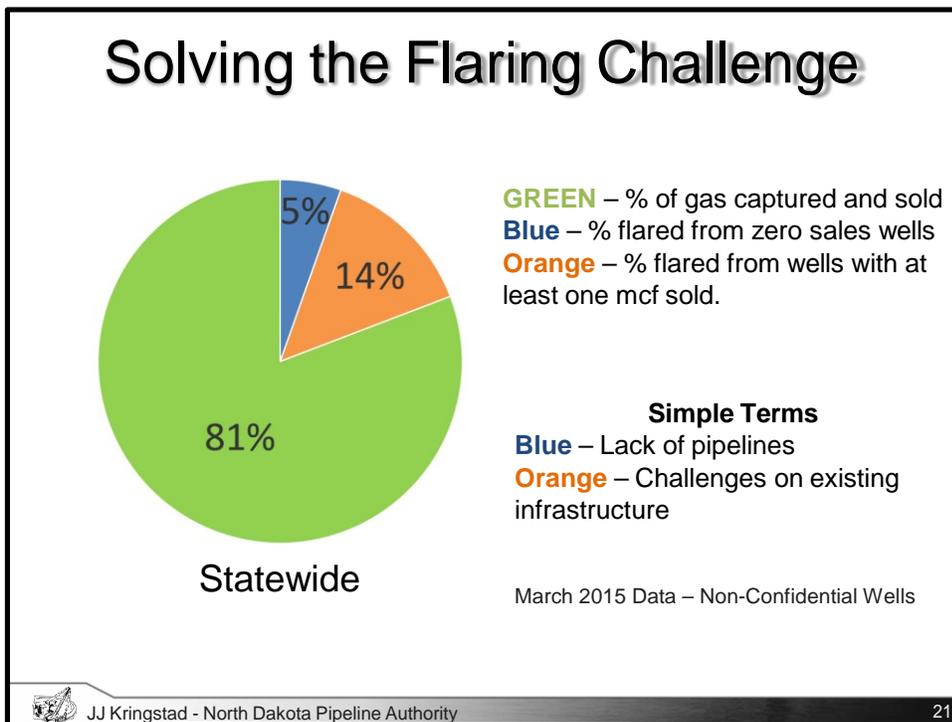
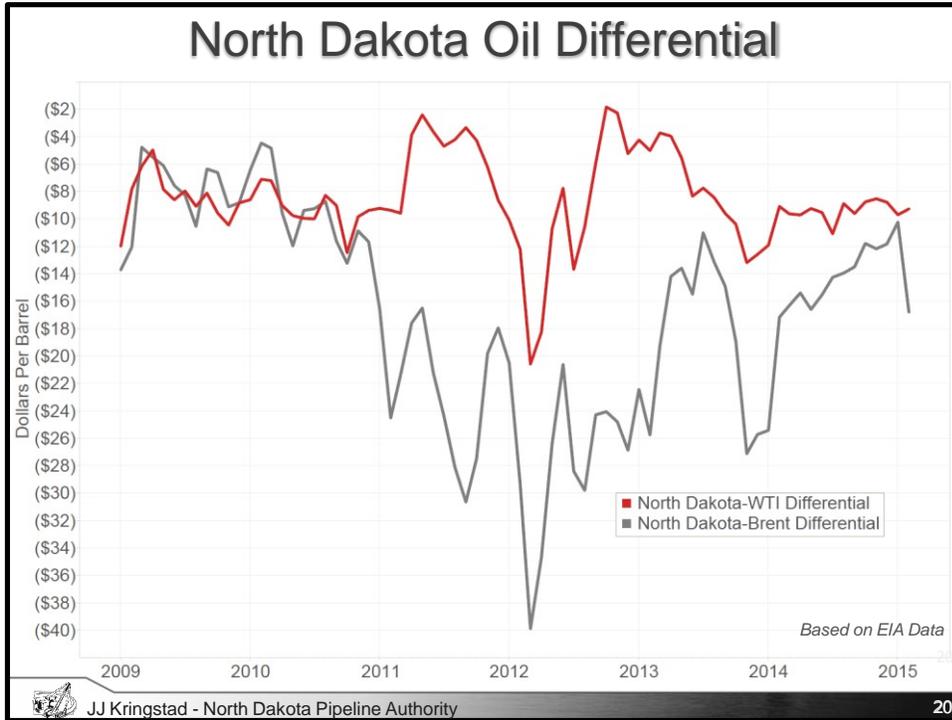
North Dakota Pipeline Company LLC - formerly known as Enbridge Pipelines (North Dakota) LLC

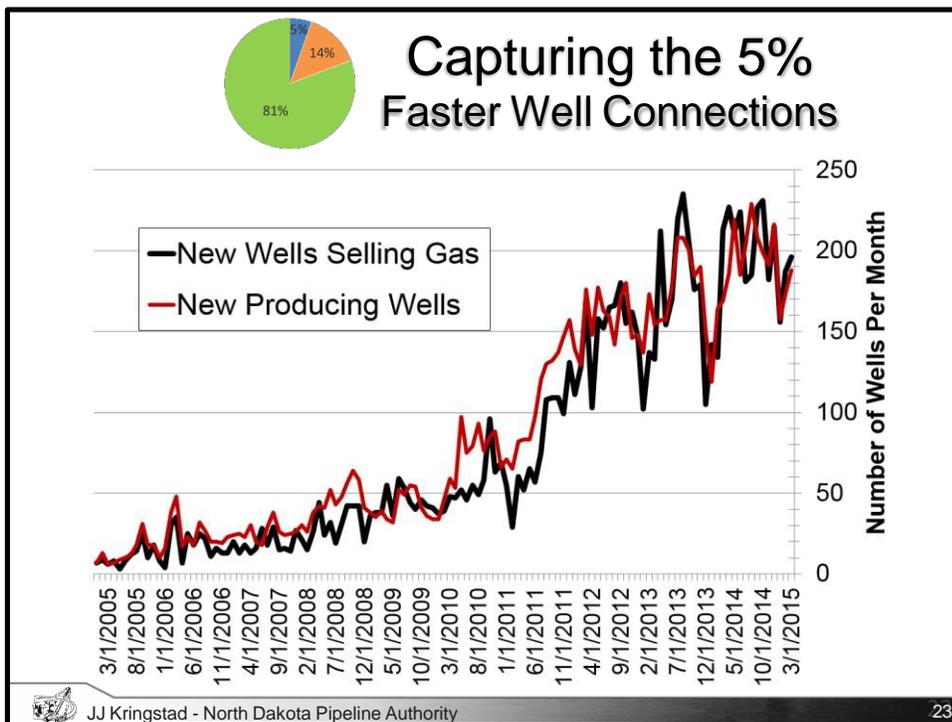
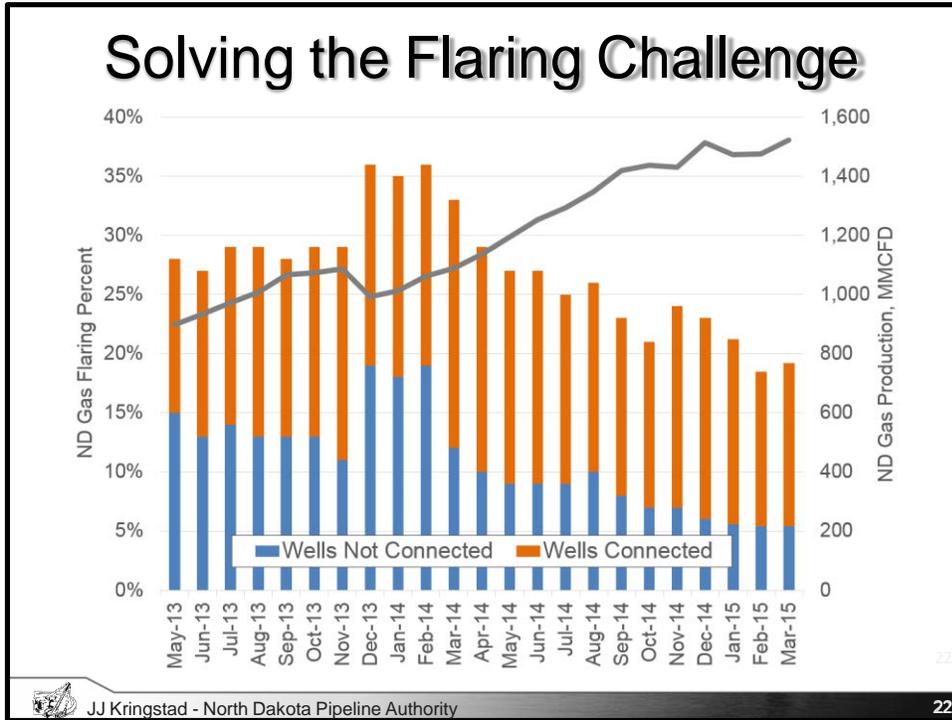
- Open Season Dates: November 26, 2013 – January 24, 2014
- 225,000 BOPD ND Capacity to Clearbrook, MN (24")
- 375,000 BOPD Clearbrook, MN to Superior, WI (30")
- Target In-service Date: 2017

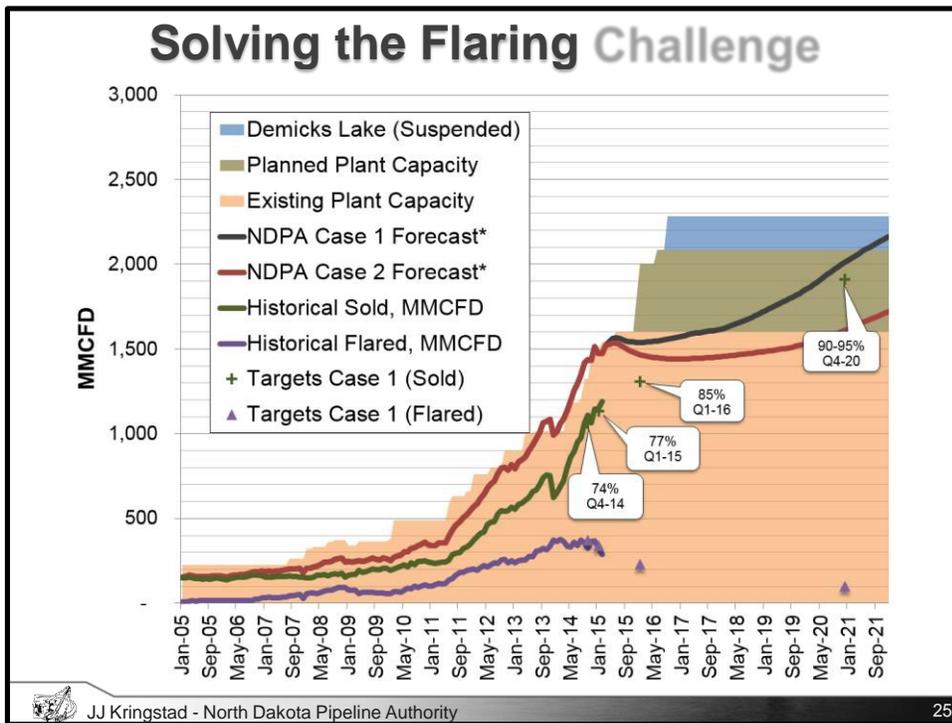
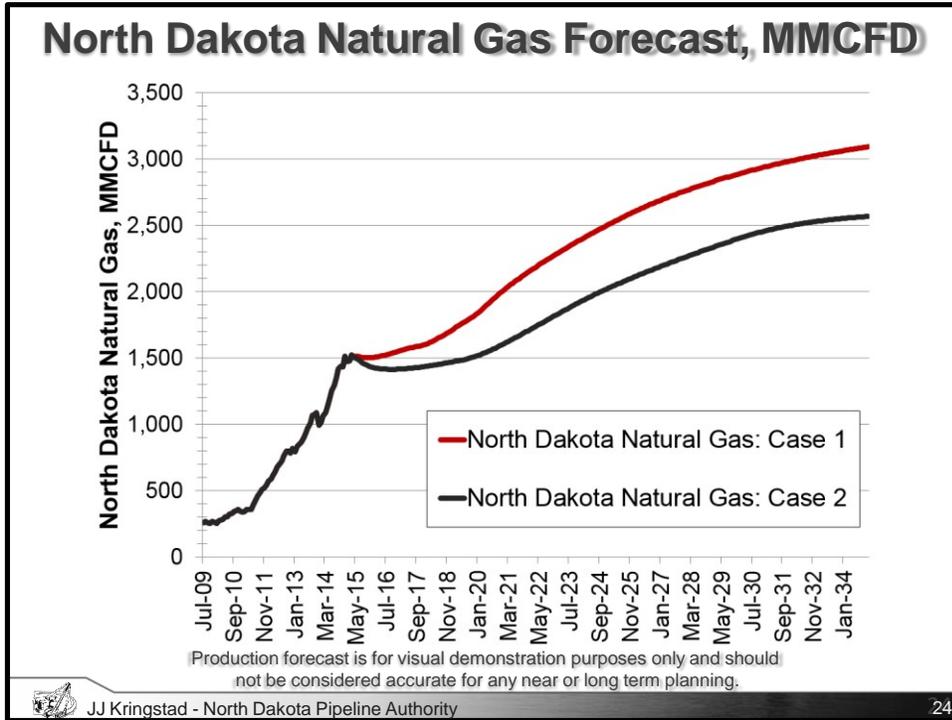
Map: Enbridge

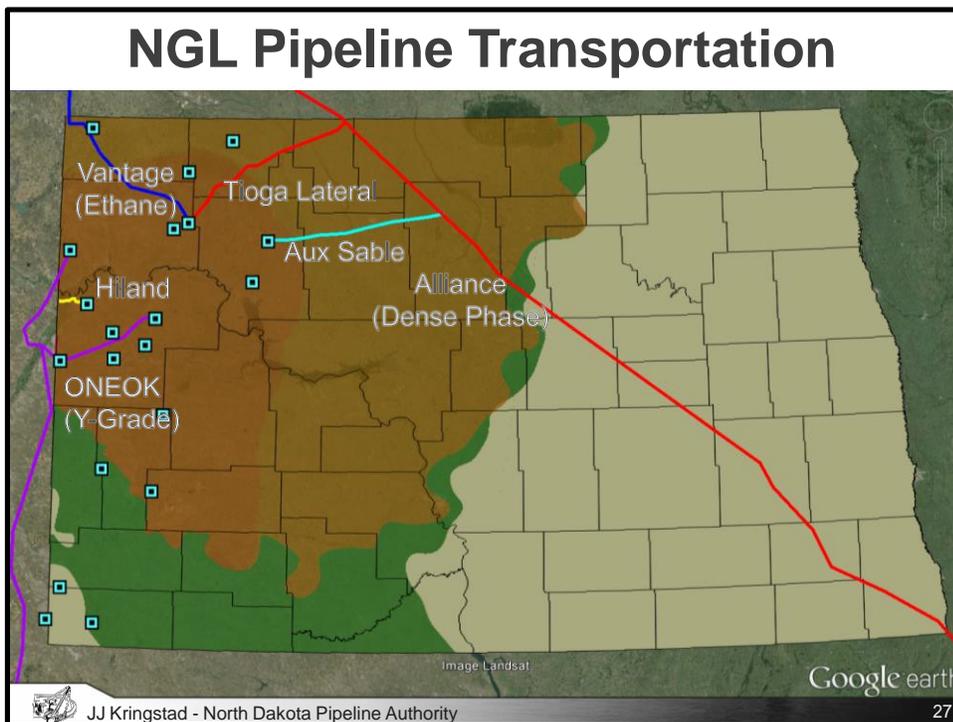
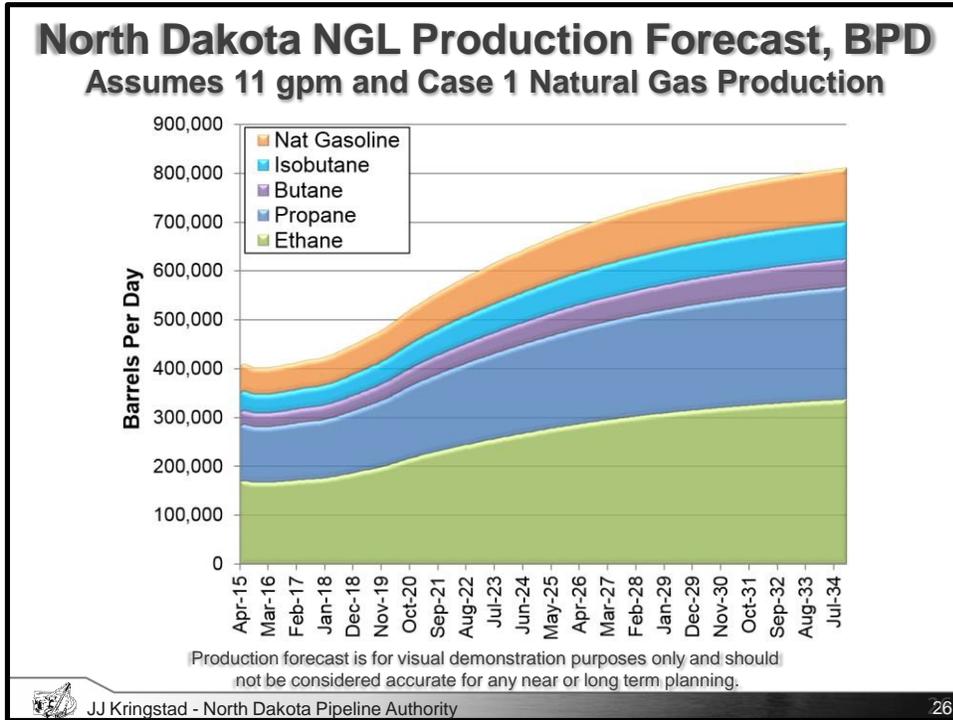












## Contact Information

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E-mail: [jjkringstad@ndpipelines.com](mailto:jjkringstad@ndpipelines.com)



Know what's below.  
Call before you dig.

Websites:  
[www.pipeline.nd.gov](http://www.pipeline.nd.gov)  
[www.northdakotapipelines.com](http://www.northdakotapipelines.com)



JJ Kringstad - North Dakota Pipeline Authority

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In response to a question regarding the status of the Sandpiper project, Mr. Kringstad said the first part of the process--the determination of need--is wrapped up and has gotten approval, now it is in the second part of the process--determining the routing.

Being no further Pipeline Authority business, Governor Dalrymple adjourned this portion of the meeting at 12:18 p.m. and the Commission took up State Mill business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

A handwritten signature in blue ink that reads 'Karlene Fine'.

Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 10, 2015 beginning at 9:00 a.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Wade Moser, Outdoor Heritage Fund  
Jim Melchior, Outdoor Heritage Fund  
Jason Nisbet, Governor's Office  
Kari Doan, Department of Agriculture  
Justin Kringstad, Pipeline Authority  
**Members of the Public (List available in the Commission files.)**  
Members of the Press

Governor Dalrymple called the Outdoor Heritage Fund portion of the Industrial Commission meeting to order at 11:02 a.m. following completion of Oil and Gas Research Program business.

Mr. Wade Moser, Outdoor Heritage Fund Advisory Board Chairman, said with this last grant round, the Board followed the provisions of HB 1409 – even though HB 1409 doesn't go into effect until July 1, 2015. The funding for these projects will be coming from the next biennium's funding and they felt as a Board they wanted to follow those guidelines.

Mr. Moser and Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, gave a legislative update and discussed revisions to the Outdoor Heritage Fund application and budget forms/Legislative Directives as follows:

2015 Legislation

During the 2015 Legislative Session there were several bills that mentioned the Outdoor Heritage Fund. There were a couple of bills that contained references to the funding level for the Outdoor Heritage Fund and House Bill 1409 which dealt with policy issues. By the end of session, House Bill 1409 became the vehicle for the policy changes as well as the funding level for the Outdoor Heritage Fund. Attached is a copy of House Bill 1409. This bill is effective July 1, 2015 with subsection 2 of 54-17.8-05 effective on April 23, 2015 when the Governor signed the bill.

The following is a summary of the policy changes in House Bill 1409 with the Outdoor Heritage Fund Advisory Board (Board) recommendations on the implementation of these provisions.

2015 Legislative Changes  
Proposed Implementation

The Board's Grant Round 5 recommendations reflect that these provisions take effect with these applications. One of the reasons for justifying that determination is that these applications will be coming from funding that will be received in the 2015-2017 biennium.

New Law:

The commission or a grantee may not use grant funds, except after a finding of exceptional circumstances by the commission, to finance:

- a. A completed project or project commenced before the grant application;
- b. A feasibility or research study;
- c. Maintenance costs;
- d. A paving project for a road or parking lot;
- e. A swimming pool or aquatic park;
- f. Personal property that is not affixed to the land;

- g. Playground equipment, except that grant funds may be provided for up to twenty-five percent of the cost of the equipment not exceeding ten thousand dollars per project and all playground equipment grants may not exceed five percent of the total grants per year.
- h. A building except for building that is included as part of a comprehensive conservation plan for a new or expanded recreational project; or
- i. A project in which the applicant is not directly involved in execution and completion of the project.

Implementation -

- d. *A paving project for a road or parking lot.*

GR5-17 application includes a paved parking lot to meet ADA requirements. The Board did vote to fund the paved parking lot. This project is for handicapped accessibility for fishing and it is important to have a paved parking lot. This would fall under exceptional circumstances.

- f. *Personal property that is not affixed to the land.*

Could impact 319 projects: Will no longer be able to include portable windbreaks. It was the general consensus without being a specific decision that this is the case. Funding that is being recommended for GR5-11, GR5-14, GR5-21 and GR5-28 include a stipulation that portable windbreaks can no longer be funded with OHF dollars.

g. *Playground equipment* - The Board is recommending that just the actual costs of the playground equipment (a bid or invoice showing the amount of the equipment costs must be provided) are to be used in the calculation for funding -- cannot include freight or installation or ground materials, removal of old equipment, etc. This impacted the following recommendations: GR5-05; GR5-10; GR5-13; and GR5-17

- h. *No buildings will be financed with OHF funding except for a building that is included as part of a comprehensive conservation plan for a new or expanded recreational project.*

- What is the definition of building? Two definitions were discussed -- a building is a structure with four walls or a building is any constructed structure with a foundation. The Board is recommending that the definition for building is:

“a structure with a roof either with walls or without walls and is attached to the ground in a permanent nature”

Within this Grant Round 5 there are four applications that met that definition -- GR5-16, GR5-18, GR5-25, GR5-27 that had walls and two applications that had structures with no walls but with a roof (picnic shelters) -- GR5-07 and GR5-19. All of these applications were either not recommended for funding or the portion of the application that had a “building” includes a stipulation that portion of the application not be funded with OHF dollars.

- What is a comprehensive conservation plan? No buildings are being recommended for Grant Round 5 funding so this does not impact this grant round. The Board discussed this topic but did not vote on the specific wording. Here is a suggestion for the Commission’s consideration:
  - **A detailed plan that has been formally adopted by the governing board which includes goals and objectives--both short and long term, must show how this building will enhance the overall conservation goals of the project, and the protection or preservation of wildlife and fish habitat or natural areas.**
- How does the applicant show that?
  - The Board said that this does not need to be a complex multi-page document. It could be included as part of their application or be an attachment.

and that it must be for a new and expanded recreational project

- Technical Committee discussion leaned towards it cannot be a replacement building. It may be a new building but it also must be a new or expanded recreational project. Expansion could mean additional land or expansion of an existing building. The Board had limited discussion on this topic. Would recommend the following wording for the application form: **New and expanded recreational project means that the proposed building cannot be a replacement of a current building. The proposed building must also**

**be related to either a new or expanded recreational project--either an expansion in land or an expansion of an existing building or in the opportunities for recreation at the project site.**

Under 54-17.8-05 the following language (in italics) was added to the law and was effective on April 23, 2015:

2. *Place conditions on an offer or a grant including a limit on the duration of an offer*

Recommendation: The Board/Commission can set a limit on duration of an offer on each application or if there isn't a specific date indicated in the application for implementation of the project, then the applicant has until the next Outdoor Heritage Fund Advisory Board meeting to sign the contract and get the project underway or the commitment for funding will be terminated and the applicant may resubmit.

*A "requirement" of matching funds.*

Recommendation: Previously the Board had recommended a 25% match. The Industrial Commission had changed that to 25% match encouraged. Now that the Legislature has included language about a match, the Board's recommendation is that a 25% match be required.

*Limit the source of the matching funds, and the commission shall exclude any money appropriated from the state general fund from use as matching funds unless the legislative assembly authorizes the use of state general fund money as matching funds.*

Recommendation: No General Fund matching dollars unless legislatively appropriated. No other limitations were recommended by the Board.

3. *Approve expenditures for staffing or an outside consultant to design and implement an approved project based on the documented need of the applicant*

Recommendation: The applicant should include in their application a statement why there is a need for funding to pay for staffing or to retain an outside consultant. The following language is being proposed for the Budget Form: If you are requesting OHF funding for staffing or for an outside consultant please provide information on the need for OHF funding to cover these costs. For example, if you are an entity that has engineering staff you may want to explain why you don't have sufficient staff to do the work or if specific expertise is needed or whatever the reason is for your entity to retain an outside consultant. If it is a reimbursement for staff time then a written explanation of why OHF dollars are needed to pay for the costs of that staff member's time must be included in the application. The budget form should reflect the specific dollar amount (line item) being requested for staffing and/or the hiring of an outside consultant.

*and the expenditures may not exceed five percent of the grant to a grantee if the grant exceeds \$250,000 and expenditures may not exceed 10% of the grant to a grantee if the grant is \$250,000 or less;*

Recommendation: Board recommendation is that these calculations not include the costs for the consultant or staff. For example on the GR5-28 application the applicant requested \$660,000 of OHF funding with \$60,000 being for staffing. The Board's recommendation is that the calculation be made on the amount of \$600,000 which would result in OHF funding of \$30,000. If the application is approved the amount of the award would be \$630,000. If the Board had determined that the expenditures should be based on the full request then in this example they would have received \$633,000.

This recommendation impacted GR5-28 (see stipulation). This recommendation could have impacted GR5-01 (see stipulation) and GR5-17 (see stipulation). However, in both of these cases the Board did not provide sufficient documentation to justify the need so no engineering/consultant costs are being recommended for funding with Outdoor Heritage Fund dollars.

Ms. Fine discussed the changes in the application and budget forms as follows:

## Outdoor Heritage Fund Grant Application



The purpose of the North Dakota Outdoor Heritage Fund is to provide funding to state agencies, tribal governments, political subdivisions, and nonprofit organizations, with higher priority given to projects that enhance conservation practices in this state by:

**Directive A.** ~~Provide~~Providing access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;

**Directive B.** ~~Improve, maintain, and restore~~Improving, maintaining and restoring water quality, soil conditions, plant diversity, animal systems and ~~to support by supporting~~ other practices of stewardship to enhance farming and ranching;

**Directive C.** ~~Develop, enhance, conserve, and restore~~Developing, enhancing, conserving and restoring wildlife and fish habitat on private and public lands; and

**Directive D.** ~~Conserve~~Conserving natural areas and creating other areas for recreation through the establishment and development of parks and other recreation areas.

## Exemptions

Outdoor Heritage Fund grants may not be used to finance the following:

- A. Litigation;
- B. Lobbying activities;
- C. Any activity that would interfere, disrupt, or prevent activities associated with surface coal mining operations; sand, gravel, or scoria extraction activities; oil and gas operations; or other energy facility or infrastructure development;
- D. The acquisition of land or to encumber any land for a term longer than twenty years; or
- E. Projects outside this state or projects that are beyond the scope of defined activities that fulfill the purposes of Chapter 54-17.8 of the North Dakota Century Code

## NO CONSIDERATION:

In addition to those specific items in law that are ineligible for funding, in the absence of a finding of exceptional circumstances by the Industrial Commission, the following projects will NOT receive consideration for funding:

- Projects that are already ~~completed~~A completed project or project commenced before the grant application is submitted;
- Projects that are on-going (Phased projects would be considered);
- Staffing;
- Feasibility studiesA feasibility or research study;
- Annual maintenanceMaintenance costs;
- Paving projects for roads and parking lotsA paving project for a road or parking lot;
- Swimming poolsA swimming pool or aquatic park;
- Non-permanent equipment ~~(such as tractors, snowmobiles)~~Personal property that is not affixed to the land;
- Research Playground equipment, except that grant funds may be provided for up to 25% of the cost of the equipment not exceeding \$10,000 per project and all playground equipment grants may not exceed 5% of the total grants per year (see Budget Form for how this will be calculated);
- Staffing or outside consultants except for costs for staffing or an outside consultant to design and implement an approved project based on the documented need of the applicant and the expenditures may not exceed 5% of the grant to a grantee if the grant exceeds

\$250,000 and expenditures may not exceed 10% of the grant to a grantee if the grant is \$250,000 or less (see Budget Form for how this will be calculated);

- A building except for a building that is included as part of a comprehensive conservation plan for a new or expanded recreational project (see Budget Form for definition of comprehensive conservation plan and new or expanded recreational project); or
- Projects where the applicant is not directly involved in the project A project in which the applicant is not directly involved in the execution and completion of the project.

## Application Deadline

Applications for the second grant round cycle are due on **November 3, 2014-October 1, 2015 at 5:00 p.m. CT**. All information, including attachments, must be submitted by that date. See instructions below for submission information.

## Instructions

Please download this Word document (available on the Industrial Commission/Outdoor Heritage Fund Program website at <http://www.nd.gov/ndic/outdoor-info/page.htm> ) to your computer and provide the information as requested. You are not limited to the spacing provided except in those instances where there is a limit on the number of words. After completing the application, save it and attach it to an e-mail and send it to [outdoorheritage@nd.gov](mailto:outdoorheritage@nd.gov) or print it and mail it to the address noted in the next paragraph.

Attachments in support of your application may be sent by mail to North Dakota Industrial Commission, ATTN: Outdoor Heritage Fund Program, State Capitol – Fourteenth Floor, 600 East Boulevard Ave. Dept. 405, Bismarck, ND 58505 or by e-mail to [outdoorheritage@nd.gov](mailto:outdoorheritage@nd.gov). The application and all attachments must be received or postmarked by the application deadline. You will be sent a confirmation by e-mail of receipt of your application.

You may submit your application at any time prior to the application deadline. Early submission is appreciated and encouraged to allow adequate time to review your application and ensure that all required information has been included. Incomplete applications may not be considered for funding. **Any item noted with an \* is required.**

**Oral Presentation.** Please note that you will be given an opportunity to make a ten-minute Oral Presentation at a meeting of the Outdoor Heritage Fund Advisory Board. These presentations are strongly encouraged.

**Open Record.** Please note that your application and any attachments will be open records as defined by law and will be posted on the Industrial Commission/Outdoor Heritage Fund website.

Name of Organization \*  
Federal Tax ID# \*  
Contact Person/Title \*  
Address \*  
City \*  
State \*  
Zip Code \*

E-mail Address \*

Web Site Address (Optional)

Phone \*

Fax # (if available)

List names of co-applicants if this is a joint proposal

**MAJOR Directive: (select the Directive that best describes your grant request)\***

Choose only one response

**Directive A.** Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;

**Directive B.** Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems and to support other practices of stewardship to enhance farming and ranching;

**Directive C.** Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and

**Directive D.** Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

**Additional Directive: (select the directives that also apply to the grant application purpose)\***

Choose all that apply

**Directive A.** Provide access to private and public lands for sportsmen, including projects that create fish and wildlife habitat and provide access for sportsmen;

**Directive B.** Improve, maintain, and restore water quality, soil conditions, plant diversity, animal systems and to support other practices of stewardship to enhance farming and ranching;

**Directive C.** Develop, enhance, conserve, and restore wildlife and fish habitat on private and public lands; and

**Directive D.** Conserve natural areas for recreation through the establishment and development of parks and other recreation areas.

**Type of organization: (select the category that describes your organization)\***

State Agency

Political Subdivision

Tribal Entity

Tax-exempt, nonprofit corporation.

**Project Name\***

**Abstract/Executive Summary.** **An Executive Summary of the project stating its objectives, expected results, duration, total project costs and participants.\*** (no more than 500 words)

**Project Duration:\***

**Amount of Grant request \$ \***

**Total Project Costs \$\***

(Note that in-kind and indirect costs can be used for matching funds)

**A minimum of 25% Match Funding is strongly encouraged required.** **Amount of Matching Funds \$\***

Please indicate if the matching funds will be in-kind, indirect or cash.

**Source(s) of Matching Funds\***

Please provide verification that these matching funds are available for your project. Note that effective as of July 1, 2015 no State General Fund dollars can be used for a match unless funding was legislatively appropriated for that purpose.

**Certifications \***

I certify that this application has been made with the support of the governing body and chief executive of my organization.

I certify that if awarded grant funding none of the funding will be used for any of the exemptions noted on Page 1 of this application.

**Narrative**

**Organization Information – Briefly summarize your organization’s history, mission, current programs and activities. \***

Include an overview of your organizational structure, including board, staff and volunteer involvement. (no more than 300 words)

**Purpose of Grant – Describe the proposed project identifying how the project will meet the specific directive(s) of the Outdoor Heritage Fund Program \***

Identify project goals, strategies and benefits and your timetable for implementation. Include information about the need for the project and whether there is urgency for funding. Please indicate if this is a new project or if it is replacing funding that is no longer available to your organization. Identify any innovative features or processes of your project. **Please note that if your proposal provides funding to an individual, the names of the recipients must be reported to**

the Industrial Commission/Outdoor Heritage Fund. These names will be disclosed upon request.

**Management of Project – Provide a description of how you will manage and oversee the project to ensure it is carried out on schedule and in a manner that best ensures its objectives will be met.\***

Include a brief background and work experience for those managing the project.

**Evaluation – Describe your plan to document progress and results. \***

How will you tell if the project is successful? Please be specific on the methods you will utilize to measure success. Note that regular reporting, final evaluation and expenditure reports will be required for every grant awarded.

## **Financial Information**

ATTACHMENT: **Project Budget – Using the standard project budget format that is available on the website at <http://www.nd.gov/ndic/outdoor-infopage.htm> , please include a detailed total project budget that specifically outlines all the funds you are requesting. Note that a minimum of 25% match funding is strongly encouraged required.\***

The project budget should identify all matching funds, funding sources and indicate whether the matching funds are in the form of cash or in-kind services. Effective July 1, 2015 no State General Fund dollars can be used for a match unless funding was legislatively appropriated for that purpose. As noted on the standard project budget format, certain values have been identified for in-kind services. Please utilize these values in identifying your matching funds.

**NOTE: No indirect costs will be funded.**

I certify that a project budget will be sent to the Commission\*

**Sustainability – Indicate how the project will be funded or sustained in future years. \***

Include information on the sustainability of this project after all the funding from the Outdoor Heritage Fund has been expended and whether the sustainability will be in the form of ongoing management or additional funding from a different source.

**Partial Funding – Indicate how the project will be affected if less funding is available than that requested. \***

**Partnership Recognition - If you are a successful recipient of Outdoor Heritage Fund dollars, how would you recognize the Outdoor Heritage Fund partnership? \* Please note it is a requirement that there be signage at the location of the project acknowledging the funding from the Outdoor Heritage Fund if appropriate for your project.**

## **Scoring of Grants**

All applications will be scored by the Outdoor Heritage Fund Advisory Board after your ten-minute oral presentation. The ranking sheet(s) that will be used by the Board is available on the website at <http://www.nd.gov/ndic/outdoor-infopage.htm> .

### **Awarding of Grants\***

All decisions on requests will be reported to applicants no later than 30 days after Industrial Commission consideration. The Commission can set a limit on duration of an offer on each application or if there isn't a specific date indicated in the application for implementation of the project, then the applicant has until the next Outdoor Heritage Fund Advisory Board regular meeting to sign the contract and get the project underway or the commitment for funding will be terminated and the applicant may resubmit for funding. Applicants whose proposals have been approved will receive a contract outlining the terms and conditions of the grant. Please note the appropriate sample contract for your organization on the website at <http://www.nd.gov/ndic/outdoor-infopage.htm> that set forth the general provisions that will be included in any contract issued by the North Dakota Industrial Commission. Please indicate if you can meet all the provisions of the sample contract. If there are provisions in that contract that your organization is unable to meet, please indicate below what those provisions would be. \*

### **Responsibility of Recipient**

The recipient of any grant from the Industrial Commission must use the funds awarded for the specific purpose described in the grant application and in accordance with the contract. The recipient cannot use any of the funds for the purposes stated under Exemptions on the first page of this application.

If you have any questions about the application or have trouble submitting the application, please contact Karlene Fine at 701-328-3722 or [kfine@nd.gov](mailto:kfine@nd.gov)

Revised ~~August 21, 2014~~ XXXXXX

## **Budget Standard Form**

Please use the table below to provide a detailed total project budget that specifically outlines all the funds you are requesting and the matching funds being utilized to fund this project. Please note if the matching funds are in the form of cash, indirect costs or in-kind services. The budget should identify all other committed funding sources and the amount of funding from each source. Match can come from any source (i.e. private sources, State and Federal funding, Tribal funding, etc.) Effective as of July 1, 2015 no State General Fund dollars can be used for a match unless funding was legislatively appropriated for that purpose. Note a minimum of 25% match funding is strongly encouraged required. An application will be scored higher the greater the amount of match funding provided. (See Scoring Form.)

Please feel free to add columns and rows as needed. Please include narrative to fully explain the proposed budget.

Note that NO INDIRECT COSTS will be funded from the Outdoor Heritage Fund. Also by law several items are ineligible for funding -- see Exemptions in the Application Form. Effective



- Permanent Equipment      Any equipment purchased must be listed separately with documentation showing actual cost. (For example: playground equipment)
- Equipment usage            Actual documentation
- Seed & Seedlings            Actual documentation
- Transportation                Mileage at federal rate
- Supplies & materials        Actual documentation

More categories will be added as we better understand the types of applications that will be submitted. We will use as our basis for these standards other State and Federal programs that have established rates. For example the North Dakota Nonpoint Source Pollution Management Program has established rates. If your project includes work that has an established rate under another State Program please use those rates and note your source.

### **Definitions/Clarifications:**

**Building** - Defined as "A structure with a roof either with walls or without walls and is attached to the ground in a permanent nature."

**Comprehensive Conservation Plan** - Defined as "A detailed plan that has been formally adopted by the governing board which includes goals and objectives--both short and long term, must show how this building will enhance the overall conservation goals of the project and the protection or preservation of wildlife and fish habitat or natural areas." This does not need to be a complex multi-page document. It could be included as a part of the application or be an attachment.

**New and Expanded Recreational Project** means that the proposed building cannot be a replacement of a current building. The proposed building must also be related to either a new or expanded recreational project--either an expansion in land or an expansion of an existing building or in the opportunities for recreation at the project site.

**Playground equipment calculation** - Only the actual costs of the playground equipment (a bid or invoice showing the amount of the equipment costs must be provided) - cannot include freight or installation or surface materials or removal of old equipment, etc.

**Staffing/Outside Consultants Costs** - If you are requesting OHF funding for staffing or for an outside consultant, you must provide information in your application on the need for OHF funding to cover these costs. For example, if you are an entity that has engineering staff you must explain why you don't have sufficient staff to do the work or if specific expertise is needed or whatever the reason is for your entity to retain an outside consultant. If it is a request for reimbursement for staff time then a written explanation is required in the application of why OHF funding is needed to pay for the costs of that staff member(s)' time. **The budget form must reflect on a separate line item the specific amount that is being requested for staffing and/or the hiring of an outside consultant.** This separate line item will then be used to make the calculation of 5% or 10% as outlined in the law. Note that the calculation will be made on the grant less the costs for the consultant or staff.

Recommended by OHF Advisory Board: October 17, 2013  
Approved by Industrial Commission: October 22, 2013  
Revisions recommended by OHF Advisory Board: January 22, 2014  
Approved by Industrial Commission: January 29, 2014  
Revisions recommended by OHF Advisory Board: May 13, 2014  
Approved by Industrial Commission: May 27, 2014  
Revisions recommended by OHF Advisory Board: June 3, 2015  
Approved by Industrial Commission: XXXXXX

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Outdoor Heritage Fund Advisory Board and approves the revisions to the Outdoor Heritage Fund Application and Budget Forms. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Karlene Fine presented the Outdoor Heritage Fund Financial Report as follows:

Outdoor Heritage Fund (294)  
 Financial Statement  
**2013-2015 Biennium**  
 June 10, 2015 Industrial Commission Meeting

	<u>Cash Balance</u>
July 1, 2013 Balance	\$ 0.00
Interest Revenue through April 30, 2015	\$ 6,370.80
Revenues through April 30, 2015	\$16,964,576.32
Grant Expenditures through April 30, 2015	\$ (1,952,609.26)
Administrative Expenditures through April 30, 2015	<u>\$ ( 86,592.87)</u>
	<b>\$14,931,744.99</b>
Outstanding Project Commitments as of April 30, 2015	<u>\$(17,148,332.74)</u>
Balance	<b>\$(2,216,587.75)</b>

Outdoor Heritage Fund  
Continuing Appropriation Authority  
 2013-2015 Biennium

Uncommitted Balance July 1, 2013	\$ 000.00
Interest Revenue	\$ 20,000.00
Revenues Fiscal Year 2014	\$15,000,000.00
Revenues Fiscal Year 2015	<u>\$15,000,000.00</u>
	\$30,020,000.00
Administration Expenditures	\$ (300,000.00)
Project Commitments 2013-2015 (less withdrawn projects)	<u>\$(19,100,942.00)</u>
<b>Available Funding Authority</b>	<b>\$ 10,619,058.00</b>

**54-17.8-02 North Dakota Outdoor Heritage Fund – Continuing appropriation**

*There is created a North Dakota Outdoor Heritage Fund that is governed by the Commission. Any money deposited in the Fund is appropriated on a continuing basis to the Commission for the purposes of this chapter. Interest earned by the Fund must be credited to the Fund. The Commission shall keep accurate records of all financial transactions performed under this chapter.*

**57-51-15(d). Outdoor Heritage Fund - Deposits.**

*First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the State Treasurer who shall: ...*

*(d) Credit four percent of the amount available under this subsection to the North Dakota Outdoor Heritage Fund, but not in an amount exceeding fifteen million dollars in a state fiscal year and not in an amount exceeding thirty million dollars per biennium;*

Mr. Moser discussed the Outdoor Heritage Fund (OHF) Advisory Board (Board) Grant Round 5 recommendations as follows: (All applications are available in the Commission’s files.)

1. GR5-01 - Big Coulee Dam Repair; Submitted by Joint Big Coulee Dam Operation and Maintenance Committee; OHF Funding Request - \$667,048, Total Project Cost - \$1,751,616; **Board Recommendation - \$427,148; Corrected Recommendation - \$426,148**; Duration - 2 years (Attachment 13)
2. GR5-04 - Barnes Lake Preservation Project; Submitted by Woodworth Wildlife Club; OHF Funding Request - \$69,320; Total Project Cost - \$103,320; **Board Recommendation - \$69,320** - Duration - 3 weeks (Attachment 14)
3. GR5-11 - Sheyenne River Sedimentation Reduction Project Phase II; Submitted by Barnes County Soil Conservation District; OHF Funding Request - \$200,000; Total Project Costs - \$1,163,000; **Board Recommendation - \$200,000**; Duration - 4 years (Attachment 15)
4. GR5-14 - Homme Dam Watershed 319 Project; Submitted by Walsh County Three River Soil Conservation District; OHF Funding Request - \$65,000; Total Project Costs - \$550,200; **Board Recommendation - \$65,000**; Duration - 4.5 years (Attachment 16)
5. GR5-05 - Play land Dream; Submitted by Gackle Park Board; OHF Funding Request - \$25,500; Total Project Cost - \$32,000; **Board Recommendation - \$6,000**; Duration - 3 months (Attachment 17)
6. GR5-10 - Almont Park and Playground Equipment Project; Submitted by Almont Historical Society; OHF Funding Request - \$30,227; Total Project Costs - \$40,572; **Board Recommendation - \$5,855**; Duration - 6 months (Attachment 18)
7. GR5-13 - City Park Playground Equipment Upgrade; Submitted by Anamoose Park Board; OHF Funding Request - \$54,000; Total Project Costs - \$86,135; **Board Recommendation - \$10,000**; Duration 3 months (Attachment 19)
8. GR5-09 - Cattail Bay Boat Ramp Project; Submitted by Voices for Lake Oahe; OHF Funding Request - \$33,750; Total Project Costs - \$45,000; **Board Recommendation - \$33,750**; Duration - 6 months (Attachment 20)
9. GR5-17 - Devils Lake Access Improvements for Handicapped, Elderly and Mobility Impaired; Submitted by City of Devils Lake; OHF Funding Request - \$458,074; Total Project Costs - \$610,765; **Board Recommendation - \$326,280 - Corrected Recommendation \$361,728**; Duration - 1 year (Attachment 21)
10. GR5-22 - Tolna Bay Boat Ramp and Recreation Area; Submitted by City of Tolna; OHF Funding Request - \$12,488; Total Project Costs - \$24,975; **Board Recommendation - \$12,488**; Duration - 15 days (Attachment 22)
11. GR5-19 - Marcus Friskop Learning Center (Phase 2); Submitted by Hankinson Public School; OHF Funding Request - \$78,452; Total Project - \$104,172; **Board Recommendation - \$7,000**; Duration - 2 years (Attachment 23)
12. GR5-24 - Egeland RV Park & Campground; Submitted by City of Egeland; OHF Funding Request - \$6,588; Total Project Costs - \$8,784; **Board Recommendation - \$6,588**; Duration - 1 month (Attachment 24)
13. GR5-25 - Bottineau Winter Park Infrastructure & Program Improvements; Submitted by Bottineau Winter Park, Inc.; OHF Funding Request - \$134,893; Total Project Costs - \$215,788; **Board Recommendation - \$70,000**; Duration - 6 months (Attachment 25)
14. GR5-06 - Grassland Restoration and Retention Program; Submitted by Ransom County Soil Conservation District; OHF Funding Request - \$1,250,000; Total Project Cost - \$1,938,500; **Board Recommendation: \$250,000**; Duration - 5 years (Attachment 26)
15. GR5-21 - Beginning Farmer Enhancement; Submitted by North Dakota Natural Resources Trust; OHF Funding Request - \$132,884; Total Project Costs - \$257,441; **Board Recommendation - \$132,884**; Duration - 3 years (Attachment 27)

16. GR5-28 - Emmons County Grassland & Cropland Conservation Effort; Submitted by Emmons County Soil Conservation District; OHF Funding Request \$660,000; Total Project Costs - \$1,080,000; Board Recommendation - \$630,000; Duration - 4 years (Attachment 28)
17. GR5-15 - North Dakota Statewide Windbreak Renovation Initiative; Submitted by North Dakota Forest Service; OHF Funding Request - \$1,800,000; Total Project Costs - \$3,600,000; **Board Recommendation - \$1,800,000**; Duration - 5 years (Attachment 29)
18. GR5-23 - North Dakota Youth Pollinator Habitat Program; Submitted by Pheasants Forever, Inc.; OHF Funding Request - \$20,000; Total Project Costs \$36,225; **Board Recommendation - \$20,000**; Duration - 2 years (Attachment 30)
19. GR5-29 - The Fargo Project: World Garden Commons; Submitted by the City of Fargo; OHF Funding Request - \$350,000; Total Project Costs - \$930,000; **Board Recommendation - \$350,000**; Duration- 6 months (Attachment 31)

Mr. Moser said grants one through four are basically water quality – water issues. These projects are dollars that can be matched with EPA dollars and get some cost sharing. The others were dam repair and work on Barnes Lake for fishing. The request for Big Coulee was decreased down to \$585,000.

Mr. Moser said five, six and seven are playground equipment and they did go by HB 1409 when we decided on those. He noted that playground equipment applications are difficult for the Board. The Board has two different thoughts on it – all of members think playgrounds are good things – every vote was six to five to support them. Six of the Board members thought the OHF should fund playgrounds because there is a lack of dollars in other budgets to do that. The other Board members thought it was not the intent of the law--the OHF should not be replacing playgrounds and that the focus should be to conserve natural areas under Directive B. These applications always have a close vote and are probably the most controversial although they are probably the least expensive of all the applications.

In response to a question Mr. Moser stated that the new law restricts the amount of money available for playgrounds. The law had previously been silent on that issue. The Commission has funded some playgrounds over the last biennium. A couple of the playgrounds that were funded were at Lake Tschida that tied in with the recreational area and trail and Beach was a new park, a new development area.

In response to a question regarding what the match was, Ms. Fine said they all had a 25 percent match.

In response to a question, Mr. Moser said our policy now is on the equipment itself that is on the bid sheet – for easy administration – this is the dollar you bid, this is the equipment you are getting and then that is what the calculation is based on.

Governor Dalrymple noted that there were a number of visitors to the meeting from Almont and allowed them to briefly speak to the Commission.

Mr. Joel Johnson and Ms. Sherilynn Johnson, representing a group from Almont, provided background information on when they started working on their application which is a request for \$30,227 and their submission which was prior to the legislative action, the efforts that the community has made in raising the 25% match--\$11,000 in total with \$5,000 in cash and \$6,000 in in-kind, the need for a safe playground in their community, the increase in the number of children in their community, and the cost of the equipment which is \$40,472.

In response to a question Mr. Moser stated that the Advisory Board's recommendation of \$5,855 was based on the new law and the bid proposal for the equipment. Mr. Moser said there was a debate in the Legislature as to whether playgrounds should be funded from the Outdoor Heritage Fund. There was an

attempt to remove it completely saying playground equipment is not a conservation issue. He thought as a compromise the Legislature put it in but restricted it – it still gives some leeway to fund playgrounds where needed in a new or expanding area. That is the direction the Advisory Board adopted. There was a good debate at the Board meeting with discussion on the funding level in the Parks and Recreation budget.

In response to a question Mr. Moser stated that the two other projects (Gackle and Anamoose) with funding for playground equipment are to replace playground equipment in existing parks. In response to a question Mr. Moser stated they had been calculated in the same manner as the Almont request--strictly 25% of the equipment costs.

The Commission members discussed a number of points:

- They generally do not consider an amount other than what has been proposed by the Advisory Board;
- The Legislature was very specific in what they passed;
- The law is not effective until July 1;
- The application was submitted based on what the law was at the time of submission;
- The amount of funding that is available;
- Other state funding options that may be available and when those grant awards are made.

It was suggested that the Commission go to the cap of \$10,000 for the Almont project which is partially following the legislative action and encourage the community to seek funding from the State Parks and Recreation Department. It was noted that this would still require the community to raise a significant amount of money for their project.

**It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the recommendation of the Outdoor Heritage Fund Advisory Board and approves the funding for the following 7 projects in the total amount of \$786,468 and authorizes the Industrial Commission Executive Director to enter into contracts with the applicants with the contingencies as noted below:**

1. **“Big Coulee Dam Repair” - \$426,148 (OHF funding cannot be used for engineering costs)**
2. **“Barnes Lake Preservation Project” - \$69,320**
3. **“Sheyenne River Sedimentation Reduction Project Phase II” - \$200,000 (OHF funding cannot be used for portable windbreaks)**
4. **“Homme Dam Watershed 319 Project” - \$65,000 (OHF funding cannot be used for portable windbreaks)**
5. **“Play land Dream” - \$6,000**
6. **“Almont Park and Playground Equipment Project” - \$10,000**
7. **“City Park Playground Equipment Upgrade” - \$10,000**

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Moser reviewed the remaining 12 projects. The next five applications dealt with access for fishing or campgrounds. One of the projects does include a playground which they funded at the \$10,000 level. It is a new playground to enhance a fishing area. The next three projects he called the grassland enhancement projects.

- Grassland Restoration and Retention Program – That request was changed significantly. The applicant requested \$1,250,000 and the Advisory Board is recommending \$250,000. The \$1,000,000 that the Board did not recommend was for lease payments. It was basically CRP. The Board has been focusing on projects on the ground that will enhance the grass, establish grass but we don't feel that we need to make rental payments in order to do that.
- Emmons County Grassland & Cropland Conservation Effort. This project is going to focus in on converting poor quality cropland to grassland and on grassland that exists that they are going to put on enhancements such as water development and cross fencing.
- Beginning Farmer Enhancement by the Natural Resource Trust. This project involves ranchers that are looking at enhancing their grasslands by putting projects on that will both enhance the grass for grazing and for wildlife.

Mr. Moser indicated that the next project would provide funding for a statewide program for windbreak renovation. Windbreaks across the state are deteriorating to the point they need to be renovated instead of being torn out.

The next to last application will provide some cost share dollars for developing pollinator sites and the local Pheasants Forever chapters are going to get school groups or classroom groups involved in these projects.

The last application is turning concrete to conservation. There are storm water areas in Fargo that they are going to turn into more of a conservation park grass, trees, etc. The area will still work for storm water but it will be a lot more pleasant for communities to be able to recreate in when there is no water standing.

Commissioner Goehring requested that his office have an opportunity to review the curriculum related to the pollinator application.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Outdoor Heritage Fund Advisory Board and approves the funding for the following 12 projects in the total amount of \$3,674,438 and authorizes the Industrial Commission Executive Director to enter into contracts with the applicants with the contingencies as noted below:**

8. "Cattail Bay Boat Ramp Project" - \$33,750
9. "Devils Lake Access Improvements for Handicapped, Elderly and Mobility Impaired" - \$361,728 noting that an exceptional circumstance exists for the paving of a parking lot because of ADA considerations
10. "Tolna Bay Boat Ramp and Recreation Area" - \$12,488
11. "Marcus Friskop Learning Center (Phase 2)" - \$7,000 (OHF funds to be used only for the primitive campground and access to South Lake Elsie)
12. "Egeland RV Park & Campground" - \$6,588
13. "Bottineau Winter Park Infrastructure & Program Improvements" - \$70,000 (OHF funds cannot be used for Magic Carpet Lift, renovation of an unused building and restrooms)

14. **“Grassland Restoration and Retention Program”- \$250,000 (OHF funding to be used only for Best Management Practices; OHF funding cannot be used for portable windbreaks and no OHF funding can be used for land rental payments)**
15. **“Beginning Farmer Enhancement” - \$132,884 (OHF funding cannot be used for portable windbreaks)**
16. **“Emmons County Grassland and Cropland Conservation Effort” - \$630,000 (Funding for staffing is limited to \$30,000 and funding to be used only for implementation of the Best Management Practices listed in the application -- no OHF funding can be used for portable windbreaks)**
17. **“North Dakota Statewide Windbreak Renovation Initiative” - \$1,800,000**
18. **“North Dakota Youth Pollinator Habitat Program” - \$20,000 with a stipulation that the ND Agriculture Department review the curriculum.**
19. **“The Fargo Project: World Garden Commons” - \$350,000**

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Moser discussed the Outdoor Heritage Fund Advisory Board recommendation regarding the appointment of a subcommittee. (An attachment on the Advisory Board’s actions and background information is available in the Commission files.) He stated the reason the Advisory Board made this recommendation is that the Commission is getting applications for what he called State CRP programs. Rather than continue to have applicants spend time and effort on submitting these types of applications, the Advisory Board is suggesting that a subcommittee clarify and define the type of projects that might receive funding under the Outdoor Heritage Fund directives.

Governor Dalrymple stated that this is a good thing to do if there is some confusion about the mission of the Outdoor Heritage Fund. He indicated that he has some ideas he would be willing to bring to a subcommittee to help bring focus on the types of projects he believes should be funded. He said that he is looking for projects that would emphasize wildlife habitat enhancement on private land or public land and would be of interest to people who care about wildlife’s success; landowners who might like to get involved in the opportunity and also be supportive of best conservation practices. All those elements are needed to really be successful with a larger scale program. There may be a need to talk to a specific entity like the Soil Conservation Service to help develop a kind of a model that the Outdoor Heritage Fund Advisory Board would like to see submitted that could be successful in getting funding. He also had some ideas about proposals that could be used on State Lands. He would be willing to bring his ideas to a subcommittee to help bring focus to their work.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Outdoor Heritage Fund Advisory Board and authorizes the appointment of a six-person subcommittee of the Outdoor Heritage Fund Advisory Board made up of equal parts from conservation and industry to develop a strategy to deal with statewide conservation needs in the future. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Moser discussed the Outdoor Heritage Fund Advisory Board recommendation regarding future grant round deadlines for the 2015-2017 biennium.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Outdoor Heritage Fund Advisory Board and establishes the following Grant Submission deadlines for the 2015-2017 biennium as follows:**

**Grant Submission Deadlines:**

**October 1, 2015**

**March 1, 2016**

**November 1, 2016**

**May 1, 2017**

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Being no further Outdoor Heritage Fund business, Governor Dalrymple adjourned this portion of the meeting at 12:00 Noon and the Commission took up Pipeline Authority business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 10, 2015 beginning at 9:00 a.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Kari Doan, Department of Agriculture  
Vance Taylor, State Mill  
Ed Barchenger, State Mill  
Members of the Press

Governor Dalrymple called the State Mill portion of the Industrial Commission meeting to order at 12:18 p.m. following completion of Pipeline Authority business.

Mr. Vance Taylor, North Dakota Mill President and General Manager, presented the FY 2015 Third Quarter Report (A copy is available in the Commission files.) as follows:

**North Dakota Mill  
Review of Operations  
3<sup>rd</sup> Quarter Ended 3/31/15**

**SUMMARY**

Profits for the 3rd Quarter of the year were \$5,203,354 compared to \$2,180,551 last year. Operating activity for the nine months ending March resulted in a profit of \$14,299,848 compared to \$8,572,247 last year.

	<u>Quarter</u> 3/15	<u>3/14</u>	<u>Year-to-Date</u> 3/15	<u>3/14</u>
Profits	5,203,354	2,180,551	14,299,848	8,572,247
Sales	74,574,188	69,562,947	230,544,474	234,132,780
Cwt. Shipped:				
Spring	2,856,905	2,500,598	8,557,856	8,345,866
% to Total	92.6%	91.0%	92.0%	90.8%
Durum	<u>228,471</u>	<u>246,955</u>	<u>742,061</u>	<u>844,790</u>
	<u>3,085,376</u>	<u>2,747,553</u>	<u>9,299,917</u>	<u>9,190,657</u>
Bag Shipments	640,259	609,013	2,054,661	1,988,414
% to Total	20.8%	22.2%	22.1%	21.6%
Tote Shipments	27,159	31,895	86,804	104,629
% to Total	0.9%	1.2%	0.9%	1.1%
Family Flour Shipments	71,066	65,600	254,115	210,098
Organic Flour Shipments	24,725	28,762	78,048	129,034
Grain Purchased:				
Spring	6,271,324	5,744,114	18,572,541	18,452,950
Durum	<u>321,729</u>	<u>559,109</u>	<u>1,323,451</u>	<u>1,825,427</u>
Total	<u>6,593,053</u>	<u>6,303,223</u>	<u>19,895,992</u>	<u>20,278,377</u>

### SALES

#### 3<sup>rd</sup> Quarter

Sales for the 3<sup>rd</sup> Quarter were \$74,574,188 compared to \$69,562,947 last year. Shipments of 3,085,376 cwt. are 337,823 cwt. above last year. Bag shipments for the 3<sup>rd</sup> Quarter are 640,259 cwt., which is 31,245 cwt. above last year's 3<sup>rd</sup> Quarter. Tote shipments for the 3<sup>rd</sup> Quarter are 27,159 cwt., which is 4,736 cwt. below last year. Family flour shipments reached 71,066 cwt., which is 8.3% above last year's 3<sup>rd</sup> Quarter.

#### Year-to-Date

Sales for the nine months ended March were \$230,544,474 compared to \$234,132,780 last year, a decrease of 1.5%. Shipments of 9,299,917 cwt. are 109,260 cwt. above last year, an increase of 1.2%. This is a new record for 9 months of shipments. Shipments being up 1.2% while sales dollars were down is due to the reduction in the average settled price of grain. The average settled price decreased \$0.48 per bushel from last year. Year-to-date bag shipments are 2,054,661 cwt., an increase of 66,247 cwt. from last year. Tote shipments for the year are 86,804 cwt., which is 17,825 cwt. below last year. Family flour shipments for the nine months ended are 254,115 cwt., an increase of 21.0% from last year. Organic flour shipments were 78,047 cwt., a decrease of 39.5% from last year. It is due to lack of organic grain and high prices that has driven down the shipments of organic flour.

### OPERATING COSTS

#### 3<sup>rd</sup> Quarter

Operating costs for the 3<sup>rd</sup> Quarter were \$6,832,889 compared to \$5,885,202 last year, an increase of \$947,687. Operating cost per cwt. of production was \$2.26 compared to \$2.16 last year, an increase of \$0.10.

#### Year-to-Date

Year-to-date operating costs are \$20,417,114 compared to \$18,140,304 last year, an increase of 12.6%. Operating cost per cwt. of production for the nine months ended was \$2.20 compared to \$2.00 last year, an increase of 10.0%.

### PROFITS

#### 3<sup>rd</sup> Quarter

Profits for the 3<sup>rd</sup> Quarter were \$5,203,354 compared to \$2,180,551 last year. Gross margins as a percent of gross sales for the quarter were 16.2% compared to 11.7% last year.

#### Year-to-Date

Operating activity for the nine months ended March led to a profit of \$14,299,848 compared to \$8,572,247 last year. Year-to-date gross margins are 15.2% compared to 11.6% last year. This is the best year at the mill for profits for the nine months ending March.

#### Risk Management Position

The table below shows our hedge ratio by futures month going forward. A hedge ratio shows the relationship between our net cash position and our futures position.

#### **Position Report 31-Mar-15**

<b>Period</b>	<b>Hedge Ratio</b>
May-15	1.0
July-15	1.1
Sept-15	0.9
Dec-15	1.1
Mar-16	0.8
May-16	0.9
Net Position	0.9

Mr. Taylor discussed a proposed capital project - Bulk Flour Storage Tanks and Scales – as follows:

**Capital Project for Consideration**  
**Bulk Flour Storage Tanks and Scales** **6/10/2015**

This project includes the purchase and installation of 9 new 2200 cwt. bulk flour storage bin/scales, with related structure, hardware and electrical. These bins will be located above tracks 1 and 2 and will be used to store, scale and load out bulk flour into railcars and trucks. The addition of these bins will add 19,800 cwt. of new flour storage, a 19% increase.

The G Mill will increase milling capacity by 30% resulting in the need for additional flour storage. The new storage will reduce bulk loading crew labor costs, reduce mill downtime, and reduce bulk rail car leasing cost.

Bulk Flour Storage Tanks	\$ 4,390,000
Mill Downtime Reduction	240,000
Rail car leasing cost reduction	90,000
Reduced loading crew requirements	186,000
Reduced corrective actions	140,000
<u>Estimated savings per year</u>	<u>\$ 656,000</u>
Payback in years	6.7

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves the Bulk Flour Storage Tanks and Scales capital project in the amount of \$4,390,000. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Taylor gave an update on the G-Mill project. He said it is progressing well. BNSF track has been moved and they are using the rail line again. The Mill purchased a small parcel of land that will be underneath part of the new building--about 5,000 square feet – it is strip of land about 415 feet long and an average of about twelve feet wide. Mill management wanted to own the land the building would be sitting on. The total cost of that parcel was \$19,500 which they took from the capital projects other line item. The BNSF track has been moved and is out of the way. The building should be completed before winter sets in and then the floors will be installed and the equipment will be put in. Construction is on track to be finished in the spring of next year.

In response to a question regarding how big the Mill will be in comparison to other milling complexes when it is all done, Mr. Taylor stated the Mill will be the undisputed number one in

the United States in a single site when this mill is built and the Mill will be at 49,500 cwts per day.

In response to a question regarding the Legislature, Mr. Taylor said they were able to get the FTEs they are going to need and were able to negotiate the contribution to the General Fund to fifty percent which we will be able to handle and still be able to pay for our project – so it ended successfully.

Being no further State Mill business, Governor Dalrymple adjourned this portion of the meeting at 12:32 p.m. and the Commission took up Western Area Water Supply Authority business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 10, 2015 beginning at 9:00 a.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Kari Doan, Department of Agriculture  
Jaret Wirtz, WAWSA  
DeAnn Ament, Public Finance Authority  
Kylee Markel, Public Finance Authority  
Katie Moch, Eide Bailly  
Jolene Kline, Housing Finance Authority  
Pat Nagel, Housing Finance Authority  
Max Wetz, Housing Finance Authority  
Members of the Press

Governor Dalrymple called the Western Area Water Supply Authority portion of the Industrial Commission meeting to order at 12:32 p.m. following completion of State Mill business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented the April monthly financial report as follows:

RE: Western Area Water Supply Authority - Industrial Sales - April, 2015 and Debt Repayment Report

Attached is the Western Area Water Supply Authority (WAWS) financial information for the month of April and for the 21 months ending April 30, 2015.

Pages 1 & 2 were prepared by the Bank of North Dakota reflecting debt service payments. This report actually reflects the debt reduction payments made through May, 2015.

The next 3 pages (pages 3, 4 & 5) I prepared based on the information provided by WAWS staff reflecting revenues and expenses and showing net income. Capital improvement disbursements (highlighted in orange) and prepayments (highlighted in yellow) on Page 3 are noted separately. Excluding the prepayments the net income for the month of April was \$180,632.28. Revenues in April were \$2,080,154.85--down \$600,000 from \$2.6 million last month. Page 6 is the balance sheet prepared by WAWS staff as of April 30, 2015. As noted on the Balance Sheet the Accounts Receivables are \$5,309,838.11.

If you have questions I will be available to review the numbers. Jaret Wirtz will be joining the meeting to discuss the numbers from the month of April and to also respond to questions. (The attachments are available in the Commission's files.)

Mr. Jaret Wirtz discussed the price of water and stated that the WAWS water is one of the highest priced water. Because of that they are seeing a reduced amount of water sales. He indicated that the Commission will need to look at the rate.

Mr. Wirtz discussed a WAWS Board recommendation for funding of a Capital Project - Water Depot Surveillance Cameras at a cost of \$32,400 as follows:

RE: Capital Project Request

At the April Industrial Commission meeting Jaret Wirtz reported the following to the Commission:

Mr. Wirtz discussed some of the technology they are lacking at the depots. The cold water depots are unmanned and they have been experiencing problems with water haulers either overfilling their trucks or having the wrong valves open. Because these tanker trucks are often carrying flowback water in the bottom of their tanks when they overfill their truck they create a bad combination of oil and other fluids that comes boiling out of that truck and sprays all over the depot site. That has resulted in a clean-up cost of anywhere from \$5,000 to \$15,000 every time--a hazardous materials crew has to come in, take out the soil and bring in new gravel, etc. Often if another trucker is at the site they will report who caused the damage. However, when no one is present they are unable to identify the individual that caused the damage. For that reason they are seeking quotes on the installation of cameras at the depot sites.

The Western Area Water Supply Authority Board is recommending that the Commission approve as a capital project the attached bid from State Contracting LLC (they received two bids with this being the preferred bid as it is for surveillance cameras at all the depots) at a cost of \$32,400. The costs for these cameras would come from industrial sales and should reduce the operating costs of WAWS. (The attachments are available in the Commission's files.)

In response to a question regarding how many sites would have cameras, Mr. Wirtz said all 9 depot sites. WAWS did a test and went back through footage and were able to see the DOT numbers on the side of the trucks so they were able identify who was causing problems. There have been many situations where we have caught them and they have paid for the costs of cleanup. However, now that it is slower, less activity, there are less people informing us who was on the site late at night and put flowback water on the site. The costs of the cleanup then have to be paid by WAWS.

**It was moved by Attorney General Stenejem and seconded by Commissioner Goehring that the Industrial Commission authorizes the Western Area Water Supply Authority to proceed with the following capital project:**

**Water Depot Surveillance Cameras at a cost of \$32,400**

In response to a question, Mr. Wirtz said there will be signage at each depot telling people they are being watched.

**On a roll call vote, Governor Dalrymple, Attorney General Stenejem and Commissioner Goehring voted aye. The motion carried unanimously.**

Mr. Wirtz discussed legislation implementation for the upcoming 2015-2017 biennium. He said they recently met with Ms. Fine, Ms. Travnicsek, and the Water Commission staff regarding the funding that is allowed for WAWS in SB 2020 and how WAWS can access it. There were a couple different thoughts and views of what got approved and the intention of the language. The key issue right now is determining how WAWS can access the grants. They are focused on getting more domestic hookups which also requires larger transmission lines in some areas. Right now, the system is still a little immature--just a little over three or four years old and they

need more users to support the system. They may need one more loan supported by industrial sales based on what they had prepaid. He noted that at some locations where they are doing highway construction and WAWS has to relocate pipelines it might be the right time to put in bigger pipelines. They continue to be focused on getting water to domestic users and to repaying their loans to the state.

Being no further Western Area Water Supply Authority business, Governor Dalrymple adjourned this portion of the meeting at 12:46 p.m. and the Commission took up Public Finance Authority business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 10, 2015 beginning at 9:00 a.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Kari Doan, Department of Agriculture  
DeAnn Ament, Public Finance Authority  
Kylee Merkel, Public Finance Authority  
Katie Moch, Eide Bailly  
Members of the Press

Governor Dalrymple called the Public Finance Authority portion of the Industrial Commission meeting to order at 12:50 p.m. following completion of Western Area Water Supply Authority business.

Ms. Katie Moch, Eide Bailly, presented the 2014 Public Finance Authority Audit Report. (A copy of the audit is available in the Commission files.) She said it is their opinion on the financial statements that they are materially correct as of and for the year ended December 31, 2014 so it was an unmodified or a clean opinion.

Ms. Moch indicated that they have an "emphasis of a matter paragraph" identifying that there was a new GASB standard that was implemented during 2014 which was GASB Statement 68-- Accounting and Financial Reporting for Pensions. The result of the implementation of that standard was that the Authority had to record its share of the PERS net pension liability. Ms. Moch indicated that the Commission will start to see the implementation of this standard in all the government financial statements – this audit is one of the first to include this implementation. It is being implemented early to roll into the 2015 State CAFR. As a result of that change, their share of the liability that went on to the Authority books was \$112,000 and there was a restatement of the beginning of their net position for the effects from prior periods of \$136,000. That was the main item affecting the financial statements. Otherwise the financial statements were consistent with prior years and nothing new, unusual or significant to report on. The comments that are requested by the Legislative Audit and Fiscal Review Committee were included – Eide Bailly did not have any internal control deficiencies that were identified, no noncompliance was identified, no other issues or items to report on, no audit adjustments that were identified during the audit. It was a very clean audit and there are no other items of significance to report.

Ms. DeAnn Ament presented the 2014 Public Finance Authority Annual Report. (A copy of the report is available in the Commission files.) She said Mr. Wade Williams passed away last month so the Advisory Committee is down one Advisory Committee member - he had been on the Committee since 1999. She reviewed the report.

Ms. Ament presented the State Revolving Fund 2015A Bond Resolution for the Commission's consideration. She said they want to issue bonds under the State Revolving Fund program for up to \$150 million. She and the financial advisor are currently working on determining the final sizing. The Authority currently needs \$110 million to fund the loans that the Commission has approved through the Clean Water Program. That does not take into account anything that will

be approved at the end of June and going forward. She noted that some of the projects that have been approved are multiyear projects such as Williston who has draws planned out till 2018. The Authority may not do the entire \$150 million but that is the plan now. The Commission previously had done a reimbursement resolution so \$108 million of whatever is issued would be considered reimbursed the day the bonds are sold.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission adopt the following resolution:**

SERIES RESOLUTION FOR UP TO  
\$150,000,000  
NORTH DAKOTA PUBLIC FINANCE AUTHORITY  
STATE REVOLVING FUND PROGRAM BONDS

WHEREAS, the North Dakota Public Finance Authority (the "Authority") is duly constituted as an instrumentality of the State of North Dakota exercising public and governmental functions under the operation, management and control of the Industrial Commission of North Dakota (the "Industrial Commission"), pursuant to Chapter 6-09.4, North Dakota Century Code (the "Act");

WHEREAS, pursuant to the Act, the Authority is authorized to issue bonds and to make loans to political subdivisions of the State of North Dakota and certain other entities through the purchase of municipal securities and other obligations;

WHEREAS, the Legislative Assembly of North Dakota has established a revolving loan fund (the "Clean Water State Revolving Fund" or "Clean Water SRF") pursuant to Chapter 61-28.2, North Dakota Century Code (the "Clean Water SRF Act") to be maintained and operated by the North Dakota Department of Health (the "Department") to provide for loans for the design, construction and rehabilitation of wastewater treatment facilities and certain other activities in accordance with Title VI of the Clean Water Act (the "Clean Water Program");

WHEREAS, the Legislative Assembly of North Dakota has established a revolving loan fund (the "Drinking Water State Revolving Fund" or "Drinking Water SRF") pursuant to Chapter 61-28.1, North Dakota Century Code (the "Drinking Water SRF Act") to be maintained and operated by the Department to provide for loans for expenditures on public water systems and certain other activities in accordance with the Safe Drinking Water Act (the "Drinking Water Program");

WHEREAS, the Authority has previously issued and there are outstanding under the Drinking Water SRF and Clean Water SRF the State Revolving Fund Program Bonds, Series 1996A, Series 1998A, Series 2005A, Series 2008A, Series 2011A, Series 2012A and Series 2012B (together, the "Outstanding Bonds");

WHEREAS, the Outstanding Bonds are secured by an Amended and Restated Master Trust Indenture dated as of July 1, 2011 (the "Master Trust Indenture"), as provided therein;

WHEREAS, the Master Trust Indenture authorizes the issuance of bonds in one or more series pursuant to a Series Resolution authorizing each series;

WHEREAS, the Industrial Commission has determined that, subject to the conditions described herein, it is necessary and expedient that the Authority issue at this time a series of tax-exempt bonds to be

designated “North Dakota Public Finance Authority State Revolving Fund Program Bonds, Series 2015A ” (the “Series 2015A Bonds”) to provide additional funds for the Clean Water Program and Drinking Water Program to provide financing for loans made or to be made to various political subdivisions of the State of North Dakota and other eligible borrowers whose applications may be approved from time to time (together the “Borrowers”) through the purchase of debt obligations issued by such Borrowers (the “Municipal Securities”); and

WHEREAS, the Series 2015A Bonds are sometimes referred to herein as the “Bonds”; and

WHEREAS, the Industrial Commission has determined that it is necessary and expedient to amend the definition of Investment Obligations pursuant to a First Supplemental Master Trust Indenture to be dated as of July 1, 2015 (the “First Supplemental Master Trust Indenture”);

WHEREAS, there have been presented to this Commission, or are on file in the office of the Executive Director of the Authority, copies of the following documents: (i) the Master Trust Indenture; (ii) the form of First Supplemental Master Trust Indenture; (iii) Undertaking to Provide Continuing Disclosure (the “Continuing Disclosure Undertaking”) to be executed by the Executive Director; and (iv) forms of Loan Agreements (the “Loan Agreements”) between the Authority and the Borrowers;

NOW, THEREFORE, BE IT RESOLVED by the Industrial Commission of North Dakota as follows:

#### ARTICLE I Authority and Definitions

Section 1.01. Series Resolution. This Series Resolution is adopted in accordance with the provisions of Sections 2.01 and 2.03 of the Master Trust Indenture and pursuant to the authority contained in the Act, the Clean Water SRF Act and the Drinking Water SRF Act. It is hereby determined pursuant to the Act that the reason for the issuance of the Series 2015A Bonds and the purposes thereof are, with respect to the Series 2015A Bonds, to provide financing for loans to Borrowers through the purchase of Municipal Securities for essential projects at borrowing costs substantially below the costs available to the Borrowers in the private bond markets.

Section 1.02. Definitions. All terms defined in Article I of the Master Trust Indenture or in the Act shall have the same meanings, respectively, in this Series Resolution and with respect to the Series 2015A Bonds as such terms are given in said Article I of the Master Trust Indenture or the Act.

#### ARTICLE II Authorization of Series 2015A Bonds

Section 2.01. Authorization of Series 2015A Bonds. Pursuant to the Master Trust Indenture, a Series of State Revolving Fund Program Bonds to be designated as the “Series 2015A Bonds” is hereby created and authorized to be issued in such aggregate principal amount as the Executive Director may determine, but not to exceed \$150,000,000.

Section 2.02. Purposes. The Series 2015A Bonds are being issued to provide funds to be loaned to Borrowers by purchasing the Municipal Securities issued or to be issued by Borrowers and to pay costs of issuance and to reimburse funds previously allocated to such purpose.

Section 2.03. Date, Payment Dates and Series 2015A Maturities. The Series 2015A Bonds shall be dated as of the date of delivery, or such other date as the Executive Director may determine, except that

Series 2015A Bonds issued on or subsequent to the first interest payment date shall be dated as of the most recent date to which interest has been duly paid or provided for.

The Series 2015A Bonds shall bear interest payable semiannually on April 1 and October 1 in each year, commencing October 1, 2015.

The Series 2015A Bonds shall mature on October 1 in each of the years and in the principal amounts as the Executive Director may determine, provided that the final maturity shall not be later than October 1, 2036.

Section 2.04. Sinking Fund Installments. The Series 2015A Bonds maturing on any date or dates (the "Term Bonds") may be subject to mandatory redemption prior to their stated maturity by payment of Sinking Fund Installments, upon notice as provided in Article III of the Master Trust Indenture, on October 1 in each of the years and amounts as follows, in each case at a redemption price of 100% of the principal amount of such Term Bonds or portions thereof to be so redeemed, together with accrued interest to the redemption date on such mandatory redemption dates and in such amounts as the Executive Director may determine.

Section 2.05. Optional Redemption. The Series 2015A Bonds identified by the Executive Director shall be subject to redemption and prior payment at the option of the Authority on October 1 of the year designated by the Executive Director and on any date thereafter in whole or in part in such amounts from such maturities as the Authority may determine and by lot within a maturity at the redemption prices determined by the Executive Director together with accrued interest to the redemption date.

Section 2.06. Interest Rates. The Series 2015A Bonds shall bear interest at the rates per annum determined by the Executive Director, but not to exceed a true interest cost of 5.00%.

Section 2.07. Denominations, Numbers and Letters. Each Series 2015A Bond shall be in an integral multiple of \$5,000 and shall be numbered separately from R-1 consecutively upwards in order of issuance.

Section 2.08. Sale of Bonds; Acceptance of Offer. The Series 2015A Bonds shall be sold on the basis of competitive bids. Upon receipt of an offer for the purchase of Series 2015A Bonds which she determines to be acceptable, the Executive Director is authorized to execute a bond purchase agreement with the successful bidder.

Section 2.09. Official Statement. The Executive Director shall prepare a Preliminary Official Statement of the Authority in respect to the Series 2015A Bonds, in substantially the form of the draft Preliminary Official Statement on file in the office of the Executive Director, and a final Official Statement shall be distributed with such changes, omissions, insertions and revisions as the Executive Director shall deem advisable in order to make such Official Statement a complete and accurate disclosure of all material facts to prospective purchasers of the Series 2015A Bonds.

Section 2.10. Loan Agreements. The forms of Loan Agreements proposed to be entered into between the Authority and the Borrowers are hereby approved in substantially the forms on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.

Section 2.11. Letter of Representations. The form of Blanket Letter of Representation heretofore executed by the Authority to Depository Trust Company is hereby confirmed and said Blanket Letter of Representation shall be applicable to the Series 2015A Bonds.

Section 2.12. Continuing Disclosure. The form of Continuing Disclosure Undertaking in substantially the form on file is approved and shall be executed by the Executive Director in substantially the form on file with all such changes as the Executive Director may approve, which approval shall be conclusively evidenced by the execution thereof. The Continuing Disclosure Undertaking shall constitute a contractual obligation of the Authority as provided therein.

Section 2.13. Mandatory Redemption. The Series 2015A Bonds shall be subject to mandatory redemption to the extent that the Executive Director determines such a provision to be necessary to comply with the provisions of Section 149(f) of the Internal Revenue Code.

### ARTICLE III Use of Proceeds of Bonds; Allocations

Section 3.01. Allocations. Pursuant to Section 4.01 of the Master Trust Indenture, the Commission specifies that the Clean Water Portions and the Drinking Water Portions of each scheduled payment of principal and interest on each maturity of the Series 2015A Bonds shall be as determined by the Executive Director to reflect (i) that the Series 2015A Bonds issued for the Clean Water Program loans are allocated to the Clean Water Portion as provided in the Master Trust Indenture, and (ii) that the Series 2015A Bonds issued for Drinking Water Program loans are allocated to the Drinking Water Portion as provided in the Master Trust Indenture. Within each of the Drinking Water Portions and Clean Water Portions of principal and interest payments on the Series 2015A Bonds, the Executive Director shall determine the State Match Portion and Leveraged Portion as provided in the Master Trust Indenture. The final percentages, based on the sale results and federal regulations, shall be certified by the Executive Director to the Trustee, subject to modification pursuant to an Allocation Order under the Master Trust Indenture.

Section 3.02. Application of Proceeds. The proceeds of the Series 2015A Bonds shall initially be deposited in the Funds and Accounts established under the Master Trust Indenture as follows:

(a) A portion of the accrued interest, if any, on the Series 2015A Bonds shall be deposited in the Leveraged Bond Accounts of the Drinking Water Bond Fund and Clean Water Bond Fund, and any remainder of the accrued interest on the Series 2015A Bonds shall be deposited as determined by the Executive Director. The amounts shall be determined by the Executive Director.

(b) Amounts determined by the Executive Director shall be deposited in the Clean Water Administration Fund and Drinking Water Administration Fund for payment of the Costs of Issuance of the Series 2015A Bonds and other authorized purposes as allocated by the Executive Director.

(c) The remaining proceeds of the Series 2015A Bonds shall be deposited in the State Match and Leveraged Loan Accounts of the Drinking Water Loan Fund and the State Match and Leveraged Loan Accounts of the Clean Water Loan Fund and to reimburse other Funds and Accounts for amounts drawn to fund loans, all as determined by the Executive Director.

(d) The Executive Director may on behalf of the Authority issue such instructions to the Trustee as she may deem necessary or appropriate to adjust the balances on deposit in the

Funds and Accounts under the Master Trust Indenture to reflect the proper loan sources and other accounting matters consistent with the Master Trust Indenture and federal regulations and to determine the appropriate amounts in each of the Funds and Accounts at the time of delivery of the Series 2015A Bonds. All such instructions shall be reported to this Commission.

It is hereby determined that, because a reserve fund is not reasonably required for the Series 2015A Bonds under Section 148 of the Internal Revenue Code, investment of additional deposits to the Reserve Funds under the Master Trust Indenture would be restricted as to yield, the Series 2015A Bonds shall not be Covered Bonds under the Master Trust Indenture and no deposits shall be made to the Clean Water Reserve Fund or Drinking Water Reserve Fund. The procedures for requesting funds from the Legislature under Sections 5.06 and 6.06 of the Master Trust Indenture do not apply to the Series 2015A Bonds.

#### ARTICLE IV Form, Execution and Other Details of Bonds

Section 4.01. Form of Bond. The Series 2015A Bonds, the Registrar's Authentication Certificate, and the form of assignment shall be in substantially the form set forth in Exhibit A to the Master Trust Indenture, with all such insertions as may be consistent with this Series Resolution.

Section 4.02. Execution and Delivery. The Series 2015A Bonds shall be executed and delivered as provided in the Master Trust Indenture.

Section 4.03. Uses of Securities Depository; Book-Entry Only System. The provisions of this Section shall take precedence over the provisions of the Master Trust Indenture to the extent they are inconsistent therewith.

(a) The Depository Trust Company ("DTC") has agreed to act as securities depository for the Series 2015A Bonds, and to provide a Book-Entry Only System for registering the ownership interests of the financial institutions for which it holds the Series 2015A Bonds (the "DTC Participants"), and for distributing to such DTC Participants such amount of the principal and interest payments on the Series 2015A Bonds as they are entitled to receive, for redistribution to the beneficial owners of the Series 2015A Bonds as reflected in their records (the "Beneficial Owners").

(b) Initially, and so long as DTC or another qualified entity continues to act as securities depository, the Series 2015A Bonds shall be issued in typewritten form, one for each maturity in a principal amount equal to the aggregate principal amount of each maturity, shall be registered in the name of the securities depository or its nominee, and shall be subject to the provisions of this Section. While DTC is acting as the securities depository, the Series 2015A Bonds shall be registered in the name of DTC's nominee, CEDE & CO; provided that upon delivery by DTC to the Authority and the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., the words "CEDE & CO." in this Resolution shall refer to such new nominee of DTC.

With respect to Series 2015A Bonds registered in the name of a securities depository or its nominee, the Authority and the Trustee shall have no responsibility or obligation to any DTC Participant or other person with respect to the following: (1) the accuracy of the records of any securities depository or its nominee with respect to any ownership interest in the Series 2015A Bonds, (ii) the delivery to any DTC Participant or any other person, other than DTC, of any notice

with respect to the Series 2015A Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than DTC, of any amount with respect to the principal of or interest on the Series 2015A Bonds. The Trustee shall pay all principal of and interest on the Series 2015A Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to the principal and interest on the Series 2015A Bonds to the extent of the sum or sums so paid. So long as the Book-Entry Only System described in this Section is in effect, no person other than DTC shall receive an authenticated Series 2015A Bond.

(c) Upon receipt by the Authority and the Trustee of written notice from the securities depository to the effect that it is unable or unwilling to discharge its responsibilities under the Book-Entry Only System, the Trustee shall issue, transfer and exchange Series 2015A Bonds of the initial series as requested by the securities depository in appropriate amounts, and whenever the securities depository requests the Authority and the Trustee to do so, the Authority and the Trustee shall cooperate with the securities depository in taking appropriate action after reasonable notice (i) to arrange for a substitute depository willing and able, upon reasonable and customary terms, to maintain custody of the Series 2015A Bonds, or (ii) to make available Series 2015A Bonds registered in whatever name or names the Beneficial Owner registering ownership, transferring or exchanging such Series 2015A Bonds shall designate, in accordance with clause (f) or clause (g) below, whichever is applicable.

(d) In the event the Authority determines that it is in the best interests of the Beneficial Owners that they be able to obtain printed Series 2015A Bonds, the Authority may so notify the securities depository and the Trustee, whereupon the securities depository shall notify the Beneficial Owners of the availability through the securities depository of such printed Series 2015A Bonds. In such event, the Authority shall cause to be prepared and the Trustee shall issue, transfer and exchange printed Series 2015A Bonds, fully executed and authenticated, as requested by the securities depository in appropriate amounts and, whenever the securities depository requests, the Authority and the Trustee shall cooperate with the securities depository in taking appropriate action after reasonable notice to make available printed Series 2015A Bonds registered on the Bond Register in whatever name or names the Beneficial Owners entitled to receive Series 2015A Bonds shall designate, in accordance with clause (f) or clause (g) below, whichever is applicable.

(e) Notwithstanding any other provisions of this Resolution to the contrary, so long as any Series 2015A Bond is registered in the name of a securities depository or its nominee, all payments of principal and interest on the Series 2015A Bond and all notices with respect to the Series 2015A Bond shall be made and given, respectively, to the securities depository as provided in the Blanket Representation Letter given to it by the Authority.

(f) In the event that the Book-Entry Only System established pursuant to this Section is discontinued, except as provided in clause (g), the Series 2015A Bonds shall be issued through the securities depository to the Beneficial Owners.

(g) In the event of termination of the Book-Entry Only System, the Authority shall have the right to terminate, and shall take all steps necessary to terminate, all arrangements with the securities depository described herein, and thereafter shall issue, register ownership of, transfer and exchange all Series 2015A Bonds as provided in Article II hereof. Upon receipt by the securities depository of notice from the Authority, the securities depository shall take all actions necessary to assist the Authority and the Trustee in terminating all arrangements for the issuance of

documents evidencing ownership interests in the Series 2015A Bonds through the securities depository. Nothing herein shall affect the securities depository's rights under clause (e) above.

Section 4.04. First Supplemental Master Trust Indenture. The form of First Supplemental Master Trust Indenture is hereby approved and shall be executed by the Chairman and Secretary of the Commission in substantially the form on file, but with such changes as the officers executing the same shall approve, which approval shall be conclusively evidenced by the execution thereof. The First Supplemental Trust Indenture shall be effective upon certification by the Executive Director to the Trustee that the rating on the Authority's Outstanding Bonds will be maintained based on the rating reports of each Rating Agency.

#### ARTICLE V Special Covenants

The Commission and the Authority covenant and agree with the persons who at any time are Holders and Owners of the Series 2015A Bonds that so long as any Series 2015A Bonds remain outstanding and unpaid:

Section 5.01. Observe Master Trust Indenture, Series Resolution and Loan Agreement. The Commission and the Authority will faithfully keep and observe all the terms, provisions and covenants contained in the Master Trust Indenture, this Series Resolution and the Loan Agreements.

Section 5.02. Maintenance of Tax-Exempt Status. Neither the Commission nor the Authority shall take, or permit the Political Subdivision to take, any action that would cause the Series 2015A Bonds to be "private activity bonds" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended. The Commission and the Authority shall comply with all the rebate requirements imposed under Section 148(f) of the Internal Revenue Code of 1986, as amended, and regulations thereunder, which are necessary to preserve the tax exempt status of the Series 2015A Bonds, including (if applicable) the requirement to make periodic calculations of the amount subject to rebate thereunder and the requirement to make all required rebates to the United States. The Authority agrees to use any moneys on deposit in any Fund or Account maintained under the Master Trust Indenture to pay any such rebate (or penalty in lieu thereof) when due to the extent permitted by the Master Trust Indenture. In addition, the Authority shall make no investment of funds or take or permit the Political Subdivision to take any action that would cause the Series 2015A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations thereunder. The Executive Director is hereby authorized to make on behalf of the Authority any elections under the provisions of Section 148 of the Internal Revenue Code of 1986 and regulations thereunder as she may deem appropriate. All terms used in this Section 5.02 shall have the meanings provided in the Internal Revenue Code of 1986, as amended, and regulations thereunder. The Executive Director shall execute any certificates as may be necessary or appropriate to establish the tax exempt status of the Series 2015A Bonds.

#### ARTICLE VI Miscellaneous

Section 6.01. Amendments. This Series Resolution may be amended as provided in the Master Trust Indenture.

Section 6.02. Determinations. All determinations of the Executive Director required or permitted to be made hereunder shall be in writing, and the Executive Director shall file a copy thereof with the Trustee and the Secretary of the Industrial Commission.

Section 6.03. Effective Date. This Series Resolution is effective immediately.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Ament presented the State Revolving Fund Supplemental Master Trust Indenture. She said since they are going to issue bonds, this is a good time to make any changes in the Indenture. In 2013 the Commission approved amendments to the Public Finance Authority's investment policy. With this Supplemental Master Trust Indenture the Authority is aligning the Indenture with the policy that was passed in 2013. The main thing they are looking at is being able to invest in federal agencies – previously the Authority had not been able to buy Fannie Maes, etc. for investments and those generally have a higher yield.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission adopt the following resolution:**

NORTH DAKOTA PUBLIC FINANCE AUTHORITY  
NORTH DAKOTA STATE REVOLVING FUND PROGRAM  
FIRST SUPPLEMENTAL  
MASTER TRUST INDENTURE  
Dated as of July 1, 2015  
NORTH DAKOTA PUBLIC FINANCE AUTHORITY  
to  
THE BANK OF NORTH DAKOTA  
As Trustee

THIS FIRST SUPPLEMENTAL MASTER TRUST INDENTURE, dated as of July 1, 2015, from the NORTH DAKOTA PUBLIC FINANCE AUTHORITY, an instrumentality of the State of North Dakota exercising its public and governmental functions (the "Authority") to THE BANK OF NORTH DAKOTA, an agency of the State of North Dakota (the "Trustee"),

WITNESSETH:

WHEREAS, the Authority and the Trustee have entered into a Master Trust Indenture dated as of July 1, 2011 (the "Master Indenture"), in connection with the North Dakota Drinking Water State Revolving Fund (the "Drinking Water SRF") and Clean Water State Revolving Fund (the "Clean Water SRF") described therein;

WHEREAS, Section 12.01 authorizes the Authority and the Trustee to enter into indentures supplemental to the Master Indenture which they deem necessary or desirable without the consent of any Bondholder for any amendments, except amendments described in Section 12.04, if in the judgment of the Executive Director the rating then in effect on any Outstanding Bonds will be maintained or improved, which judgment has been certified to the Trustee based on the written rating report or other written evidence provided by each Rating Agency rating Outstanding Bonds;

WHEREAS, the Authority has determined that the amendments to the Master Indenture made hereby satisfy the requirements of the Master Indenture; and

WHEREAS, the Authority and the Trustee have duly authorized the execution and delivery of this First Supplemental Master Trust Indenture;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL MASTER TRUST INDENTURE WITNESSETH:

1. The Master Indenture is hereby amended by amending the definition of Investment Obligations in Section 1.01 to read as follows:

“Investment Obligations” means and includes any of the following, if and to the extent the same are at the time not prohibited by law for investment of the Authority’s moneys:

(a) Bonds, notes, bills or other debt instruments issued or unconditionally guaranteed by the U.S. Treasury or the U.S. government;

(b) Bonds, notes, participation certificates or other debt securities issued or unconditionally guaranteed by any U.S. government agency, instrumentality, or government sponsored enterprise (“GSE”);

(c) Debt obligations issued or unconditionally guaranteed by the state of North Dakota, or any political subdivision, municipality or agency within the state. State of North Dakota debt obligations have no rating requirement and no maturity limit.

(d) Debt obligations issued or unconditionally guaranteed by any state other than North Dakota in the U.S., or any political subdivision, municipality or agency within any other state in the U.S., with a minimum short term rating of “MIG-1” or “VMIG-1”, or its equivalent, or a minimum long term rating of “A3”, or its equivalent, by a nationally recognized statistical rating organizations (NRSRO) ;

(e) Commercial paper rated “P-1”, or its equivalent, by a NRSRO;

(f) Bankers’ Acceptances, issued by a domestic bank or domestic branch of a foreign bank, with a minimum short-term rating of “P-1”, or its equivalent, by a NRSRO;

(g) Deposits or securities issued by the Bank of North Dakota;

(h) Negotiable certificates of deposit, issued by a nationally or state-chartered bank, savings association, federal association, state or federal credit union, or by a state or federally-licensed branch of a foreign bank, with a minimum short-term rating of “P-1”, or its equivalent, or a minimum long-term rating of “A3”, or its equivalent, by a NRSRO;

(i) Certificates of deposit and time deposits issued or endorsed by a domestic bank, or a savings and loan association, organized and supervised under the laws of the United States and denominated in U.S. dollars; provided, however, that deposits, if other than with the Bank of North Dakota, are fully insured or guaranteed by the Federal Deposit Insurance Corporation (“FDIC”);

(j) Corporate notes or other debt obligations issued in the U.S. by a domestic or foreign corporation, or by a depository institution licensed in the U.S., with a minimum short-term rating of “P-1”, or its equivalent, or a minimum long term debt rating of “A3” or its equivalent, by a NRSRO;

(k) Investments in money-market mutual funds rated “Aaa-mf”, or its equivalent, by a NRSRO.

(l) Guaranteed investment contracts issued, secured, or guaranteed by a corporation, insurance company, or national banking association which has a minimum long-term debt rating of “Aa3”, or its equivalent, by a NRSRO, without regard to any credit enhancement.

(m) Repurchase agreements that are collateralized by obligations in paragraphs (a) and (b) of this section. Additional terms are as follows: (i) Repurchase agreements shall only be entered into with primary dealers, as designated by the Federal Reserve Bank of New York; (ii) A Securities Industry and Financial Markets Association (SIFMA) master repurchase agreement or specific written repurchase agreement governs the transaction; (iii) Collateral will always be held by an independent third party. Such third party is: (a) a Federal Reserve Bank; or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has capital of not less than \$500 million; or (c) the Bank of North Dakota; (iv) A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Authority; (v) The fair market value of the investment securities in relation to the amount of the repurchase obligation, including principal and interest, shall be at least 102%; (vi) The Authority or an independent third party acting solely as an agent for the Authority will value the collateral securities every business day and will require additional collateral securities if any deficiency is identified;

The term also includes the following, to the extent purchased with funds reasonably allocable by the Trustee to amounts deposited in the Reserve Funds or Loan Funds after the date hereof or amounts deposited in the Revenue Funds and Bond Funds which are derived from Loans funded from sources other than the proceeds of Existing Bonds or investment earnings on proceeds of Existing Bonds:

(n) Pre-refunded municipal obligations that are defeased by direct obligations of the United States of America;

(o) A forward purchase agreement that provides for future delivery of one of the existing permitted Investment Obligations described in clauses (a) to (n) above.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Ament presented the Capital Financing Program 2015B Results of Sale. She said the Authority sold the bonds in April for \$23.6 million for Watford City for their infrastructure going to the new school and the event community center and also the City of Forman was included for street improvement projects in their area. There were four bids with a tight spread and Citi Global Markets was the winning bid at 3.32. It was a good sale with the borrowers happy with the results.

Being no further Public Finance Authority business, Governor Dalrymple adjourned this portion of the meeting at 1:00 p.m. and the Commission took up Housing Finance Agency business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 10, 2015 beginning at 9:00 a.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Kari Doan, Department of Agriculture  
Jolene Kline, Housing Finance Agency  
Pat Nagel, Housing Finance Agency  
Eric Hardmeyer, Bank of North Dakota  
Tom Redmann, Bank of North Dakota  
Chad Johnson, Bank of North Dakota  
Members of the Press

Governor Dalrymple called the Housing Finance Agency portion of the Industrial Commission meeting to order at 1:00 p.m. following completion of Public Finance Authority business.

Ms. Jolene Kline, Housing Finance Agency Executive Director, reported that the Agency issued bonds in late May and early June under its General Authorization Resolution for \$63.8 million to finance our single family loan program. Mr. Pat Nagel said there was \$63 million in proceeds. The cost of funds was 2.7 percent so the Agency is allowed to achieve gross spread on it. The government rate was 3.15 percent. It is a very low rate transaction with the swap on it. One thing different on it was the variable rates bonds were privately placed. RBC Bank purchased them which administratively going forward makes it a little easier for the Agency. The sale went very well. Subscriptions were 3 to 6 times on virtually all maturities as not nearly as many states are issuing single family bonds.

Ms. Kline stated that the way this works is that Agency uses a line of credit at the Bank of North Dakota to purchase loans and when there is a significant amount they go to the capital markets and sells bonds. The proceeds from this sale were nearly 100% used up. The Agency will now start over again using that line of credit.

Ms. Kline indicated that the production numbers are up for the single family loan program. The Agency did about 800 loans in 2014; in 2015 the Agency is on track to exceed 1,000 loans. The Agency is putting more people into homeownership.

Ms. Kline presented a Supplemental General Authorization Resolution for the North Dakota Housing Finance Agency Housing Finance Program Bonds 2015 Series B - \$46,100,000 and 2015 Series C - \$17,700,000.

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission adopt the following resolution:**

STATE OF NORTH DAKOTA  
NORTH DAKOTA HOUSING FINANCE AGENCY HOUSING FINANCE PROGRAM  
BONDS HOME MORTGAGE FINANCE PROGRAM  
2015 SERIES B - \$46,100,000  
2015 SERIES C - \$17,700,000

**SUPPLEMENTAL  
GENERAL AUTHORIZATION RESOLUTION**

WHEREAS, the Industrial Commission of North Dakota (the “Commission”), acting in its capacity as a state housing finance agency, i.e., the North Dakota Housing Finance Agency (the “Agency”), is empowered by the provisions of the North Dakota Century Code Chapter 54-17 (the “Act”) to establish and has established a home mortgage finance program to contract to purchase from lenders mortgage loans made to persons or families of low or moderate income to finance the purchase or substantial rehabilitation of owner occupied, residential dwelling units; and

WHEREAS, the Commission adopted the Housing Finance Program General Bond Resolution of 1994, on July 21, 1994, as amended (the “General Resolution”) wherein Wells Fargo Bank, National Association, Minneapolis, Minnesota, was appointed trustee (the “Trustee”), which General Resolution was accepted by the Trustee, and which General Resolution is hereby ratified and confirmed; and

WHEREAS, the General Resolution authorizes the issuance and sale of the captioned 2015 Series B Bonds (the “2015 Series B Bonds”) and 2015 Series C Bonds (the “2015 Series C Bonds”, and together with the 2015 Series B Bonds, the “Bonds”) pursuant to the Act, the application of the proceeds of which will provide funding for the captioned Home Mortgage Finance Program (the “Program”) contemplated by the Act in furtherance of the Program for the providing of decent, safe, and sanitary housing for persons and families of low or moderate income; and

WHEREAS, the Commission acting as the Agency, pursuant to that 2015 General Authorization Resolution adopted by the Commission on January 9, 2015 (the “General Authorization Resolution”), regarding the authorization of and the negotiation and sale of the Bonds, appointed as its agents the Executive Director, the Director of Homeownership Programs, and the Chief Financial Officer of the Agency (the “Authorized Officers”) for the purpose of negotiation of the terms of sale of the Bonds, subject to the limitations set out in the General Authorization Resolution, and to sign such agreements as are required for the issuance of the Bonds on behalf of the Commission after such terms of sale had been negotiated and to sign such certificates and other documents as are necessary and customary to complete the sale of the Bonds and to enter into an agreement for their sale by the Agency and purchase by the Underwriters (as hereinafter defined, and which are so designated by an Authorized Officer); and

WHEREAS, the Commission has determined that the execution of an interest rate swap agreement or agreements is necessary or expedient in conducting the business of the Agency; and

WHEREAS, the Authorized Officers did negotiate the sale of the 2015 Series B Bonds and the

sale of the 2015 Series C Bonds on May 21, 2015 and June 3, 2015, respectively, within the limitations set out in the General Authorization Resolution as to maximum principal amount, final maturity and maximum interest rate; and

WHEREAS, the Agency negotiated and executed a Confirmation dated May 22, 2015, as amended on June 2, 2015, to the ISDA Master Agreement dated as of July 30, 2009, both between Royal Bank of Canada and the Agency; and

WHEREAS, in furtherance of the above stated objectives, the Commission, the Agency and RBC Capital Markets, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Bank, National Association and Isaak Bond Investments, Inc., as the purchasers of all or portions of the Bonds (the "Underwriters"), have caused to be prepared and presented to the Commission for adoption after the sale of the Bonds pursuant to the terms of the Purchase Contracts, but prior to delivery of the Bonds, the following documents in final form (unless otherwise indicated) (collectively, the "Closing Financing Documents"):

- A. 2015 Series B Bond Resolution and 2015 Series C Bond Resolution, each in substantially final form, attached hereto as Attachment A;
- B. 2015 Series B Purchase Contract and 2015 Series C Purchase Contract, dated May 21, 2015 and June 3, 2015, respectively, attached hereto as Attachment B by and between the Commission and the Underwriters;
- C. Preliminary Official Statement with respect to the 2015 Series B Bonds, dated May 12, 2015, attached hereto as Attachment C;
- D. Official Statement, with respect to the 2015 Series B Bonds, in substantially final form, dated May 21, 2015, attached hereto as Attachment D;
- E. Confirmation to ISDA Master Agreement dated as of July 30, 2009, in final form, dated May 22, 2015, as amended on June 2, 2015 attached hereto as Attachment E;

WHEREAS, it appears that each of the Closing Financing Documents is in the appropriate and final form and is an appropriate document to be approved or executed and delivered by the Commission or the Agency, as may be necessary for the purpose intended; and

WHEREAS, in the judgment of the Commission, it is advisable that the Agency by its Executive Director, its Director of Financial Programs, or its Chief Financial Officer, jointly or severally, be authorized, and are hereby so authorized, to do all things necessary to complete the transaction described herein, and in the Closing Financing Documents.

NOW BE IT HEREWITH RESOLVED:

1. The execution and delivery of the Closing Financing Documents and the sale of the Bonds to the Underwriters and to RBC Capital Markets, LLC, as specified in and in

accordance with the terms set out in the respective Purchase Contracts, is hereby authorized and the officers, agents and employees of the Commission and the Agency are hereby authorized, empowered and directed to take any actions required to effect the transactions contemplated therein and to execute any instruments (including any continuing disclosure agreement) and take any actions required to effect the issuance of the Bonds, and to apply the monies received by the Commission from the bond proceeds in such manner as is necessary to give effect to the Program.

2. All prior acts of the officers, agents and employees of the Commission and the Agency which are in conformity with the purpose and intent of the General Resolution, the General Authorization Resolution and this Supplemental General Authorization Resolution in furtherance of the sale of the Bonds shall be and the same hereby are in all respects approved, ratified and confirmed.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Ms. Kline said the Legislature ended with giving the Agency \$35 million for the for the Housing Incentive Fund (HIF) \$30 million in credits and \$5 million from the Bank of North Dakota profits and another \$5 million potential in 2016 if the Bank succeeds in hitting the \$130 million profit level for 2015. The Agency held its first funding round May 29 and received requests for \$52 million of the \$35 million the Agency has available. There were 33 projects; 15 are in oil and gas producing counties with the remaining 18 throughout the state. There are some very good projects and the Agency does not anticipate any further funding rounds this year until it receives more money possibly in 2016. The two-year biennium funding will likely be exhausted in one month. Essential service working housing, homeless housing, special needs housing – there are a lot of good projects. The staff is busy scoring and ranking the projects and is anticipating by July 1 we will have made decisions on which projects got funded and which ones will have to wait for another couple years.

In response to a question regarding reserving money for contingencies, Ms. Kline said other than the \$5 million that will be available in 2016, that is really not our intent. If the developer goes through the process of submitting an application the Agency's allocation plan does not call for the Agency to hold any money back. If funding remains available after May 29 another funding round would be held on September 30. That is assuming that when the applications are actually scored they will all meet the minimum threshold points and will be worthy projects. One of the things is shovel readiness. Conceivably the Agency could make a decision that some of the projects are weak enough so there will be some money left for a future funding round. It is too early in the process to know.

In response to a question, Ms. Kline indicated that if a project was unsuccessful in getting an award, it may go forward but it would have all its units at market rate without any income and rent restrictions. That is a decision that the developer will have to make.

In response to a question Ms. Kline indicated that the \$30 million in tax credits is \$10 million more than last biennium. In response to a question Ms. Kline said they were optimistic in getting the contributions. The Agency can start accepting contributions July 1, they are already starting to market it. She had a conversation with a financial institution that was a major contributor the last time around. They are already committed to making a contribution into the program this year; they like the public press they get from supporting projects in their communities. They like the potential of the Community Reinvestment Act requirements being met by their contribution. She pointed out that the Agency does not say that the contribution qualifies it is left up to them to make that determination. As far as the individual and other corporate contributors, anytime you cut income tax requirements, it concerns us. She said that she believes the Agency will see less contributions coming in from oil and oil related companies as their revenue goes down their tax liability also goes down.

There was discussion regarding the opinion by a law firm that the investment is not eligible for a state tax credit but also a federal deduction and whether or not it needed to “refreshed.” Ms. Kline stated that the Agency does not give the customer advice on whether the contribution qualifies at the federal level. The Agency provides them with a copy of the opinion and it is up to each contributor’s tax counsel to make that decision. She didn’t think there would be anything new or additional information from the Kutak law firm so she does anticipate needing to get a more current opinion.

Being no further Housing Finance Agency business, Governor Dalrymple adjourned this portion of the meeting at 1:10 p.m. and the Commission took up Bank of North Dakota business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 10, 2015 beginning at 9:00 a.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Kari Doan, Department of Agriculture  
Eric Hardmeyer, Bank of North Dakota  
Tom Redmann, Bank of North Dakota  
Chad Johnson, Bank of North Dakota  
Members of the Press

Governor Dalrymple called the Bank of North Dakota portion of the Industrial Commission meeting to order at 1:10 p.m. following completion of Housing Finance Agency business.

Mr. Eric Hardmeyer, Bank of North Dakota President, discussed the 2015 Legislative Session wrap-up. (A copy of the legislative update is available in the Commission files.) He highlighted the following:

- Medical PACE Program is being worked on with the Hospital Association--\$15,000,000 of PACE dollars being made available for critical access hospitals;
- The Bank is on track to make profits of \$130 million and will be able to provide the funds for the Housing Incentive Fund and to also proceed with the building of the financial center.
- They are meeting with city officials to put together a task force to assist the Bank with establishing the parameters for the Infrastructure Program authorized in HB 1443. It is likely the Bank will have a portion of those loan dollars available small communities and then the remaining available for large communities. He anticipates bringing a policy to the Commission in the near future.
- The Bank will be providing up to \$250 million for school construction loans utilizing the criteria and projects approved by the Department of Public Instruction.

Mr. Hardmeyer concluded by stating that the Bank will be providing almost \$900 million of financing and there will be \$158 million coming out of the Bank's capital based on actions of the Legislature. The Bank should be seeing additional policies by the end of the month

Mr. Hardmeyer updated the Commission on BND's Strategic Plan. (A copy is available in the Commission files.) He said the Commission approved the new Strategic Plan last October and it takes effect July 1, 2015. He stated he wanted to discuss the following two specific initiatives in that Plan:

- Evaluate BND's future for processing federal and DEAL student loans as an initiative.
- Modify the lending organization to create more sales in relationship focused resources.

Mr. Hardmeyer then provided a revised organizational chart he will be going forward with. (A copy of the organizational chart is available in the Commission files.). He noted that this is going to be a significant change for the Bank in how it delivers services. The lending area will be divided into two pieces--a sales piece and then an underwriting piece. Most banks, any probably over \$400 million to \$500 million have already done this. The Bank has been a little slow to make this change because our model has worked and worked fine. However, as the Bank looks at the new mandates it has been given and their desire to move forward under the new Strategic Plan now is the time to look at a new organizational structure.

Mr. Hardmeyer then discussed how the lending area would be divided, identified the three markets the Bank serves -- the correspondent bank financial institutions market, the education market -- student loans, College SAVE and then the third one is kind of that middle one -- government and economic development. He noted that the government and economic development piece includes the new Infrastructure Program and the loans the Bank is now making with political subdivisions. He believes this new organizational

structure will allow the Bank to be more proactive – getting out to those markets, understanding it better and delivering services in a much more proactive way. He anticipates the Bank will be recruiting for the new position called Market Manager in the near future. Mr. Human will be taking over the second group - the credit administration side--the underwriting of all loans. He will be responsible for loan policy. This new structure will enable the Bank to be more proactive in meeting with banks more often and also economic entities and colleges. He stated that the Bank Advisory Board has approved this and believes it is the right direction to go.

Mr. Hardmeyer discussed the evaluation of the federal student loan piece. He indicated that he will be bringing a recommendation to the Commission later this month suggesting that the Bank transition out of the guarantee activity as it relates to federal student loan--something the Bank has been doing for 34 years. There will still be a guarantee agency but it will no longer guarantee federal loans. The federal loan volume has fallen off by 50 percent --fees have fallen and it appears in 2016 the Agency will be losing money. The Commission will see a final recommendation at the next meeting for the Bank to transition that guarantee activity over to the Department of Education (DOE). He noted that a number of other states have done this since 2010.

In response to a question Mr. Hardmeyer said the amount for DEAL One loans is over \$250 million in just a little over a year and two months. The federal loan programs, the Bank is just watching that decline since the Bank is not allowed to issue any new federal loans.

The Commission indicated that the Bank must be careful not to solicit business through the new marketing efforts. Mr. Hardmeyer stated he understands that point very well – he is talking about having more of a presence or being more visible in areas where the Bank operates today – correspondent banking services is something the Bank is involved in today and has been for years. The education space -- an area that the Bank has been active for years--the Bank wants to be visiting with the colleges and universities and asking what your needs are and what can the Bank be doing better.

Mr. Hardmeyer presented non-confidential Bank of North Dakota Advisory Board March 19, 2015 meeting minutes.

Governor Dalrymple closed the meeting at 1:28 p.m. pursuant to North Dakota Century Code 6-09-35 to discuss the items on the agenda under Bank of North Dakota confidential business.

**Following the confidential portion of the meeting, the Commission reconvened in non-confidential session at 1:50 p.m. and it was noted that during the confidential portion of the meeting, it had been moved and seconded that the Bank of North Dakota be authorized to participate in five loans identified as Attachments 47 through 51. In non-confidential session, on a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Being no further Bank of North Dakota business, Governor Dalrymple adjourned this portion of the meeting at 1:50 p.m. and the Commission took up Renewable Energy Program business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on June 10, 2015 beginning at 9:00 a.m.  
Governor's Conference Room  
State Capitol

Present: Governor Jack Dalrymple, Chairman  
Attorney General Wayne Stenehjem  
Agriculture Commissioner Doug Goehring

Also

Present: Jason Nisbet, Governor's Office  
Kari Doan, Department of Agriculture  
Members of the Press

Governor Dalrymple called the Renewable Energy Program portion of the Industrial Commission meeting to order at 1:51 p.m. following completion of Bank of North Dakota business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented a confidentiality request for portions of the final report on the Distributed Nitrogen Fertilizer Plant - Engineering and Development Project conducted by Progressive Nutrient Systems, LLC. as follows:

RE: Confidentiality determination

The Renewable Energy Program statute - Chapter 54-63 - allows the Industrial Commission to determine if certain information is confidential. The Commission has received a letter (see attachment) from Progressive Nutrient Systems, LLC (PNS) requesting that two sections of their final report -- Mass Balance and P & ID sections be determined as confidential. PNS has met the requirements of Chapter 54-63. Therefore it is my recommendation that the Industrial Commission grants their request and determines that the following information is confidential:

Progressive Nutrient Systems, LLC's Final Report Mass Balance and P & ID Sections

**It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the recommendation of the Industrial Commission Executive Director and determine that the following information is confidential:**

**Progressive Nutrient System, LLC's Final Report Mass Balance and P & ID Sections**

In response to a question, Ms. Fine said she is asking for confidential information requests to be included in the application so that information is known when the Commission makes a decision whether or not to fund the project.

**On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.**

Being no further Renewable Energy Program business, Governor Dalrymple adjourned the meeting at 1:56 p.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary