

Minutes of the  
**RENEWABLE ENERGY COUNCIL**

Monday, June 26, 2017 – 3:00 p.m.  
Icelandic Conference Room, ND Department of Commerce, Bismarck, ND

**CALL TO ORDER**

**Members Present:** Jay Schuler, Randy Schneider, Rod Holth, Al Christianson, Mark Nisbet

**Members Absent:** Terry Goerger

**Others Present:**

Andrea Pfennig, Department of Commerce  
Karlene Fine, Industrial Commission  
Bonnie Malo, Department of Commerce  
Rachael Flagstad, Department of Commerce  
Ron Day, Tesoro  
John Kasbaum, Tesoro  
Dave Thompson, Prairie Public Radio

Jay Schuler, Chairman, called the Renewable Energy Council meeting to order.

**WELCOME AND OPENING COMMENTS**

Schuler welcomed attendees.

**APPROVAL OF MINUTES**

April 27, 2017 meeting minutes were reviewed.

Schneider moved to approve the minutes as presented. Holth seconded the motion. All in favor. Motion carried.

April 27, 2017 confidential meeting minutes were reviewed. Christianson moved to approve the minutes as presented. Schneider seconded the motion. All in favor. Motion carried.

**PRESENTATION OF FINANCIAL SUMMARY**

Fine presented the financial summary, which was also posted on the website. Uncommitted dollars as of May 31, 2017, are \$1,966,700.14.

The cash balance as of May 31, 2017, is \$4,489,565.98. Outstanding project commitments as of May 31, 2017, are \$2,478,480.88.

**CONSIDERATION OF GRANT ROUND 33 APPLICATION**

**R033-A: “Dickinson Renewable Diesel”;**  
**Submitted by Tesoro Refining & Marketing Company; Principal Investigator: Ron Day;**  
**Project Duration: 3 years; Total Project Costs: \$3,500,000; Request for: \$500,000.**

Pfennig presented an overview of the project. The project objectives are to retrofit the 8,000 BPD Diesel Hydrotreater (DHT) and other equipment at Dakota Prairie Refinery to co-process renewable feedstocks (e.g. vegetable oils, such as soy or distillers corn oil) into renewable diesel, while also processing Bakken Crude. The project will enable co-processing of up to 5% (16,800 gallons/day) of renewable feedstocks in the current DHT, where the conventional/renewable diesel blend will be marketed locally by the end of 2017. The facility can refine up to 20,000 barrels per day of Bakken Crude.

The overall reviewers’ recommendations follow: Fund (185) and Funding May Be Considered (168, 155). The average weighted score was 169 out of 250.

All three reviewers felt the project was likely achievable. The reviewers indicated more information could have been given. However, they noted the subcontractors have established reputations, the technology is mature, and the applicant has industry experience.

The three reviewers thought more detail could have been provided regarding the methodology.

However, the reviewers still seemed comfortable with the project based on the reputation of the subcontractors and the fact that the project is straight forward.

The three reviewers felt the scientific/technical contribution was very significant. One reviewer especially liked that renewable fuel would be made alongside fossil derived fuel. This reviewer would have like to have seen the percentage greater than 5%.

The three reviewers indicated the knowledge of the project team was adequate. All three noted that not very much information was provided, but felt that the experience of Haldor Topsoe and Jacobs Engineering was notable. Tesoro responded that they completed a detailed review of technology options and engineering support providers. The hydrotreating technology selected is very familiar to Tesoro. It utilizes all of its refining assets for treating diesel streams to meet the low sulfur diesel fuel standards. An additional technical document was also provided.

Two reviewers noted a lack of detail regarding the project management plan. One reviewer felt it was good due to the nature of the project and the applicant.

Two reviewers felt the proposed purchase of equipment was poorly justified, noting a lack of information regarding what would be purchased. Tesoro responded that at the time of the application, the detailed engineering had not been completed. The project costs and equipment details continue to be refined as the engineering work continues.

Two reviewers indicated the budget had a high value due to the level of match the applicant is providing. One reviewer felt the budget had an average value, stating it was unclear what value this would bring to North Dakota. The reviewer questioned if it would create new jobs (directly and indirectly) and if it would benefit farmers

for utilization of North Dakota oilseeds. Tesoro stated that by using existing versus new infrastructure, they will be able to leverage their existing workforce of 80 individuals, as well as reduce the capital cost of the project.

Overall comments from the reviewers included incorporating technology to utilize oilseeds up to a 5% level in a major refinery is an important R&D venture. However, there was not enough detail in the proposal regarding the direct benefit to North Dakota. Tesoro responded that this project may be the start of a renewable diesel industry in the state and open addition opportunities for significantly larger renewable diesel projects that would require a significant increase in oil seed production, and may create an opportunity for the construction of new oil seed processing plants and/or the expansion of existing facilities. Additional overall comments from the reviewers included one reviewer liked the co-production concept. The technology is well proven and the chances of success are high. More information on how Tesoro plans to purchase their feedstocks and a risk assessment tied back to the feedstock supply and its potential impact on the operations would have been beneficial. Value was missed by not identifying how the feedstocks would be supplied by North Dakota produced products and add value to the agriculture sector. Tesoro stated they are in the early phases of the project, so the sourcing strategy for the feedstock is still in development. A key consideration for sourcing will be to minimize transportation costs by selecting regional feedstock producers. Additional demand for the vegetable oils in the region will create additional demand opportunities for oil seed production, sales, and processing, which could directly translate to increased agricultural commodity demand in North Dakota.

The technical advisor's recommendation is to fund the proposal. This could be an excellent economic development opportunity for a

variety of industries, including regional crushing facilities. Increased oil seed production could have rotational benefits for local producers, as well as diversify risk in volatile commodity markets. However, one reviewer noted it may cause an impact to the existing biodiesel sector due to limited available vegetable oils in the market. Tesoro is investing a large amount of funds into this project and has an established reputation in the state. A demonstration project such as this could help create larger scale renewable diesel projects. Ultimately, 5% renewable diesel is 5% more than the state is currently producing.

There are no suggested contingencies if funded.

Ron Day presented the project. John Kasbaum also assisted with the presentation. (A copy of their presentation is available in the Department of Commerce and Industrial Commission files.)

In response to Mark Nisbet, Ron Day explained this is a special opportunity for the Dickinson plant because the Dickinson facility has a hydrogen plant. Tesoro's Mandan facility does not have a hydrogen plant.

In response to Randy Schneider, John Kasbaum noted the refinery manager in Mandan is a smart refinery man. He has gone over the plans and issues to bring the Dickinson facility forward to meet Tesoro's expectations in reliability and safety.

#### **ADMINISTRATIVE BUSINESS**

Pfennig and Fine presented the proposed policy change. During the last meeting, there was discussion regarding finding a way to have funds come back to the program and to add sustainability to the program. A draft policy change has been created. If recipients receive more than \$1 million from the program within 5 years, they will need to pay back awards over the \$1 million threshold. Applicants would

have 2 options regarding the timing of repayment. Option #1 would require repayment begin when the entity's sales reach \$5 million in a year. Option #2 would require repayment begin when the entity has been profitable for 2 consecutive years. In both scenarios, there would be a 0% interest rate until repayment begins. Then the interest rate would be raised to 4%. It does not apply to the research institutions, NDSU or EERC. Christianson moved to approve the policy to move forward to the Industrial Commission. Nisbet seconded the motion. Motion carried.

Schneider suggested it is clarified what a company is required to provide to substantiate their financials. Fine suggested this could be done when the contract is written.

Fine presented the legislative changes of two provisions that impact the Renewable program. HB 1020, which was the Water Commission's bill, changed the percentage of the amount to be credited to the Renewable Energy Development fund. \$3 million will still be received, it will only take longer. The second change is the legislative intent that discusses the Industrial Commission's acceptance of applications for funding for "advanced energy technology development projects." These words were not defined in the law. The Industrial Commission would be open to suggestions from the Council, if the Council would like to make a recommendation for what this means.

Christianson added he attended many of the committee meetings and hearings. This was to open the fund to the lignite industry or any part of the energy industry to apply and still meet the criteria. The Council still needs to decide to fund the proposals.

Schneider added the Council has been very diligent with their dollars.

