

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on July 1, 2014 beginning at 1:00 p.m.
Pioneer Room and Governor's Conference Room
State Capitol, Bismarck, ND

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

Also

Present: Lynn Helms, Department of Mineral Resources
Bruce Hicks, DMR – Oil and Gas Division
Alison Ritter, DMR – Oil and Gas Division
Ed Murphy, DMR – Geological Survey
Justin Kringstad, Pipeline Authority
Craig Smith, Crowley Fleck
Ron Ness, ND Petroleum Council
Lawrence Bender, Fredrickson & Byron
Pamela Link, Laborers District Council of MN & ND
Kari Doan, Department of Agriculture
Bill Kalanek, APT Inc.
Wayde Schafer, Sierra Club
Robert Harms, Harms Group
Jerod Tufte, Governor's Office
Hope Hogan, Attorney General's Office
John Morrison, Crowley Fleck
Jan Swenson, Badlands Conservation Alliance
Tessa Sandstrom, ND Petroleum Council
Debbie Sonthe
Members of the Press

Governor Dalrymple called the Industrial Commission meeting to order at 1:00 p.m. in the Pioneer Room and the Commission took up Department of Mineral Resources business.

Mr. Lynn Helms, Department of Mineral Resources and Oil and Gas Division Director, provided the Commission with a copy of proposed Order No. 24665 for Case 22058 and indicated that he would walk through the Order. (A copy of proposed Order No. 24665 is available in the Commission files. Mr. Helms also distributed a number of handouts as proposed Order 24665 was being discussed. Copies of these handouts are available in the Commission files.)

He noted that in March the Commission had outlined several steps to reduce gas flaring. Finding (3) in proposed Order 24665 stated those implementation steps as follows:

Finding (3) This hearing was called on a motion of the Commission to consider amending the current Bakken, Bakken/Three Forks, and /or Three Forks Pool fields to restrict oil production and/or impose such provisions as deemed appropriate to reduce the amount of flared gas.

This special hearing was scheduled to address the Commission's newly-adopted policy on reducing gas flaring. The policy goals were to reduce the volume of gas flared, reduce the number of wells flaring, and reduce the duration of flaring from wells.

Action items to reach the policy goals included requiring Gas Capture Plans for increased density drilling, temporary spacing, and proper spacing cases; requiring Gas Capture Plans for all applications for a permit to drill; schedule semi-annual meetings with midstream gas gathering companies to gauge the effect of Gas Capture Plans, production curtailments, contracts, and service interruptions; dedicate information technology resources to develop a web-based pipeline incident report form to better address right-of-way issues; direct the Pipeline Authority to track flaring on/off the Fort Berthold Indian Reservation and report capture status versus goals; and docket this hearing to review and revise Bakken, Bakken/Three Forks, and/or Three Forks Pool field rules governing production curtailment.

Mr. Helms indicated that the gas capture plans implementation step had been undertaken and the first plans were presented at hearings last week. Staff has had meetings with midstream gas gathering companies, a web-based pipeline incident report form has been looked at by the Right of Way Task Force, and the Task Force will be looking at it one more time. He indicated that the Pipeline Authority staff and the Division staff have been meeting and building the data base queries to allow the Authority to track the flaring on/off the Fort Berthold Indian Reservation and report on the capture status versus goals. The last item was to docket a hearing and that all-day hearing was held on April 22.

Mr. Helms noted that the staff had held their first two days of hearings where gas capture plans were required to be submitted. Mr. Bruce Hicks had been present on both days and he asked that he comment on those plans.

Mr. Bruce Hick, Oil and Gas Division Assistant Director, said they had about 35 to 40 cases where operators submitted gas capture plans. All the operators attempted to include all the information which was a good start. The staff, however, did have additional questions that were not answered in the gas capture plans so in those instances the record was left open and the applicant is required to supplement the record. We think they are working very well.

Mr. Helms stated in the first roll out month, 3 out of 4 gas capture plans were deemed complete and the remaining 25% had some deficiencies. The record was left open for those deficiencies to be corrected and the applicant won't get their order until a complete gas capture plan has been provided to the Department/Commission.

In response to a question regarding if they were minor or major deficiencies, Mr. Helms said of the ones he saw there were some very significant deficiencies – almost as if the applicant had not received the letter from the Division and did not know what constituted a gas capture plan – the three or four he saw did not come close.

Mr. Hicks stated one of the big items missing was whether or not they had notified the midstream companies about their plans and that is a very important part of compliance in this effort--communications.

Mr. Helms said it is the main reason for the gas capture plans. What they have learned from the gas gatherers is that they are not able to model their systems quite to the granular level that we

thought so they have to provide compression and gathering capacity more on a compressor station basis rather than on an individual segment of pipeline. He provided the Commission with a copy of one of the gas capture plans and the map that had been presented and went through the plan noting the information that was contained in it. (A copy is available in the Commission files.) In this particular gas capture plan they had used the list that the Division had provided as guidance and listed each item and responded with the required information. He stated that it was very useful to have this information and he believes the gas capture plan requirement is working.

In regards to the proposed order, Mr. Helms stated that prior to the April 22 hearing the Division had outlined the information that was needed to develop the order to deal with this issue. The staff identified six items that they were looking for and many of the people who provided written and oral testimony presented that information. He indicated that a summary of the comments from the hearing has been prepared. (A copy is available in the Commission's files.) They had 51 people submit written comments – 2 from land and royalty owners, 20 from concerned citizens and 29 from operators or people associated with the oil and gas industry. There were 24 individuals that provided oral comments. (This is noted in Findings 5, 6 and 7.)

Mr. Helms said the staff considered all of the written and oral testimony and factored it into the findings in the proposed recommended Order 24665. Mr. Helms then proceeded to highlight provisions of the proposed Order.

- *Finding (9) - Development of Bakken Pools in North Dakota is currently ongoing and encompasses over 15,000 square miles of land. Total gas plant capacity in North Dakota exceeds total gas production in the state although many bottlenecks exist in the current gas gathering infrastructure due to the high liquid content of the gas, the prolific volumes of oil and gas during initial production, increasing pipeline pressure that requires installation of additional compressors, and in some cases undersized pipe. Most operators are prudently attempting to connect their wells to a gas gathering system, but due to many aforementioned constraints in the gas gathering systems, much of the gas is not processed. He stated that this paragraph states the issues. Most operators are trying hard to connect their wells but there are a lot of constraints. When you look at gas flaring today at 29%, two-thirds of that flaring is from connected wells – only one-third is from wells that are not yet connected. The solution being recommended is going to address both connected and not connected wells – it has to if it is going to make a real difference.*
- *Finding (10) - Bakken Pools producing in North Dakota are oil reservoirs and gas is produced in association with the oil at the wellhead as a by-product of oil production. The value of the oil produced far exceeds the value of any gas produced in association with the oil. He noted that the value of the oil exceeds the value of gas so there may be reasons to allow some flaring and that is just the way it is. That is not the main issue the Commission is dealing with.*
- *Finding (11) - Leasehold interests in some Bakken Pool spacing units are not yet held by production. The initial horizontal well drilled in such spacing units should be allowed to produce at its maximum efficient rate, regardless if the well is connected to a gas gathering system. Allowing such wells to produce at a maximum efficient rate will allow*

valuable information to be obtained in order to make decisions with regard to future wells and infrastructure requirements in the spacing unit He stated that Paragraph (11) points out the fact that leasehold interests in some of the pools are not yet held by production; they have not been evaluated or de-risked. Order 24665 allows those first evaluation wells to produce at a maximum efficient rate.

- *Finding (12) - Some Bakken Pool spacing units are being developed where the operator is aware that the existing gas gathering infrastructure is insufficient to allow surplus gas to be processed through the gas gathering system. In instances where significant amounts of surplus gas is flared due to the insufficient collection system, production should be restricted unless significant amounts of surplus gas is captured for beneficial consumption, or utilized in a value-added process.* Mr. Helms stated that there are a lot of areas where increased density drilling is being requested by companies knowing that gathering is inadequate and the whole idea of the gas capture plan is for them to communicate to us and to the midstream gatherers how that can be fixed – what are their needs going to be – and then they can begin to engineer and design the solution for that ahead of time.
- *Finding (14) - Various time frames for maximum efficient rates were suggested. North Dakota's production of Bakken Pool associated gas is typically associated with an unusually high temperature, pressure, and liquid content. Initial production decline is also very rapid, due to the highly fractured nature of the completion interval.* He stated that this paragraph address the uniqueness of the Bakken Pool. Testimony and evidence was introduced stating that we should look at variations of what we are currently doing -- the 60/60/60 rule--or what is done in Texas or Wyoming. Texas has a ten-day rule, Wyoming has a fifteen-day rule – but the Bakken is very different from those places. In North Dakota 99 percent of our natural gas is associated gas – it comes from an oil well not from a gas well. In Texas 11% comes from oil wells and 89% from gas wells. In Colorado 4% comes from oil wells and 96% from gas wells, In Wyoming 1% from oil wells and 99% from gas wells so Wyoming is the complete opposite of what North Dakota is. That still doesn't mean we don't do something. He noted that the Texas Railroad Commission's ten-day requirement has forced them to issue 5,000 exemptions to that rule in the last two years. So a different version of what we already have in place isn't going to solve the problem. What is being proposed is a completely new method.
- *Finding (15) - The Commission believes the North Dakota Petroleum Council's Flaring Task Force's targets of capturing 74% of the gas by October 1, 2014; 77% by January 1, 2015; 85% by January 1, 2016; and 90% by October 1, 2010 with potential for 95% capture are attainable and should be adopted as gas capture goals by the Commission. The restrictions imposed by this order will strive to meet such goals.* He stated that this paragraph sets forth the gas capture goals that can be achieved by implementation of the provisions in Order 24665. He reviewed the information that was depicted on the graph that had been presented by the North Dakota Petroleum Council. (A copy of the graph is available in the Commission files.) Today gas production is at just under 1.1 billion cubic feet per day and gas production is forecasted to increase significantly. The graph shows that gas production goes up in a smooth manner but the gathering and processing infrastructure goes up in steps or stages--not in a nice smooth curve. The graph shows that by 2018 there is a need for more infrastructure that will cost between \$4 and \$6

billion dollars. Under this plan the projected flare volume flattens this year and then begins to drop. That is the essence of what we are trying to accomplish. Not that we just decrease the percentage of gas flared but that we also decrease the absolute volume. It needs to flatten now and it needs to drop in the future. We believe that with what is being proposed in this Order we can meet those goals. They will not only achieve a decreasing percentage but starting next year you will see a significant drop in the volume flared and the number of wells flaring even though there will be an increase in production. In response to a question he indicated that the forecast is that the gas production will double in the next six years -- it will be in excess of 2 billion cubic feet per day. He indicated that it will still be rich gas. The Bentek model shows the gas-oil ratio increasing and the liquid content going up. He noted the timing of the goals. The first target of October 1 was established because the Garden Creek gas plant comes on line the third quarter of this year and should be fully operational by October 1. That is the significant piece that will bring about the capture goal. These goals were timed to allow the infrastructure to be put in place--pipelines and compressors installed during the summer months and the Garden Creek coming on line.

- *Finding (16) - Production restrictions imposed by the Commission will constitute force majeure in most producer/gas gatherer contracts and excuse parties from performing certain parts of the contract while production restrictions are imposed.* He indicated that this relates to a situation that could be a possible problem and that is if you have dedicated your gas to a gatherer you need something to happen in order to be able to do something else with that gas in the meantime. So a Commission directive to restrict production constitutes a force majeure on those contracts which would allow the operator to temporarily process that gas some other way until the capacity arrives at the well pad to deliver that gas to a gas plant and process it under that contract. That is a very important matter as companies need to be aware that they have options with their gas. Most of them have dedicated their gas to these long term contracts but they do have options based on what this Order does.
- *Finding (17) - Delineation drilling activity versus multi-well development requires separate and unique solutions.* This Finding notes that there is a difference in oil fields that are still in the delineation phase and oil fields that are in full development phase. Mr. Helms provided a map that shows where in one area there are a number of spacing units that do not have the first well drilled in each spacing unit and those areas will be addressed differently than those areas where all the leases have been de-risked and it is ready to go with increased density drilling. The Order addresses those two situations differently.
- *Finding (18) - Pipeline construction across rough topography or around surface waters causes delays in connecting wells to a gas gathering system.* Pipeline construction can be a problem depending upon topography and surface waters.
- *Finding (19) - Flexibility is required due to surface landowner, tribal and federal government right-of-way delays; temporary midstream down-time for system upgrades and maintenance; federal regulatory restrictions or delays; safety issues; delayed access to electrical power; and possible reservoir damage.* We are participating in the Right-of-Way Task Force and the purpose behind that pipeline incident report form is to try to help landowners be more comfortable with pipeline right-of-ways. We are going to have to be

able to provide some flexibility depending on whether your well pad is on federal, tribal, state or private land; companies are going to need some flexibility.

- *Finding (20) - Well payout and economics should not be used to determine production restrictions.* Everyone agreed that we should not factor in economics – it should be a different discussion with regards to tax and royalty exemptions--that should not be a production curtailment discussion.
- *Finding (21) - Some well site value-added processes that utilize the surplus gas in a beneficial manner are economic.* He noted that some well site processes that capture gas can be used to meet the goals.
- *Finding (22) - Commission production records indicate the majority of gas flared in North Dakota is from wells already connected to a gas gathering system. Such wells should not be excluded from gas capture goals adopted by the Commission.* The Division's records indicate that the majority of gas flared is from wells that are already connected - current rules exempt them but we can't do that because of the paradigm we have in North Dakota – that is another thing that does not work.
- *Finding (23) - Some flared gas contains components that if improperly combusted could cause air quality degradation and health issues.* There is the potential for some components in the gas to degrade air quality so that has to be addressed in this order as well.
- *Finding (24) - On the Fort Berthold Indian Reservation, many Bakken Pools are also within the jurisdiction of the Mandan Hidatsa and Arikara (MHA) Nation and Bureau of Land Management (BLM). In some cases, companies must comply with MHA Nation, BLM, and Commission rules. The Commission should work with federal and tribal authorities to ensure that restrictions imposed herein provide clarity and protection of correlative rights for the oil and gas companies operating in the respective jurisdictions.* Mr. Helms stated that the Three Affiliated Tribe appeared and talked about jurisdictional issues and we want to make sure we stay aware of that. We are working with them, not over them or in competition with them or against them to reduce flaring on and off Ft. Berthold. They are looking at our model and trying to work their way forward through that as well.

In response to a question regarding if we can get to something comparable as far as the Tribe is concerned, Mr. Helms said yes. He stated that he had participated in a meeting with Federal Land Managers and regulators in North Dakota and several members from the Tribal Energy Committee were there as well as some of their Council members and they are anxious to get this Order. They are looking at the model with the gas capture plans and are working on a resolution to require the same thing. It will be challenging in many ways – he does not think the lands on Ft. Berthold will come along as quickly as the lands off the reservation but he thinks we will have a cooperative effort.

In response to a question regarding if the Division is including in the total the gas being flared on the reservation, Mr. Helms stated they are including the flared gas in the totals. The gas produced on Ft. Berthold is going to be subjected to those same targets and goals. What the Order will allow is for an operator to work with their holdings on and off the reservation and get some flexibility if they are greatly exceeding the targets on their holdings outside the reservation

but for good reason aren't meeting them within a field on the reservation they will be able to get the exemption to be above target in a specific oil field or on a specific well pad. We put the tools in place for the production auditors to be able to evaluate an operator on a statewide basis, an operator within an individual oil field or all operators within a field, on a well pad basis and also on an individual well basis. So they will check first to see if the well is meeting the goals, if not, how about the well pad, the operations across that field, if not, how is the operator doing on a statewide basis. Then there will be, what has already been addressed, the possibility of permitting delays, production restrictions or the requirement to implement some type of well site capture. Well site capture technology can be used to meet the goals as well.

Mr. Helms then explained each of the provisions of the "It is therefore ordered" portion of Order 25665:

Paragraph (1) All Commission orders allowing wells completed in a Bakken, Bakken/Three Forks, and/or Three Forks Pool to produce at a maximum efficient rate shall remain in full force and effect through September 30, 2014. All wells completed in a Bakken, Bakken/Three Forks, and/or Three Forks Pool are hereafter allowed to produce at a maximum efficient rate through September 30, 2014. After September 30, 2014, the gas capture from all existing wells shall be evaluated and oil production from all existing and future wells shall not exceed the production allowances herein. This provision makes it clear that this applies to all Bakken and Three Forks wells October 1, 2014. It doesn't matter what exemption they may have gotten for maximum efficient rate up to that point they all have to come in compliance with this on October 1.

Paragraph (2) The first horizontal well completed in a Bakken, Bakken/Three Forks, and/or Three Forks Pool non-overlapping spacing unit shall be allowed to produce at a maximum efficient rate. Mr. Helms stated that the Order addresses developed and undeveloped lands differently so the first horizontal well in a non-overlapping spacing unit will be allowed to produce at maximum efficient rate. This is being done because that spacing unit needs to be evaluated and that field needs to be evaluated for what is the right number of wells for that spacing unit and how large should the infrastructure be. A lot of eight inch pipe was laid in the ground for the past few years because we didn't do this and now we have found out the infrastructure is too small. We do not want to compound that error. We are going to allow that first well to produce at maximum efficient rate so that everyone knows what the potential for that spacing unit and field is. Then there should not be any reason not to impose production restrictions or permit restrictions, if necessary, on future increased density wells because everyone should have known. The initial well was allowed to produce at maximum efficient rate so the economics and volumes could be fully evaluated.

Paragraph (3) All wells completed in a Bakken, Bakken/Three Forks, and/or Three Forks Pool that have received an exemption to North Dakota Century Code Section 38-08-06.4 shall be allowed to produce at a maximum efficient rate. In response to a question, Mr. Helms stated the only grandfathering is under paragraph three – if they've had a hearing and demonstrated unquestionably that it's never going to be economic to connect that well or utilize a well site technology at that well, then they can be grandfathered in and allowed to produce at a maximum

efficient rate. But nobody else will be. The only way we can make this work is to include connected wells and unconnected wells, all the wells.

Mr. Hicks stated the staff had totaled all of wells that had received exemptions from paying taxes and royalties and it is a little over 1,000. Most of these are in Bottineau, Renville and Ward Counties where there is very little infrastructure and the wells have very low GOR's. These were exempted back in the mid 1980's and accounts for approximately 85% of the wells that have received the exemption. So there are only a handful of Bakken and Three Forks wells that have received this to date. He stated there are some cases pending that the staff will be getting to – most of these wells are well under 100 barrels of oil per day and the Order does not restrict production to less than 100 barrels per day.

In response to a question Mr. Helms stated that the staff will need to look at existing wells that are remotely located or that have infrastructure access issues. He indicated that there are probably a dozen or so cases where orders haven't been issued yet for maximum efficient rate. They will probably go ahead and issue those orders but that will all come to an end on October 1 as well as the ones that have been issued over the last six months or so. They will all end October 1.

Paragraph (4) All infill horizontal wells, including overlapping spacing units, completed in a Bakken, Bakken/Three Forks, and/or Three Forks Pool, shall be allowed to produce at a maximum efficient rate for a period of 90 days commencing on the first day oil is produced through well-head equipment into tanks from the ultimate producing interval after casing has been run; after that, such wells shall be allowed to continue to produce at a maximum efficient rate if the well or operator meets or exceed the Commission approved gas capture goals. The gas capture percentage shall be calculated by summing monthly gas sold plus monthly gas used on lease plus monthly volume of associated gas produced by the operator. The operator is allowed to remove the initial 14 days of flowback gas in the total monthly volume calculation. The commission will accept compliance with the gas capture goals by well, field, county, or statewide by operator. If such gas capture percentage is not attained at maximum efficient rate, the well(s) shall be restricted to 200 barrels of oil per day if at least 60% of the monthly volume of associated gas produced from the well is captured, otherwise oil production from such wells shall not exceed 100 barrels of oil per day.

The Commission will recognize the following as surplus gas being utilized in a beneficial manner:

- a. Equipped with an electrical generator that consumes surplus gas from the well;*
- b. Equipped with a system that intakes the surplus gas and natural gas liquids volume from the well for beneficial consumption by means of compression to liquid for use as fuel, transport to a processing facility, production of petrochemicals or fertilizer, conversion to liquid fuels, separating and collecting the propane and heavier hydrocarbons; and*
- c. Equipped with other value-added processes as approved by the Director which reduce the volume or intensity of the flare by more than 60%.*

Mr. Helms said the real meat of the Order is in Paragraph 4. The operator gets 14 days for the operator's flowback process which means the well should be cleaned up; it allows full production from the well to recover any proppant or get most of the frac fluid back out of the well. You get an additional 76 days before production restrictions might kick in, so that is a 90-day total. He noted that there was not great consensus among the midstream companies. One company wanted to be connected to the well on day one and another one says they are really looking more at day 30 to 60 because the flow is so intermittent and there are problems with the flow back during the first month or two. So the staff settled on 90 days which was recommended several times at the hearing. At that point, if the company is not in compliance with the goals then they face production restrictions. If they can capture 60% of the gas through a connection or through well site capture processes, then they can produce 200 barrels per day but if they can't or won't, then they are allowed to produce only 100 barrels per day until they implement those solutions. The staff looked at 38-08-06.4 which is the statute that addresses one year of flaring, tax and royalty exemption and this Order is in complete agreement with that statute with no conflicts. It borrows the 60% from the statute and uses it here for looking at value added processes.

Paragraph (5) If the flaring of gas produced with crude oil from a Bakken, Bakken/Three Forks, and/or Three Forks Pool is determined by the North Dakota Department of Health as causing a violation of the North Dakota Air Pollution Control Rules (North Dakota Administrative Code Article 33-15), production from the respective pool may be further restricted. Mr. Helms stated that because we have to think about some components in flared gas affecting air quality, we have written this paragraph to make sure that if the North Dakota Department of Health documents or determines that we have a violation of our air pollution control rules, which are in Article 33-15 of the Administrative Code, then we have the authority to further restrict production all the way down to zero, if we have to, to make sure we are in compliance with the air pollution control rules. That is a critical thing. We need to be able to do it in those cases where the Health Department has done the analysis and it is based on science. That is why it is in the Order.

Mr. Helms said if the Commission approves Order 24665 it becomes effective today. The first gas capture goal takes effect October 1 and that is 76 percent. October production is reported December 1 so that would be the first complete analysis of every company to see if they are meeting the goals or not. That would mean possible production restrictions starting January 1, 2015 when the second gas capture goal of 77 percent kicks in. January production is reported March 1 then on April 1 there might be additional restrictions based on that new gas capture goal so this is a continuous roll out of increasing, tightening of flaring restrictions as we move forward – most of it happening between now and January 1, 2016. The Division has built systems for the production auditors to be able to look at every well, every pad, every field, every operator all the way up to a statewide level and see who is in compliance and who is not and what restrictions might be necessary.

In response to question Mr. Helms said today the flaring is between 29 and 30%. He said that number has come down almost 7% because of the Tioga gas plant becoming operational. This goal says that needs to come down another 4 to 5% by October 1. We have to be flaring less than

26% and we have to be capturing at least 74% of the gas. That should flatten the volume and as the new goals are implemented the volume will come down.

In response to a question, Mr. Helms stated industry has not seen the proposed order but they understand very well what we are trying to accomplish and how we are going about it. He believes this Order and its implications spread the pain pretty evenly but not completely evenly. He noted the gas capture plan requirement with drilling permits is going to impact largely companies who have their own gathering system and are able to work with the permitting process to permit wells within their gathering area. So that deals with those operators. Then there are companies who are completely dependent on a third party for gas gathering and the production curtailment provisions of this Order is going to largely address them. There are some problem areas, Deep Water Creek Bay, Twin Buttes, Mandaree, Mondak – where there is a serious lack of infrastructure and the infrastructure is difficult to build. Those operators will have to utilize well site solutions to solve their flaring problem but this will motivate them to go out there and do that. It is not going to be completely even across the board but the separate processes put in place through the six policy items and this Order spreads it out and impacts all the different parties.

There was discussion about the implementation of the gas capture plans--there is a learning curve going on right now for all parties--large and small operators; midstreamers; the Division; etc. Mr. Helms noted that it was very refreshing in talking to the midstreamers that the whole communication paradigm has changed. The midstreamers used to get a call somewhere between day 40 and 60 that a pipe was needed because production restrictions might kick in. They now have rig schedules extending out into mid-year 2016 so they can plan their business and their construction season. The other thing is that two of the companies the staff talked to referred to each other as colleagues instead of competitors. This means that they have actually sat down and laid their gathering system maps on top of each other and they have found a half dozen places where they can interconnect and relieve one another's bottlenecks. He anticipates seeing some interconnects constructed this summer. He stated that would not have happened in the absence of gas capture plans and this whole process.

The Commission members commented on the importance of this moving forward and noting that they are serious about reducing the gas flaring that is taking place. They are committed to getting this done.

Case 22058: It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that Order 24665 issued in Case 22058, be approved and effective this 1st day of July, 2014. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms then presented the following memorandum regarding the gas capture goals and the attached Delegation of Authority Resolution:

RE: Industrial Commission Gas Flaring Goals

In September of 2013 the Industrial Commission established the following goals in regards to gas flaring in North Dakota:

- Reduce Flared Volume
- Reduce Number of Wells Flaring
- Reduce Duration of Flaring from Wells

The North Dakota Petroleum Council established a Flaring Task Force and on January 29, 2014 the North Dakota Petroleum Council Flaring Task Force submitted their report and recommendations. Their report included the following Future Capture Targets:

- Capture 74% by 4th Qtr. 2014
- Capture 77% by 1st Qtr. 2015
- Capture 85% by 1st Qtr. 2016
- Capture 90% by 2020 with potential for 95% capture

The Industrial Commission on March 3 subsequently approved six implementation steps to reach those Future Capture Targets. Based on the targets proposed by the North Dakota Petroleum Council Flaring Task Force and the steps that have been implemented it is recommended that the Commission further refine their September 2013 goals and formally adopt the following Gas Capture Goals:

- Capture 74% by 4th Qtr. 2014
- Capture 77% by 1st Qtr. 2015
- Capture 85% by 1st Qtr. 2016
- Capture 90% by 4th Qtr. 2020 with potential for 95% capture.

In addition, in order to implement these goals in a timely manner it is recommended that the Delegation of Authority Resolution be reviewed and the commission pass a motion to affirm that the Department of Mineral Resources Director has the authority to approve value-added processes which reduce the volume or intensity of the flare by more than sixty percent under NDCC 38-08-06.4 (2) (e).

Resolution of the North Dakota Industrial Commission

Whereas, The Industrial Commission ("Commission") has a range of responsibilities and broad authority under Title 38 of the North Dakota Century Code, titled "Mining and Gas and Oil Production" and Chapters 54-17.3 titled "Paleontological Resource Protection," 54-17.4 titled "Geological Survey" and 23-20.2 titled "Disposal of Nuclear & Other Waste Material." More particularly, the Commission has authority under North Dakota Century Code Chapters 38-08, "Control of Gas and Oil Resources;" 38-08.1, "Geophysical Exploration Requirements;" 38-12, "Regulation, Development, and Production of Subsurface Minerals;" 38-12.1, "Exploration Data;" 38-15, "Resolution of Conflicts in Subsurface Mineral Production;" 38-19, "Geothermal Resource Development Regulation;" 38-21, "Exploration Fund;" and 38-22, "Carbon Dioxide Underground Storage," as amended from time to time.

Whereas, The Commission has adopted administrative rules to implement Title 38, and Chapters 54-17.3, and 54-17.4.

Whereas, North Dakota Century Code Section 38-08-04.2 provides:

The industrial commission is authorized to appoint a director of mineral resources who shall serve at the pleasure of the commission. The director of mineral resources shall carry out the duties of the director of oil and gas along with the duties of director of mineral resources. ...The commission may delegate to the director of oil and gas all powers the commission has under this title and under rules enacted under this title.

Now, therefore, the Industrial Commission delegates to the Director of Mineral Resources the authority to carry out, on the Commission's behalf and in its name, all of the Commission's Title 38 and Chapters 54-17.3, 54-17.4 and 23-20.2 statutory and administrative rule authority and responsibility, as amended from time to time. This delegation of authority does not, however, include the following:

1. Executing final orders for cases dealing with creating and terminating secondary and tertiary recovery units;
2. Executing final orders for cases in which the person opposing the relief requested presents substantively or procedurally sound reasons for the opposition;
3. Executing final orders for cases in which the Director contemplates issuing an order granting relief that substantially differs from that requested;
4. Initiating and settling litigation in the courts;
5. Executing final orders imposing a fine for administrative cases in which the person who is the subject of an administrative complaint opposes the proposed penalty and the Director cannot reach a negotiated settlement with such person;
6. Executing orders granting or denying a petition for reconsideration;
7. Executing final orders for cases dealing with carbon dioxide storage facility permits and certificates of carbon dioxide project completion; and
8. Executing final orders for cases dealing with the development or production of subsurface minerals.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission further refine their September 2013 Gas Flaring Reduction Goals and adopt the following Gas Capture Goals:

Capture 74% by 4th Qtr. 2014

Capture 77% by 1st Qtr. 2015

Capture 85% by 1st Qtr. 2016

Capture 90% by 2020 with potential for 95% capture

And that the Industrial Commission reviews and amends the Delegation of Authority Resolution and affirms that the Department of Mineral Resources Director has the

authority to approve value-added processes which reduce the volume or intensity of the flare by more than sixty percent under NDCC 38-08-06.4 (2) (3). On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms presented proposed orders for cases heard on May 29, 2014 as follows:

Mr. Helms indicated that Case 22165 is an application to create and establish two overlapping 1920-acre spacing units – (Handouts are available in the Commission files.) He said these units would be in the corners of Stoney Creek Field right outside Williston. The two 1920-acre spacing units being proposed are problematic – they address some completely undeveloped sections within the corners of this field. They chose this pattern because these diagonal wells, in their opinion, perform better than straight North/South wells. What happens is you are developing two full sections and four half sections with this proposal. Another operator actually operates the two full sections and has the majority interest and there is a third operator who has a significant interest in Section 13. At the hearing, it was shown that if the 1920-acre spacing units were developed on this pattern 44 percent of the well bores end up in Sections 13 and 34 with approximately 50 percent of the oil coming from Sections 13 and 34 but the mineral owners only receive one-third of the revenue. He recommended that the Commission approve proposed Order 24499 which denies the application because it does not protect correlative rights. He indicated that the applicant can come back with a new plan that not only produces the oil but protects the correlative rights of the mineral owners.

Case 22165: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 24499 issued in Case 22165 which denies the application be effective this 1st day of July, 2014. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms indicated that Case 22335 is an application to confiscate production-related equipment and salable oil – (Handouts are available in the Commission files.) He said a Canadian company, Rio Petro LTD came in 2008 and reentered an old well bore with the intent to produce Calcium Chloride Brine and sell it to the oil and gas industry for a weighting material. Rio Petro LTD reentered the well and completed it in an oil producing reservoir but they could not get the oil company that owned the oil rights to agree to let them produce water and oil from their reservoir. So Rio Petro LTD walked away and abandoned the well. The Division did a complaint against Rio Petro LTD and they did not respond to the complaint. Mr. Helms stated the Division is now at the point where the Commission needs to confiscate this equipment and the well bore and then use the \$20,000 bond, hold a Sheriff's sale, and use the proceeds from the sale of the equipment to plug the well and reclaim it and the surface. He stated that this is what proposed Order 24670 does.

In response to a question regarding the building that is on the property, Mr. Helms stated it is their hope that when the Sheriff's sale is held that the landowner is able to obtain it for a good price – that would be ideal.

Case 22335: It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that Order 24670 issued in Case 22335, be approved and effective this 1st day of July, 2014. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms indicated that Case 22336 is an application to determine appropriate spacing – (Handouts are available in the Commission files.) He said this case addresses a problem in Souris Field in the Spearfish Pool. When Corinthian Exploration (Corinthian) appeared before the Commission regarding spacing Corinthian testified on what they were going to do if 320-acre spacing was established – build four pads and drill twelve wells. Mr. Helms provided the Commission with a second map which shows what Corinthian actually did – they built one pad and drilled one well. So the Commission docketed this case to discuss the matter of promising one thing and delivering something altogether different. Corinthian came with a proposal to drill three more wells which still leaves the 320-acre spacing unit undeveloped and not evenly developed. What proposed Order 24671 does is require Corinthian to drill the mirror image well by the end of this year to retain the 320 acre spacing and come back to the Commission with a development plan. If they do not do that, the Department’s intent is to recommend to the Commission the reduction of spacing to 160 acres or 80 acres so the development is fair to the mineral owners.

Mr. Helms indicated that the Oil and Gas Division wants to send a very strong message with this order that companies should not talk to the Division about full development when they are still in the evaluation phase; they should come with what they are really planning to do. He noted that the Division monitors these things and takes action when the operator is not fulfilling the promises that were made.

Case 22336: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 24671 issued in Case 22336, be approved and effective this 1st day of July, 2014. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms presented Order 24931 for Case 15279 - a reconsideration of Order 17524 regarding the flaring of gas. He said the Commission was petitioned by Statoil for reconsideration of an order regarding flaring relief. Statoil had acquired this well and lease from Brigham Oil and Gas. Statoil believed that Brigham had filed some follow-up documents that were required. However, the Commission never received those follow-up documents and issued an order denying the request for relief. We think the follow-up documents will lead us to the right decision in the matter and the only way to reopen the case and get them in the record and hear from the residents from Williston who live in and near this well is to grant the reconsideration and put it on the docket hold the hearing and let Statoil and those who live there plead their case. Proposed Order 24934 grants the reconsideration.

Case 15279: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 24931 issued in Case 15279, be approved and effective this 1st day of July, 2014. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Ed Murphy reviewed the Wilson M. Laird Core and Sample Library Expansion plans. (A copy of the plan is available in the Commission files.)

In response to a question Mr. Helms stated that the issues regarding parking spaces and legislative appropriation have been revised as previously discussed. What is now being proposed is a promise that the Department of Mineral Resources will include a request for an appropriation as a separate line item so legislators will see the need and the Department of Mineral Resources staff will testify to the fact that this Expansion will result in the loss of 74 parking spaces.

Mr. Murphy reviewed the University of North Dakota/Department of Mineral Resources Memorandum of Agreement regarding the Wilson M. Laird Core and Sample Library.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approve the following Memorandum of Agreement between the University of North Dakota and the North Dakota Department of Mineral Resources Geological Survey:

MEMORANDUM OF AGREEMENT

THIS AGREEMENT is made this _____ day of _____, _____. By and between the University of North Dakota, hereinafter "UNIVERSITY", and the North Dakota Department of Mineral Resources Geological Survey, hereinafter "DEPARTMENT", with respect to the Wilson M. Laird Core and Sample Library, hereinafter "the Core Library".

WHEREAS, the DEPARTMENT has statutory responsibility to preserve and protect oil and gas cores and samples for the benefit of the citizens of North Dakota;

WHEREAS, the DEPARTMENT's Core Library is currently located on the UNIVERSITY campus on land owned by the State Board of Higher Education doing business as the University of North Dakota;

WHEREAS, a significant number of UNIVERSITY's graduate student theses and dissertations, as well as its faculty and research grants, have been based upon cores and samples housed in the Core Library;

AND WHEREAS, the DEPARTMENT employs approximately a dozen UNIVERSITY students as temporary employees in the Core Library.

THEREFORE, this Memorandum of Agreement is made between the UNIVERSITY and the DEPARTMENT as a means of acknowledging the mutual benefits of continuing to locate an expanded Core Library on the UNIVERSITY campus at 2835 Campus Road.

POINTS OF AGREEMENT:

- 1) The DEPARTMENT and UNIVERSITY are in agreement as to the extent of the proposed boundaries of the expanded Core Library as depicted on the EAPC map dated May 2014 which allows for a coal pile access road to accommodate semi-trucks for coal delivery (Attachment A).
- 2) The DEPARTMENT agrees to seek funds to pay for an overhead walkway to connect the Core Library to Leonard Hall to facilitate continued collaboration.
- 3) The DEPARTMENT and UNIVERSITY are in agreement that the Core Library expansion will remove 74 parking spaces from the UNIVERSITY parking system.
- 4) The DEPARTMENT agrees to include in its budget request to the Office of Management and Budget for the 64th Legislative Assembly a request for funds to replace the removed parking spaces with 74 parking spaces in a future parking structure as provided in section 5.
- 5) The DEPARTMENT and UNIVERSITY agree that parking space replacement in the DEPARTMENT's budget request will be at the rate of \$25,000 per parking stall for a total of \$1.85 million.
- 6) The DEPARTMENT agrees that it will make appropriate personnel available to testify before future Legislative Assemblies in support of parking space replacement if the sum of \$1.85 million is not appropriated to the UNIVERSITY during the 64th Legislative Assembly.
- 7) The UNIVERSITY agrees that the DEPARTMENT can begin expansion of the Core Library as soon as the State Legislature appropriates the construction funds (effective date of the Legislation).
- 8) The DEPARTMENT and UNIVERSITY agree that construction will take place in the quickest manner possible while taking steps necessary to minimize impact on UNIVERSITY activities. The DEPARTMENT and UNIVERSITY also agree that a Construction Manager at Risk will be used for project delivery. UNIVERSITY staff will be responsible for project oversight and coordination.
- 9) The UNIVERSITY agrees that the DEPARTMENT will not pay to lease the property the building is situated upon. This provision shall survive the termination of this Memorandum of Agreement.
- 10) The DEPARTMENT and UNIVERSITY agree that upon completion of the expansion contemplated herein, the custodial costs paid by DEPARTMENT to UNIVERSITY for the Core Library in accordance with any and all prior agreements and/or courses of dealing between the parties will, increase commensurate with increased square footage office and restroom space.
- 11) The DEPARTMENT agrees to continue to pay for building repairs, garbage collection, and pest control, in accordance with any and all prior agreements and/or courses of dealing between the parties as relates to the Core Library.
- 12) The UNIVERSITY agrees to continue to provide utilities, security, ground maintenance, and snow removal in accordance with any and all prior agreement and/or courses of dealing between the parties as relates to the Core Library.
- 13) The DEPARTMENT agrees to provide laboratory space for UNIVERSITY faculty and students and make available the Core Library conference room to faculty for meetings and lectures when not in use by DEPARTMENT staff.

- 14) The DEPARTMENT agrees that the UNIVERSITY faculty and students will be forever exempted from any per foot core charges or laboratory rental fees that might be implemented on Core Library users in the future unless otherwise provided by law. The provisions of this paragraph shall survive the termination of this Memorandum of Agreement.

REVIEW AND MODIFICATION

This Memorandum of Agreement shall be effective upon execution by the UNIVERSITY and DEPARTMENT. It may be modified upon the initiation of either entity. Modifications must be in writing and signed by the authorized officials of both entities.

Unless earlier terminated by written agreement signed by both parties, this Memorandum of Agreement shall be in effect until such time that DEPARTMENT no longer operates the Core Library on the UNIVERSITY campus.

This Memorandum of Agreement shall be reviewed at least every two years, and if deemed necessary a meeting will be held between the two entities to discuss any modifications or changes in procedures needed.

Except as may otherwise be expressly provided herein, this Memorandum of Agreement shall not supersede any prior agreement, written or unwritten, between the parties and concerning the operation of the Core Library.

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

Mr. Helms stated that the transportation of crude oil by rail continues to be a significant issue at the federal and public level. He has had conversations with Department of Energy staff and has been doing a lot of reading to follow this closely. It appears the regulators are looking at a four part solution:

- Rail routing, speed limits and maintenance which falls under federal jurisdiction;
- Rail car standards which falls under federal jurisdiction;
- Emergency management information and planning which falls under state and federal jurisdiction;
- Crude oil conditioning – the cargo itself.

Mr. Helms stated that crude oil conditioning falls under the purview of the Industrial Commission as it relates to what happens in the field to crude oil. He suggested that the Commission may want to consider following the model it did with flaring and have a hearing. He noted that there is the study being conducted by Turner Mason & Company that includes best practices for the field to properly condition Bakken crude oil or other light crude oils. It is his understanding that the study should be available in the next 10 days or so. The Commission may want to take the information in that study, follow it up with a hearing and consider if there should be some rules or an order making sure North Dakota crude oil is conditioned properly for sale and transport. The Department of Energy, a non-regulatory federal agency, is researching this issue and the Commission potentially has a role in dealing with the matter.

Governor Dalrymple said the Commission needs to look into this issue because questions have been raised about the volatility of Bakken oil and whether its volatility is unique from other oils. A study has been done basically showing it really is not different but that also assumes the crude oil is being appropriately conditioned at the well site after it comes out of the ground. The Commission doesn't know for certain whether it is or not but have presumed that it is. There are not any standards on what is to be done in the field that could be monitored. He thought the Commission should look further into this so it knows what the producers are doing in the way of conditioning.

Commissioner Goehring and Attorney General Stenehjem concurred.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring to proceed with a hearing on field operational standards to ensure crude oil conditioning for sale and transport. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms indicated that the Commission may want to include as part of that hearing process a presentation of the results of the Turner Mason & Company study.

Being no further Department of Mineral Resources business, Governor Dalrymple adjourned this portion of the meeting at 2:20 p.m. and the Commission moved the meeting to the Governor's Conference Room 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 July 1, 2014 beginning at 1:00 p.m.
Pioneer Room and Governor's Conference Room
State Capitol, Bismarck, ND

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

Also

Present: Justin Kringstad, Pipeline Authority
Danette Welsh, Oneok
DeAnn Ament, Public Finance Agency
Vance Taylor, State Mill
Ed Barchenger, State Mill
Mike Jones, Lignite Research, Development and Marketing Program
Andrea Stomberg, Transmission Authority
Jerod Tufte, Governor's Office
Members of the Press

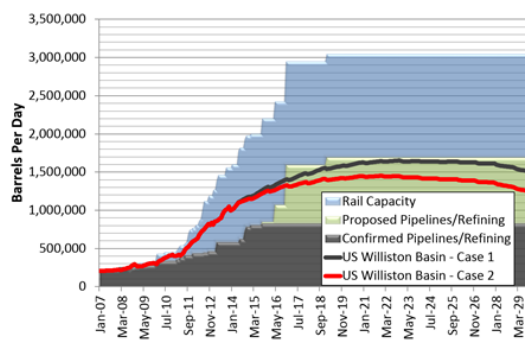
Governor Dalrymple called the Pipeline Authority portion of the Industrial Commission meeting to order in the Governor's Conference Room at 2:25 p.m. after completion of Department of Mineral Resources business.

Mr. Justin Kringstad, Pipeline Authority Director, presented the following slides as the Pipeline Authority update:



NDIC Project Updates
North Dakota Pipeline Authority
Justin J. Kringstad
July 1, 2014

Williston Basin Oil Production & Export Capacity, BOPD



Production forecast is for visual demonstration purposes only and should not be considered accurate for any near or long term planning.

Confirmed Pipeline Projects

Butte Loop

- In-service Date: Q3 2014
- 110,000 BOPD
- Service to Guernsey, WY

Hiland Double H

- In-service Date: Q4 2014
- 50,000 BOPD (Expandable up to 100,000 BOPD)
- Extended Open Season to April 16, 2014
- Service to Guernsey, WY

Plains Bakken North

- In-service Date: May 2014
- 40,000 BOPD (Expandable up to 70,000 BOPD)
- Movement North to Canadian Interconnect

Pipeline Projects In Business Development or Regulatory

North Dakota Pipeline Company Sandpiper

- 225,000 BOPD
- Route: ND to Clearbrook, MN, 24" Clearbrook to Superior, WI, 30"
- In-service Date: Q1 2016

Enterprise Pipeline

- 200,000-250,000 BOPD (Estimated ND Portion)
- Route: Stanley, ND to Cushing, OK 1,200 miles, 30"
- In-service Date: Q4 2016

TransCanada Keystone XL

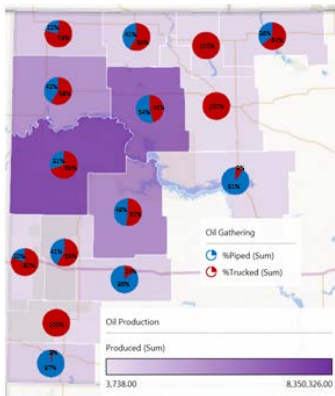
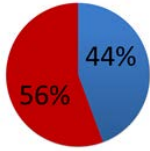
- Up to 100,000 BOPD
- Timeline Uncertain

Energy Transfer Partners

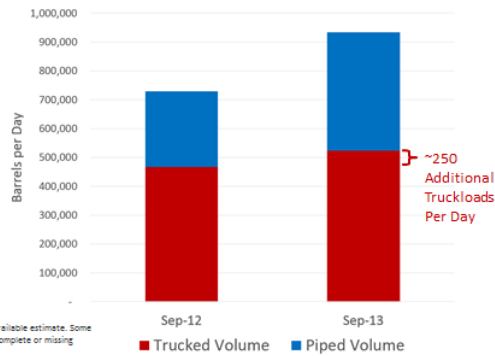
- 320,000 BOPD
- Route: ND to Patoka, IL, 1,100 miles, 30"
- In-service Date: Q4 2016

ND Oil Gathering

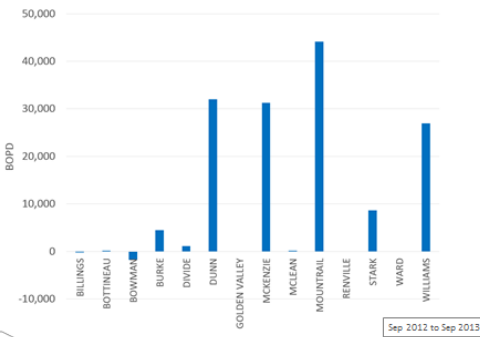
Red – Trucked
Blue – Pipeline



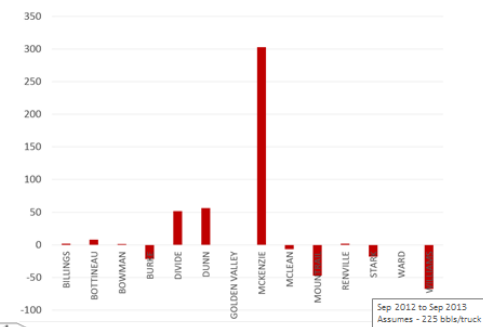
Year-Over-Year Oil Gathering Changes*



Estimated YOY Oil Gathering Change

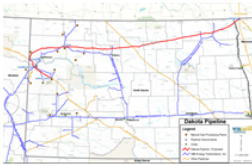


Estimated YOY Daily Truckload Change



Major Gas Projects in Development

WBI Energy – Dakota Pipeline



- 400-500 MMCFD
- 375 Miles, 24"
- Proposed In-service: 2017

Northern Border – Bakken Header



- 400 MMCFD
- 55 Miles, 20"
- Proposed In-service: Late 2016

US Williston Basin Oil Transport

Route/Pipeline	Year End System Capacity, Barrels Per Day										
	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016*	2017*
Bakken (Sep 2011)	83,000	104,000	114,000	118,000	145,000	150,000	150,000	150,000	150,000	150,000	150,000
TransCanada Keystone XL										20,000	20,000
TransCanada Keystone NGL											20,000
Energy Transfer Partners Bakken Pipeline (ETP) (2015, 2016)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2017)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2018)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2019)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2020)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2021)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2022)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2023)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2024)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2025)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2026)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2027)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2028)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2029)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2030)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2031)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2032)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2033)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2034)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2035)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2036)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2037)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2038)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2039)											100,000
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Energy Transfer Partners Bakken Pipeline (ETP) (2046)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2047)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2048)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2049)											100,000
Energy Transfer Partners Bakken Pipeline (ETP) (2050)											100,000
Total	230,000	272,000	286,000	297,000	413,000	463,000	583,000	788,000	848,000	848,000	1,548,000

In response to a question, Mr. Kringstad indicated that the Sandpiper project is still scheduled to be completed in early 2016. However, there are still a number of regulatory steps they must complete along the pipeline route.

Governor Dalrymple thanked Mr. Kringstad for his work on the recent Pipeline Summit.

Being no further Pipeline Authority business, Governor Dalrymple adjourned this portion of the meeting at 2:32 p.m. and the Commission took up Public Finance Authority business.

Minutes - Page 3
July 1, 2014

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on July 1, 2014 beginning at 1:00 p.m.
Pioneer Room and Governor's Conference Room
State Capitol, Bismarck, ND

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

Also

Present: DeAnn Ament, Public Finance Authority
Vance Taylor, State Mill
Ed Barchenger, State Mill
Mike Jones, Lignite Research, Development and Marketing Program
Andrea Stomberg, Transmission Authority
Members of the Press

Governor Dalrymple called the Public Finance Authority portion of the Industrial Commission meeting to order at 2:32 p.m. after completion of Pipeline Authority business.

Ms. DeAnn Ament, Public Finance Authority Executive Director, presented the following Clean Water State Revolving Fund Program loan requests: (Detailed information on each loan request is available in the Commission files.)

The City of Dickinson is requesting \$42,108,000 to finance a new pump station, forcemain improvements, gravity sewer, and upgrades to three lift stations. The debt service on these loans will be paid by user fees and sales tax revenues. The Public Finance Authority Advisory Committee has recommended approval of this loan.

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

RESOLUTION APPROVING
LOAN FROM CLEAN WATER STATE REVOLVING FUND

WHEREAS, the Industrial Commission has heretofore authorized the creation of a Clean Water State Revolving Fund Program (the "Program") pursuant to N.D.C.C. chs. 6-09.4 and 61-28.2; and

WHEREAS, the Clean Water State Revolving Fund is governed in part by the Master Trust Indenture dated as of July 1, 2011 (the "Indenture"), between the North Dakota Public Finance Authority (NDPFA) and the Bank of North Dakota (the Trustee); and

WHEREAS, the City of Dickinson (the "Political Subdivision") has requested a loan in the amount of \$42,108,000 from the Program to finance wastewater system improvements; and

WHEREAS, the NDPFA's Advisory Committee is recommending approval of the Loan; and

WHEREAS, there has been presented to this Commission a form of Loan Agreement proposed to be adopted by the Political Subdivision and entered into with the NDPFA;

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

1. The Loan is hereby approved, as recommended by the Advisory Committee.

2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form 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.

3. The Executive Director is authorized to fund the Loan from funds on hand in the Clean Water Loan Fund established under the Indenture upon receipt of the Municipal Securities described in the Political Subdivisions bond resolution, to submit to the Trustee a NDPFA Request pursuant to the Indenture, and to make such other determinations as are required under the Indenture.

4. The Commission declares its intent pursuant to Treasury Regulations §1.150-2 that any Loan funds advanced from the Federally Capitalized Loan Account shall be reimbursed from the proceeds of bonds issued by the NDPFA under the Indenture.

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

The City of Washburn is requesting a \$3,084,000 loan to finance improvements to an existing wastewater treatment facility, sanitary sewer improvements and a sanitary sewer line. The debt service on this loan will be paid by user fees and special assessments. The Public Finance Authority Advisory Committee has recommended approval of the loan.

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

RESOLUTION APPROVING
LOAN FROM CLEAN WATER STATE REVOLVING FUND

WHEREAS, the Industrial Commission has heretofore authorized the creation of a Clean Water State Revolving Fund Program (the "Program") pursuant to N.D.C.C. chs. 6-09.4 and 61-28.2; and

WHEREAS, the Clean Water State Revolving Fund is governed in part by the Master Trust Indenture dated as of July 1, 2011 (the "Indenture"), between the North Dakota Public Finance Authority (NDPFA) and the Bank of North Dakota (the Trustee); and

WHEREAS, the City of Washburn (the "Political Subdivision") has requested a loan in the amount of \$3,084,000 from the Program to finance wastewater treatment plant improvements; and

WHEREAS, the NDPFA's Advisory Committee is recommending approval of the Loan; and

WHEREAS, there has been presented to this Commission a form of Loan Agreement proposed to be adopted by the Political Subdivision and entered into with the NDPFA;

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

1. The Loan is hereby approved, as recommended by the Advisory Committee.
2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form 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.

3. The Executive Director is authorized to fund the Loan from funds on hand in the Clean Water Loan Fund established under the Indenture upon receipt of the Municipal Securities described in the Political Subdivisions bond resolution, to submit to the Trustee a NDPFA Request pursuant to the Indenture, and to make such other determinations as are required under the Indenture.

4. The Commission declares its intent pursuant to Treasury Regulations §1.150-2 that any Loan funds advanced from the Federally Capitalized Loan Account shall be reimbursed from the proceeds of bonds issued by the NDPFA under the Indenture.

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

Ms. Ament presented the following Drinking Water State Revolving Fund Program loan requests: (Detailed information on each loan request is available in the Commission files.)

The City of Carrington is requesting a \$1,460,000 loan to finance the replacement of a water main. The source of repayment for the loan is special assessments. The Public Finance Authority Advisory Committee has recommended approval of the loan.

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

RESOLUTION APPROVING
LOAN FROM DRINKING WATER STATE REVOLVING FUND

WHEREAS, the Industrial Commission has heretofore authorized the creation of a Drinking Water State Revolving Fund Program (the "Program") pursuant to N.D.C.C. chs. 6-09.4, 61-28.1, and 61-28.2; and

WHEREAS, the State Revolving Fund is governed in part by the Master Trust Indenture dated as of July 1, 2011 (the "Indenture"), between the North Dakota Public Finance Authority (the "NDPFA") and the Bank of North Dakota (the "Trustee"); and

WHEREAS, the City of Carrington (the "Political Subdivision") has requested a loan in the amount of \$1,460,000 from the Program to finance a water main replacement; and

WHEREAS, NDPFA's Advisory Committee is recommending approval of the Loan; and

WHEREAS, there has been presented to this Commission a form of Loan Agreement proposed to be adopted by the Political Subdivision and entered into with the NDPFA;

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

1. The Loan is hereby approved, as recommended by the Advisory Committee.
2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form 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.
3. The Executive Director is authorized to fund the Loan from funds on hand in the Drinking Water Loan Fund established under the Indenture upon receipt of the Municipal Securities described in the

Political Subdivisions bond resolution, to submit to the Trustee a NDPFA Request pursuant to the Indenture, and to make such other determinations as are required under the Indenture.

4. The Commission declares its intent pursuant to Treasury Regulations §1.150-2 that any Loan funds advanced from the Federally Capitalized Loan Account shall be reimbursed from the proceeds of bonds issued by the NDPFA under the Indenture.

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

The Cass Rural Water Users District is requesting a \$3,000,000 loan to finance a water treatment expansion and well field expansion. The source of repayment for the loan is user fees. The Public Finance Authority Advisory Committee has recommended approval of the loan request.

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

RESOLUTION APPROVING
LOAN FROM DRINKING WATER STATE REVOLVING FUND

WHEREAS, the Industrial Commission has heretofore authorized the creation of a Drinking Water State Revolving Fund Program (the "Program") pursuant to N.D.C.C. chs. 6-09.4, 61-28.1, and 61-28.2; and

WHEREAS, the State Revolving Fund is governed in part by the Master Trust Indenture dated as of July 1, 2011 (the "Indenture"), between the North Dakota Public Finance Authority (the "NDPFA") and the Bank of North Dakota (the "Trustee"); and

WHEREAS, Cass Rural Water Users District (the "Political Subdivision") has requested a loan in the amount of \$3,000,000 from the Program to finance a water treatment plant expansion; and

WHEREAS, NDPFA's Advisory Committee is recommending approval of the Loan; and

WHEREAS, there has been presented to this Commission a form of Loan Agreement proposed to be adopted by the Political Subdivision and entered into with the NDPFA;

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

1. The Loan is hereby approved, as recommended by the Advisory Committee.
2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form 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.
3. The Executive Director is authorized to fund the Loan from funds on hand in the Drinking Water Loan Fund established under the Indenture upon receipt of the Municipal Securities described in the Political Subdivisions bond resolution, to submit to the Trustee a NDPFA Request pursuant to the Indenture, and to make such other determinations as are required under the Indenture.
4. The Commission declares its intent pursuant to Treasury Regulations §1.150-2 that any Loan funds advanced from the Federally Capitalized Loan Account shall be reimbursed from the proceeds of bonds issued by the NDPFA under the Indenture.

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

The City of Washburn is request a \$1,439,640 loan to finance the restoration of an existing water tower and to finance the cost of updating valves, replacing fire hydrants and updating aging materials. The source of repayment for this loan is user fees and special assessments. The Public Finance Authority Advisory Committee has recommended approval of the loan.

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

RESOLUTION APPROVING
LOAN FROM DRINKING WATER STATE REVOLVING FUND

WHEREAS, the Industrial Commission has heretofore authorized the creation of a Drinking Water State Revolving Fund Program (the "Program") pursuant to N.D.C.C. chs. 6-09.4, 61-28.1, and 61-28.2; and

WHEREAS, the State Revolving Fund is governed in part by the Master Trust Indenture dated as of July 1, 2011 (the "Indenture"), between the North Dakota Public Finance Authority (the "NDPFA") and the Bank of North Dakota (the "Trustee"); and

WHEREAS, the City of Washburn (the "Political Subdivision") has requested a loan in the amount of \$1,439,640 from the Program to finance water tower restoration and infrastructure improvements; and

WHEREAS, NDPFA's Advisory Committee is recommending approval of the Loan; and

WHEREAS, there has been presented to this Commission a form of Loan Agreement proposed to be adopted by the Political Subdivision and entered into with the NDPFA;

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

1. The Loan is hereby approved, as recommended by the Advisory Committee.
2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form 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.
3. The Executive Director is authorized to fund the Loan from funds on hand in the Drinking Water Loan Fund established under the Indenture upon receipt of the Municipal Securities described in the Political Subdivisions bond resolution, to submit to the Trustee a NDPFA Request pursuant to the Indenture, and to make such other determinations as are required under the Indenture.
4. The Commission declares its intent pursuant to Treasury Regulations §1.150-2 that any Loan funds advanced from the Federally Capitalized Loan Account shall be reimbursed from the proceeds of bonds issued by the NDPFA under the Indenture.

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

Ms. Ament provided the following memorandum regarding loans approved by the Public Finance Authority Advisory Committee:

Re: Enderlin, Clean Water State Revolving Fund Program Loan
Grenora, Clean Water State Revolving Fund Program Loan
Page, Clean Water State Revolving Fund Program Loan
Fairmount, Drinking Water State Revolving Fund Program Loan
Grenora, Drinking Water State Revolving Fund Program Loan
Leeds, Drinking Water State Revolving Fund Program Loan
Colfax, Capital Financing Program Loan
Leeds, Capital Financing Program Loan

Under current policy, the Public Finance Authority can make loans under the State Revolving Fund Program in an amount not to exceed \$1,000,000 and under the Capital Financing Program in an amount not to exceed \$500,000 without seeking the final approval of the Industrial Commission. Within this policy, once the loan has been funded, the Public Finance Authority is required to provide the details of the loan to the Industrial Commission. Accordingly, the Public Finance Authority and its Advisory Committee used this policy to approve the following loan:

The committee reviewed an application from the City of Enderlin requesting a loan in the amount of \$365,500 under the Clean Water State Revolving Fund (CW SRF) Program to finance removing and replacing sanitary sewer manholes, mains and service lines. Total construction costs for this project are estimated at \$565,500, with the difference of \$200,000 being provided from local funds on hand. The requested loan term is 20 years. The City will issue revenue bonds payable with user fees.

The committee reviewed an application from the City of Grenora requesting a \$416,147 loan under the Clean Water State Revolving Fund (CW SRF) Program to finance replacement of sewer lines on East and Hickman Streets. Total construction costs for the combined Clean Water and Drinking Water SRF project are estimated at \$3,038,240, with these additional sources of funding: \$1,679,051 from a ND Energy Impact Grant, \$559,189 of local funds and \$383,853 from a Drinking Water SRF loan. The City of Grenora will issue revenue bonds payable with user fees as well as pledge their city sales tax. The requested term for the CWSRF loan is 20 years.

The committee reviewed an application from the City of Page requesting a loan in the amount of \$200,618 under the Clean Water State Revolving Fund (CW SRF) Program to finance the replacement of storm sewer manholes, water main gate valves, inlets, pipes and re-grade existing storm ditches. Total construction costs of this project are \$406,000. The remainder of the project will be paid with a Community Development Block Grant in the amount of \$205,382. The requested loan term is 20 years. The City will issue revenue bonds payable with user fees.

The committee reviewed an application from the City of Fairmount requesting a loan in the amount of \$200,000 under the Drinking Water State Revolving Fund (DW SRF) Program to finance the construction of two new wells and a well house and then abandon the two old wells and demolish the old well house. Total construction costs of this project are \$648,300.

A CDBG of \$448,300 will provide the balance of the funding for this project. The requested loan term is 20 years. The City will issue revenue bonds payable from user fees

The committee reviewed an application from the City of Grenora requesting a \$383,853 loan under the Drinking Water State Revolving Fund (DW SRF) Program to finance replacement of water lines on East and Hickman Streets. Total construction costs for the combined Clean Water and Drinking Water SRF project are estimated at \$3,038,240, with these additional sources of funding: \$1,679,051 from a ND Energy Impact Grant, \$559,189 of local funds and \$416,147 from a Clean Water SRF loan. The City of Grenora will issue revenue bonds payable with user fees as well as pledge their city sales tax. The requested term for the DWSRF loan is 20 years.

The committee reviewed an application from the City of Leeds requesting a \$410,000 loan under the Drinking Water State Revolving Fund (DW SRF) Program to finance repairs and improvements to the water tower as well as city-wide water meter replacement. Total construction costs are estimated at \$510,000, with the difference (\$100,000) coming from a Community Development Block Grant. The requested term for the DWSRF loan is 20 years. The City of Leeds will issue revenue bonds payable with user fees for this project.

The committee reviewed an application from the City of Colfax requesting a \$40,000 loan under the Capital Financing Program (CFP) to finance replacement of water meters. Total project costs are estimated at \$40,000. The requested term for the CFP loan is 5 years. The City of Colfax will issue revenue bonds payable with user fees for this project.

The committee reviewed an application from the City of Leeds requesting a \$70,000 loan under the Capital Financing Program (CFP) to finance sanitary sewer cleaning and televising. Total project costs are estimated at \$70,000. The requested term for the CFP loan is 5 years. The City of Leeds will issue revenue bonds payable with user fees for this project.

The loans were approved by the Public Finance Authority's Advisory Committee the June 25, 2014 Advisory Committee meeting.

Ms. Ament stated she has been in discussions with the Governor about a concept for the financing of infrastructure of all kinds with the initial focus on new housing developments. The concept is to have a revolving loan fund that could be offered at below market interest rates to political subdivisions to lower the costs for infrastructure which would in turn reduce the costs for housing developments--making newly constructed homes more affordable.

Governor Dalrymple indicated that there is reluctance in the faster growing cities to incur debt for water and sewer infrastructure for new housing developments. Currently cities are requiring the developers to pay these costs which are driving up the costs of the lots. The cities do not want to take on these costs because of the possibility of a deficiency. He is hopeful that a friendly loan program that is easy to deal with time wise and at an attractive rate would fill this need. He has encouraged Ms. Ament to keep researching this concept and to bring something back to the Commission.

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Being no further Public Finance Authority business, Governor Dalrymple adjourned this portion of the meeting at 2:42 p.m. and the Commission took up State Mill 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 July 1, 2014 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol, Bismarck, ND

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

Also
Present: 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 2:42 p.m. after completion of Public Finance Authority business.

Mr. Vance Taylor, State Mill President and General Manager, presented a request for authorization to make the year-end transfers of State Mill profits. (A copy of his memorandum is available in the Commission files.) He said each year they request authority from the Commission to make the 5% transfer to the Ag Fuel Tax Fund (AFTF). Last legislative session a bill was passed that stated the Mill is to transfer 50% of their profits up to \$6,817,200 whichever is less to the General Fund. He met with Ms. Sharp last week and it was decided the best way to handle the transfer this year, since the Mill's profits are good, would be to transfer the 5% to the AFTF and 50% of the maximum \$6,817,200 which is \$3,408,600.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the State Mill is authorized to transfer five percent of the net income earned by the Mill for fiscal year 2014 to the Agricultural Fuel Tax Fund (AFTF) and transfer to the General Fund \$3,408,600 of the annual earnings and undivided profits of the Mill as per the request of the Office of Management and Budget Director noting that the transfers will be based on unaudited year-end results and reserving the right to adjust the number to the AFTF once the year-end results have been audited. Further that Mill management reports the amount of the transfers to the Commission at their July 29 meeting. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission close the meeting pursuant to N.D.C.C. §44-04-18.4 to discuss commercial and financial information including marketing and sales plans regarding the State Mill and the Mill's customers. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further State Mill business, Governor Dalrymple adjourned this portion of the meeting at 2:45 p.m. and the Commission took up **confidential** State Mill business.

Governor Dalrymple reconvened the non-confidential State Mill portion of the Industrial Commission meeting at 3:22 p.m. after completion of State Mill confidential business.

Mr. Taylor updated the Commission regarding the union negotiations. He said Mill management

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had reached an agreement with the Union Committee and it was ratified last Friday. It is a five year agreement with salary increases each year for the five years as follows: 4%, 3%, 3.25%, 3.25% and 3.25% for a total of 16.75% – similar to what had been agreed to in the last five year contract. In addition there were a few other items such as paying \$100 per year to cover the costs of steel-toed safety boots which are required, an adjustment to the rate for the grain cleaner, and a stipend for the maintenance staff that carry cell phones for call-ins.

Being no further State Mill business, Governor Dalrymple adjourned this portion of the meeting at 3:24 p.m. and the Commission took up Lignite Research, Development and Marketing 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 July 1, 2014 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

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

Also

Present: Mike Jones, Lignite Research, Development and Marketing Program
Andrea Stomberg, Transmission Authority
Members of the Press

Governor Dalrymple called the Lignite Research, Development and Marketing Program portion of the Industrial Commission meeting to order at 3:25 p.m. after completion of State Mill business.

Ms. Karlene Fine, Industrial Commission Executive Director, presented the Financial Report as follows:

**Lignite Research Program
2013-2015 Budget**

	As of 7/1/2013	<u>Available Funding Summary</u>	
		Expenditures or <i>Commitments</i> Biennium-to-date	Balance Available 5/1/2014
Administration	\$750,000	\$195,424	\$554,576
Non-matching Feasibility Studies	\$3,000,000	<i>\$3,000,000</i>	\$0
Small Projects/Education	\$1,500,000	<i>\$239,559</i>	\$1,260,441
Demonstration Projects	\$4,404,000	<i>\$1,299,958</i>	\$3,104,042
Marketing Projects	\$1,200,000	<i>\$600,000</i>	\$600,000
Litigation (Non-matching dollars)	\$1,500,000	<i>\$254,435</i>	\$1,245,565
	\$12,354,000	\$5,589,376	\$6,764,624

Mr. Mike Jones, Technical Advisor to the Industrial Commission, reviewed the Lignite Research Council's recommendations regarding the following Grant Round 77 applications: (Copies of the applications and the Technical Reviewer comments are available in the Commission files.)

“Combustion Enhancement of Solid Fuels Using ClearSign's Technologies”, Submitted by: ClearSign Combustion Corporation; Request for \$50,000 (Small Research); Total Project Costs \$400,000; Project Duration: 30 weeks.

He noted that this project is focused on NO_x control which is a key issue for the lignite industry. ClearSigns has developed a technology (ECC) that can manipulate the flame using high-voltage electric fields to prevent pollution from forming in the first place. The proposed project will evaluate the viability of the technology when applied to a lignite fired system. The impact of ECC technology on the following key performance parameters:

1. Environmental emissions (NO_x, CO and PM).
2. Flame control. Manipulate flame geometry, provide better flame geometry control.

3. Air distribution. Improved control in a grated combustion system with heterogeneous fuel composition and uneven grate distribution.
4. Assess the potential of ECC technology to reduce fouling.

Mr. Jones stated that all three reviewers suggested funding was appropriate and the Lignite Research Council vote was 19 to 0 in support. He recommended funding with two conditions-- the applicant obtain the matching funds and he, as Technical Advisor, be allowed to participate on the advisory group.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the Lignite Research Council recommendation to fund the grant application “Combustion Enhancement of Solid Fuels Using ClearSign’s Technologies” and to authorize Karlene Fine, Industrial Commission Executive Director, to execute an agreement with ClearSign Combustion Corporation to provide a total of Industrial Commission Lignite Research Program funding in an amount not to exceed \$50,000 (small research) with the following conditions:

- **Matching funding received from all the parties;**
- **Technical Advisor participates in advisory group.**

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

“Enhanced High Capacity Sorbent and Process for CO₂ Capture Using Hybrid Sorption (E-CACHYS™)” Submitted by: Envergenx LLC; Request for \$50,000 (Small Research); Total Project Costs \$1,099,967; Project Duration: 2 years

Mr. Jones stated that the E-CACHYS™ process uses solid sorbents to affect capture of CO₂ from flue gas streams. The proposed Phase II project will scale-up methods for producing the E-CACHYS™ sorbents to maximize the CO₂ loading capacity. In addition, an enhanced process configuration that (i) reduces sorbent attrition, (ii) accommodates operation with a finer particle size distribution, and (iii) incorporates a method to increase sorbent life, will also be demonstrated. He noted that this process would be particularly important to existing coal plants.

He pointed out that this work will also involve the Institute for Energy Studies on the University of North Dakota campus.

Mr. Jones noted that all reviewers suggested that this project be funded; the LRC vote was 19 to 0. At the time of submission of the application the applicant did not have approval from DOE so that is a condition and he has also asked that he, as Technical Advisor to the Commission be allowed to participate on the advisory group. With those conditions he recommended approval.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the Lignite Research Council recommendation to fund the grant application “Enhanced High Capacity Sorbent and Process for CO₂ Capture Using Hybrid Sorption (E-CACHYS™)” and to authorize Karlene Fine, Industrial Commission Executive Director, to execute an agreement with Envergenx LLC to

provide a total of Industrial Commission Lignite Research Program funding in an amount not to exceed \$50,000 (small research) with the following conditions:

- **Matching funding received from all the parties;**
- **Technical Advisor participates in advisory group.**

In response to a question Mr. Jones stated the sorbent is a carbon matrix with some amine functionality that will collect the CO₂ molecule and transport it from the flue gas stream.

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

“Validation of the Multi-element Sorbent Trap (MEST) Method for Measurement of HCl and Metals”; Submitted by: The Energy and Environmental Research Center (EERC); Request for: \$245,000 (Demonstration); Total Project Costs: \$860,000; Project Duration: 18 months.

Mr. Jones stated that the Energy & Environmental Research Center (EERC), through the Center for Air Toxic Metals® (CATM®), has developed a multielement sorbent trap (MEST) sampling method that can be utilized for trace metal and halogen sampling. As a potential alternative to EPA M29 and M26/26A, the EERC developed the MEST method with two separate sampling applications: one for metals (MEST-M) and one for halogens (MEST-H), in particular HCl. The goals of the proposed project are as follows:

1. Validate a simple, low-cost MEST-H method for measurement of HCl by collecting specific data that can be used to support determination and acceptance of MEST-H as an alternative method to M26 (and M26a).
2. Address questions and provide data to EPA as necessary to gain acceptance of the MEST method for measurement of HCl as an alternative method to M26 (and M26a). The goal is to have EPA recognize the MEST-H method as an alternative method that can be used in place of M26 (and M26a).
3. Continue to develop, test, and evaluate the MEST-M method for measurement of metals. Recently, a new trap material was identified that has background metals concentrations that are an order of magnitude lower than previously tested materials.

He indicated that if this process is proved to be effective it will reduce the costs for the plant operators. There was support from a number of the companies for this work.

Mr. Jones indicated that the Technical Reviewers had recommended that funding be considered. It had not received a funding recommendation because the reviewers were not sure how high of a priority this would be; the LRC vote was 16 to 3. He stated that he believes this is worthwhile and recommended funding providing the applicant obtains the matching funds and that he be allowed to participate in the advisory group.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the Lignite Research Council recommendation to fund the grant application “Validation of the Multielement Sorbent Trap (MEST) Method for Measurement of HCl and Metals” and to authorize Karlene Fine, Industrial

Commission Executive Director, to execute an agreement with the Energy and Environmental Research Center to provide a total of Industrial Commission Lignite Research Program funding in an amount not to exceed \$245,000 (demonstration) with the following conditions:

- **Matching funding received from all the parties;**
- **Technical Advisor participates in advisory group.**

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

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission meeting be closed pursuant to 54-17.5-06 to consider the requests for portions of the “Combustion Enhancement of Solid Fuels Using ClearSign’s Technologies” and “Enhanced High Capacity Sorbent and Process for CO₂ Captures Using Hybrid Sorption (E-CACHYS™)” applications and the entire “Regional Lignite Public Affairs Plan (Coalition for a Secure Energy Future)” application be determined confidential and to consider requests for the reports on the “Feasibility Assessment of the NET Power Electric-Generation Technology when fueled with North Dakota Lignite” and “Implementation of Regional Lignite Public Affairs Plan (Coalition for a Secure Energy Future)” projects to be determined confidential. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously. The Commission then proceeded into closed session at 3:35 p.m.

Being no further **confidential** Lignite Research, Development and Marketing Program business, Governor Dalrymple reconvened the Commission meeting in open session at 3:41 p.m.

During the closed session, it had been moved and seconded that the Industrial Commission accepts the Lignite Research Council recommendation to fund the grant application “Regional Lignite Public Affairs Plan (Coalition for a Secure Energy Future)” and to authorize Karlene Fine, Industrial Commission Executive Director, to execute an agreement with the Lignite Energy Council to provide a total of Industrial Commission Lignite Research Program funding in an amount not to exceed \$1,200,000 (marketing) with annual updates presented to the Commission. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further Lignite Research, Development and Marketing Program business, Governor Dalrymple adjourned this portion of the meeting at 3:42 p.m. and the Commission took up Transmission 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 July 1, 2014 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

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

Also

Present: Andrea Stomberg, Transmission Authority
Mike Jones, Lignite Research Program/Lignite Energy Council

Governor Dalrymple called the Transmission Authority portion of the Industrial Commission meeting to order at 3:42 p.m. after completion of Lignite Research, Development and Marketing Program business.

Ms. Andrea Stomberg, Transmission Authority Executive Director, presented the Transmission Authority update as follows:

Statute

North Dakota Transmission Authority

July 1, 2014
Industrial Commission Update
Andrea Stomberg, Director



- Formed in 2005 to facilitate development of transmission in North Dakota
- Assist with the removal of export constraints
- Support development of all energy resources
- Provides bonding authority



7/1/14



Changing transmission landscape

- Growth of electric demand in state
- Environmental- a very big deal
- BEPC/IS to join Southwest Power Pool
- MISO multi-value and market efficiency projects
 - Cost sharing with other MISO members
 - Regional planning and projects



7/1/14



7/1/14

Regional planning

- MISO controls transmission operations and performs planning for most ND utilities
- BEPC and the integrated system announced intention to join the Southwest Power Pool
- Soon- two FERC approved transmission entities will be active in North Dakota



State right-of-first-refusal

- FERC removed federal ROFR in Order 1000
- Recently acknowledged state ROFRs
- Protects incumbent utilities right to build from their own lines
- In absence of ROFR, open bidding process
- *North Dakota's ROFR valuable to protect ND citizens*

7/1/14



Transmission projects underway

- BEPC: 200 mile AVS to Naset 345 kV
- MDU/OTP MVP: BSSE 165 mile 230 kV
- Minnkota: Center-Grand Forks 250 mile 345kV
- Capx2020: 210 mile 345 kV Fargo-St. Cloud
- Other smaller cost shared MISO projects
- *Proposed: Allete 220 mile 500 kV line from Manitoba to Grand Rapids MN for hydro and balancing wind in MISO*

7/1/14



Current issues

- Term of ROW easements
- PSC siting rules
- USFWS policies
- County/township requirements
- Changing generation per EPA rules: may alter use of transmission



7/1/14



Questions?



7/1/14



Ms. Stomberg noted that there are no specific actions items for the Commission's consideration at this time.

Being no further Transmission Authority business, Governor Dalrymple adjourned this portion of the meeting at 3:52 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 July 1, 2014 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

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

Also

Present: Eric Hardmeyer, Bank of North Dakota
Tim Porter, 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 3:52 p.m. after completion of Transmission Authority business.

Mr. Eric Hardmeyer, Bank of North Dakota President, provided the Commission with a copy of the College SAVE audit. (A copy of the audit is available in the Commission files.) He indicated that the audit was done by Thomas and Thomas of Little Rock, Arkansas. He noted that Thomas and Thomas is the preeminent accounting firm for College SAVE programs or 529 plans across the country. As has been done in the past, Tim Porter from the Bank will present the audit on behalf of Thomas and Thomas.

Mr. Tim Porter, Bank of North Dakota SVP presented the College SAVE Audit dated December 31, 2013. He said Thomas and Thomas had expressed a clean opinion on the financial statements for the year. The report on internal control had no instances of noncompliance or other matters that they were required to report. He highlighted various items found in the audit:

- Net position increased \$31.1 million or about 9.4%.
- Contributions exceeded withdrawals for the first time in 3 years.
- The number of active accounts increased to 18,797; an increase of over 2,000 accounts.
- The matching grant program increased over \$200,000 (in 2013 there 878 grants compared to 491 in 2012); Children's First program also increased over \$10,000 (in 2013 there were 708 grants compared to 546 in 2012). These grant programs are funded from the administrative fees.
- North Dakota contributions in 2013 were at \$14.2 million compared to \$11.3 million in 2012, so inside the state the program is growing very nicely.

Mr. Hardmeyer discussed FASB vs. GASB Accounting Treatment and the differences in financial statements. He provided the following memorandum to the Commission:

As a financial institution, BND follows the standards set by the Financial Accounting Standards Board (FASB) to complete our financial statements. It's these financial statements that we use to report our earnings and growth numbers at the end of the year. Rating services, regulators, and other banks also rely on the FASB financial statements to gauge the success of BND. As a state agency, BND is also required to complete its financial statements under the Governmental Accounting Standards Board (GASB) which is used for governmental agencies. The State uses this information to report BND's earnings in the Comprehensive Annual Financial report (CAFR).

The challenge in completing two different sets of financial statements is the inconsistent treatment of items that flow through the income statement. Under FASB, gains or losses in the investment portfolio for available for sale securities only flow through the balance sheet as an offset to equity. GASB requires these same gains or losses to flow through the income statement. So the income

reported under the two methodologies can be very different. The first attachment illustrates the difference between the 2013 income statements prepared under FASB and GASB. (Copies of the attachments to this memorandum are available in the Commission files.)

In the past four years, BND's investment portfolio has grown from \$500 million or 13% of its assets to over \$3 billion or 41% of its total assets. As interest rates rise, the market value of these securities will decline and with significant rate shocks could show considerable differences in the income reported under FASB and GASB. The second illustration shows the effect of several different rate shocks and how each rate shock would have impacted BND's earnings reported under GASB over the past 4 years. As you can see, the impact of rate changes has grown significantly as the investment portfolio became a more significant percentage of BND's total assets.

We consider BND a significant asset of the State of North Dakota and are concerned how this could be interpreted should BND have a significant difference between our FASB and GASB prepared financial statements. While we will continue to report our financial results using FASB, it is our intent to educate others including the Legislative Audit and Fiscal Review Committee (LAFRC) about these important differences.

Mr. Hardmeyer stated the Bank will be appearing before LAFRC in a couple of weeks and they will be reporting on the Bank's financial statement using GASB. There is, in this case, a significant difference between the income that the Bank reported to the Commission and what is being reported under GASB. He wanted the Commission to be aware of why the Bank's financial statements show \$94 million in income and now when they go to LAFRC they will show \$79 million in the GASB report.

He pointed out that the issue is how items are treated differently as they flow through the income statement – in particular, the Bank's investment portfolio. It was not a significant issue five or six years ago when the Bank's investment portfolio was \$300 million to \$400 million and made up 14% of the Bank's total assets. Now, the Bank's investment portfolio is \$3.1 billion and it makes up 41% of total assets. What GASB requires is that you 'mark to market' what your investments do on a daily basis, so when rates go up, that means the Bank's investment portfolio loses value and when rates go down the investment portfolio goes up. That is an issue because GASB makes the Bank take that difference and state it on the income statement. That is the difference between the \$94 million versus the \$79 million. By doing that they are assuming the Bank would liquidate all of its investments on that date. The Bank has no intentions of doing that but it is the way the accounting professions have looked at it.

In response to a question, Mr. Porter said there has been this difference in accounting since 1998.

Mr. Hardmeyer said he thinks in the years to come, rates are probably poised to increase, so there could be some significant differences between FASB and GASB income. For the most part, GASB is a paper loss because the Bank does not intend to liquidate its investment portfolio all in one day.

Mr. Porter walked the Commission through the attachments to Mr. Hardmeyer's memo and discussed a couple of different scenarios. It was pointed out that this situation is unique to the Bank of North Dakota since it is both a bank and a government agency.

Mr. Hardmeyer presented his annual recommendations regarding Bank of North Dakota officer salary increases. (A copy of his memorandum is available in the Commission files.) He said he hopes to come back to the Commission sometime this year with another equity adjustment because all these individuals are significantly below their midpoints. He reviewed the salary ranges, how they were established and noted that they continue to lose ground on pay ranges. It is his goal to get these individuals to their midpoints.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the recommendation of Bank President Eric Hardmeyer and approve the BND Officer Salary increases effective July 1, 2014 as follows:

	<u>Recommended Increase</u>	<u>New Salary</u>
Bob Humann, SVP	\$7,162 (2% equity + 3% performance)	\$150,403
Lori Leingang, SVP	\$5,513 (2% equity +3% performance)	\$115,763
Tim Porter, SVP	\$7,879 (2% equity +4% performance)	\$139,205

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

Mr. Hardmeyer provided a copy of the Bank of North Dakota Advisory Board non-confidential April 17, 2014 meeting minutes.

Governor Dalrymple closed the meeting at 4:22 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.

Governor Dalrymple reconvened the Industrial Commission meeting in open session at 5:10 p.m.

During Executive Session, it had been moved and seconded that the Bank of North Dakota be authorized to participate in eight loans identified as Attachments 29 - 36. 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 5:11 p.m. and the Commission took up Western Area Water Supply Authority (WAWSA) 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 July 1, 2014 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

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

Also

Present: Brad Thompson, Bank of North Dakota
Bob Humann, Bank of North Dakota
Jaret Wirtz, WAWSA
Cory Chorne, AE2S, WAWSA

Governor Dalrymple called the Western Area Water Supply Authority (WAWSA) portion of the Industrial Commission meeting to order at 5:11 p.m. after completion of Bank of North Dakota business.

Ms. Karlene Fine, Industrial Commission Executive Director, presented the WAWSA monthly financial reports and Debt Payment Report as follows: (A copy of the full attachment is available in the Commission files.)

RE: Western Area Water Supply Authority - Industrial Sales - May, 2014 and
Debt Repayment Report

Attached is the Western Area Water Supply Authority (WAWSA) financial information for the month of May and for the five months ending May 31, 2014.

Pages 1 & 2 were prepared by the Bank of North Dakota reflecting debt service payments. Two payments were made in June:

- an interest payment of \$169,467 on June 2, 2014 which was applied to three of the WAWSA loans
- debt service prepayments of \$1,936,613 on June 9, 2014 which were applied to **three** debt service payments due in 2015. This payment was applied to the debt service owed on BND Loan #1 (Original loan was \$50,000,000).

The next 3 pages (pages 3, 4 & 5) I prepared based on the information provided by WAWSA staff reflecting revenues and expenses and showing net income. Net income for the month of May was \$651,298.95. Revenues were \$2,606,888.26. Page 6 is the balance sheet prepared by WAWSA staff as of May 31, 2014 for the first five months of 2014. As noted on the Balance Sheet the Accounts Receivable are \$4,934,516.05.

If you have questions, Bank of North Dakota staff will be available to discuss the debt reduction information and I will be available to review the numbers. Jaret Wirtz will also be at the meeting to respond to questions and to comment on the operations during the months of May and June.

Mr. Jaret Wirtz, WAWSA Executive Director, said everything is on track. There were a few slowdowns on sales because of the rains. He stated they had just closed the books for June and it looks like industrial sales were over \$3 million -- they are running ahead of schedule.

The Commission and Mr. Wirtz discussed the timing of when they make prepayments -- generally near the beginning of the month.

Mr. Wirtz gave an update on the WAWSA Board discussion and recommendation on capital projects as follows:

RE: Request from Jaret Wirtz regarding Capital Projects Discussion

The following is an excerpt from an e-mail that Jaret sent to me on June 26:

In addition to discussing the monthly activity I would like the opportunity to discuss with the Commission the ability to expend some available revenues on infrastructure/capital costs to produce additional revenue. We had previously discussed at recent Industrial Commission meetings about construction of three depots (Tioga, Crosby and 2nd St. Relocations). After reviewing costs and looking at alternatives the WAWSA board approved the following motion at their last meeting.

WAWSA June 18, 2014 Minutes

Industrial Commission/State Water Commission

Zubke moved to delay the use of capital funds for the relocation of 2nd street and Tioga depots, and to instead focus on other capital projects that will facilitate industrial sales, such as telemetry and meter vault construction, Koeser seconded.

Ayes: Zubke, Veeder, Bickler, Anderson, Clarys, Owan, Liesener, Koeser, Brostuen
Nay: Carried: 9-0

Jaret has indicated that he is not anticipating any action from the Commission at the July 1 Industrial Commission meeting but hoping to get some idea if the Commission is okay with how the Board is proceeding in their discussions.

In response to a question about balancing between prepayments and making investments into the system for improvements, Mr. Wirtz stated that it is their goal that by the end of 2014 they will have prepaid all the 2015 Bank of North Dakota debt service payments on one of the BND loans. He indicated that the Authority needs to continue to be proactive on how it is marketing its water. Recently there has been an interest in selling water through pipelines rather than through depots. With the costs to relocate the 2nd Street Depot the WAWSA Board wants to look hard at whether there is something better that they should do that would cost less and still make just as much money. He noted that he is developing some ideas that he will be presenting to the WAWSA Board and then bringing to the Commission in the future for their consideration--some cost sharing with the client for hookups is one idea; providing everything that the client would need for a hookup (meters, vaults, etc.) if the client brought a pipeline to a certain location with WAWSA having the ability to offer a take or pay contract; may require some upfront costs but in the near term would be able to recapture those costs; etc. The Commission indicated that they would be interested in hearing his and the Board's ideas on how the system could be improved and assure that the debt is repaid.

There was a discussion about the domestic sales and how the Authority is dealing with the demand for water on both the domestic side and on the industrial side. Mr. Wirtz stated that the latest study showed that WAWSA would be serving over 160,000 people. When WAWSA was first created it was thought that the Authority would be serving 50,000 people. He noted that the

water plant is being expanded -- currently the Williston Water Treatment Plant is at 14 MGD and the R & T Plant is at 3 MGD. They are planning to be at 21 MGD early next year. Planning is being done if the population continues to grow in the region so that the capacity could be increased to 28 MGD or 35 MGD.

In response to a question, Mr. Wirtz stated that the Authority would be requesting an additional \$120 million during the next session. This request would be to deal with the growing water demands caused by the increasing populations in northwest North Dakota. This request includes funding for the Williston Water Treatment Plant intake, a transmission line to Stanley, an additional transmission line across the Missouri River into McKenzie County, and service for rural water projects to keep up with the growing number of requests.

The Commission commended Mr. Wirtz for the job WAWSA is doing in providing water for the communities and their customers.

In response to a question, Mr. Thompson from the Bank of North Dakota indicated that any month where industrial sales are over \$2.4 million is a good month.

Being no further Western Area Water Supply Authority (WAWSA) business, Governor Dalrymple adjourned this portion of the meeting at 5:30 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 July 1, 2014 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

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

Also

Present: Jerod Tufte, Governor's Office

Governor Dalrymple called the Renewable Energy Program portion of the Industrial Commission meeting to order at 5:31 p.m. after completion of Western Area Water Supply Authority (WAWSA) business.

Ms. Karlene Fine, Industrial Commission Executive Director, presented a request for a special round as follows: (A copy of the attachment is available in the Commission files.)

RE: Additional Renewable Energy Program Grant Round

The Industrial Commission is in receipt of a request from Packet Digital which is attached for the establishment of an additional grant round (Round 22). The Renewable Energy Program policies allow for the establishment of additional grant rounds by the Industrial Commission.

Packet Digital has indicated that there are time constraints that have prompted them to request an additional grant round. I have consulted with Andrea Pfennig with the Department of Commerce as to whether she has any objections to having an additional grant round and she has indicated she does not. Therefore, I am recommending the establishment of an additional grant round with a deadline submission date of July 18, 2014.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accept the recommendation of the Industrial Commission Executive Director and approve an additional grant round for the Renewable Energy Program with a submission deadline of July 18, 2014. 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 this portion of the meeting at 5:32 p.m. and the Commission took up Administrative 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 July 1, 2014 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

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

Governor Dalrymple called the Administrative portion of the Industrial Commission meeting to order at 5:40 p.m. after completion of Renewable Energy Program business.

Ms. Karlene Fine, Industrial Commission Executive Director, presented the May 27, 2014 (non-confidential and confidential) and June 25, 2014 minutes for the Commission's consideration.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission approves the non-confidential and confidential May 27, 2014 meeting minutes and the non-confidential June 25, 2014 meeting minutes. The motion carried unanimously.

Ms. Fine discussed her recommendation regarding salary increases for agency directors. (A copy of her memorandum is available in the Commission files.)

In response to a question regarding Ms. Fine's salary increase, Ms. Fine stated she had not made a recommendation regarding her compensation. Her current annual compensation is \$93,625.75. She stated that the Commission had approved a workload adjustment last year and she is not eligible for an equity adjustment as she is above the midpoint for her classification. She noted that last year the Commission had directed her to get the position reclassified and she had not gotten that done.

The Commission discussed the additional workload she had been doing. Ms. Fine said Andrea Pfennig has been retained to work with the Outdoor Heritage Fund program on a part-time basis and had started last month which will be helpful especially going into the next grant round.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accept the Industrial Commission Executive Director recommendation regarding salary increases effective July 1, 2014 as follows:

	Recommended Increase	New Annual Salary
DeAnn Ament	\$ 3,831 (4% performance)	\$ 99,601
Jolene Kline	\$ 5,200 (4% performance)	\$135,200
Lynn Helms	\$11,340 (2% workload/4% performance)	\$200,340
Eric Hardmeyer	\$14,787 (2% equity/4% performance)	\$261,237
Vance Taylor	\$12,496 (2% equity/4% performance)	\$220,768

and further authorize a salary increase for Karlene Fine of \$5,617.54 (2% workload/4% performance) for a new annual salary of \$99,243.30. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Fine said late this morning she had gotten a request from ONEOK. ONEOK had gotten a conditional use permit for a gas compressor station which is part of a gas gathering system in Williams County. As part of the permit the County added a condition that requires submittal of written approval from the North Dakota Industrial Commission prior to operation of the compressor station. ONEOK staff has been working with the Williams County Planning Director to clarify which agencies permit the various types of infrastructure associated with natural gas gathering, processing and transportation. Since the permit has already been approved by two public boards within Williams County the Planning Director has suggested that in order to comply with the condition in the permit, the Industrial Commission send a letter noting that it does not permit gas compressor stations. Although the Department of Mineral Resources provided such a letter the Planning Director has indicated that the letter needs to come from the Industrial Commission. Because this request is unusual she wanted the Commission to be aware of it and it is her recommendation that she send the letter as the Industrial Commission's Executive Director noting that the Commission does not have authority to site or to permit natural gas compressor stations. The Commission noted the request and indicated that it was appropriate for Ms. Fine to handle these types of requests on behalf of the Commission and respond accordingly.

Being no further Administrative business, Governor Dalrymple adjourned the meeting at 5:47 p.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary