

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on January 9, 2015 beginning at 9:30 a.m.
Governor's Conference Room
State Capitol

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

Also

Present: Jason Bohrer, Lignite Energy Council
Mike Jones, Lignite Research, Development and Marketing Program
Carroll Dewing, American Lignite Energy
Jolene Kline, Housing Finance Agency
Members of the Press

Governor Dalrymple called the Industrial Commission meeting to order at 9:30 a.m. and the Commission took up Lignite Research, Development and Marketing Program business.

Mr. Carroll Dewing, American Lignite Energy (ALE), discussed the December 16, 2014 letter he had sent to the Commission regarding the ALE Vision 21 project. The letter states in part:

As you know, the contract between the North Dakota Industrial Commission and American Lignite Energy, LLC requires a decision about the FEED phase of the coal-to-liquids project. Over the past couple of years the outlook for a coal to liquids project has changed significantly. The advancement of drilling technologies such as hydraulic fracturing and horizontal drilling has led to a large increase in domestic oil & gas production and has changed the prospects for a successful coal to liquids project. Therefore, the partners of ALE, LLC do not believe that it is prudent to request an additional delay in FEED decision date and believe that it is time to end the ALE project.

(A copy of the letter is available in the Commission files.)

Mr. Dewing stated that this project began in 2006 and the FEED Decision Date has been extended several times. The pre-FEED part of the project had been completed and pending was the FEED Decision Date. At this time, the ALE Partnership has decided it is time to end the project. The partners believed at the time the project started that transportation fuels and liquid fuels were a very important thing for this country. At that time the nation was importing close to 70% of its transportation fuels. Over the last ten years that has changed tremendously – the nation is now importing 30%+ at the most. Drilling technologies such as hydraulic fracturing and horizontal drilling have led to a huge increase in the amount of oil and natural gas that is available in this country.

He indicated that their companies still have a lot of ideas and support for the use of lignite in North Dakota. There are other projects being talked about with different outcomes other than heavy transportation fuels which is what this project had talked about. Whether it is chemical feed stock or electrical generation or other things like that, they are very interested in some of those projects. However, at this time they believe the best thing for the partnership, the Industrial Commission and the State is to withdraw this application and end this project.

In response to a question regarding what we have committed to this and what they are obligated to do going forward, Ms. Fine, Industrial Commission Executive Director and Secretary, said when this project was first approved in 2006 the Commission approved up to \$10 million in two phases. What has been expended so far on this project is \$1.3 million. Every dollar that the State provided was matched with private funds dollar for dollar. Under the terms of the contract, ALE will be refunding \$117,504.65. Agreement has been reached on all the documents that were part of the work and all that information has now become non-confidential and will be available to other entities that would like to review that information. Those were the conditions of the contract.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the December 16, 2014 letter from American Lignite Energy terminating the Lignite Vision 21 Project Coal-to-Liquids Plant project pursuant to the conditions in Contract FY06-LVII-148.

The Commission thanked Mr. Dewing and all the partners for their hard work. It was noted that funding for the Lignite Research, Development and Marketing Program comes from the coal taxes. Mr. Mike Jones, Lignite Research Program Director, indicated that there had been a lot learned through this process even though the outcome was not what had originally been hoped for.

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 9:38 a.m. and the Commission took up Housing Finance Agency business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

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

Also

Present: Jolene Kline, Housing Finance Agency
Eric Hardmeyer, Bank of North Dakota
Members of the Press

Governor Dalrymple called the Housing Finance Agency portion of the Industrial Commission meeting to order at 9:38 a.m. following completion of Lignite Research, Development and Marketing Program business.

Ms. Jolene Kline, Housing Finance Agency Executive Director, discussed the 2015 General Authorization Resolution. She said this is routine and done on an annual basis and gives the Agency the ability to negotiate bond issues that are used to finance the Agency's FirstHome and other mortgage activities for the calendar year.

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

NORTH DAKOTA HOUSING FINANCE AGENCY
HOUSING FINANCE PROGRAM BONDS
HOME MORTGAGE FINANCE PROGRAM

2015 GENERAL AUTHORIZATION RESOLUTION

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

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

WHEREAS, the Agency has previously issued certain bonds pursuant to the General Resolution (the "1994 Bonds") and the General Bond Resolution of 2009 adopted by the Commission on November 25, 2009 (the "2009 General Bond Resolution") which allow for the issuance of additional bonds thereunder and the refunding of certain bonds currently outstanding thereunder; and

WHEREAS, with respect to the proceeds of the bonds issued pursuant to the General Resolution and the 2009 General Bond Resolution (collectively, the "Bonds"), such proceeds will be applied in accordance with the Act to provide funding for the programs of the Agency to finance decent, safe and sanitary housing for persons and families of low and moderate income (the "Program"); and

WHEREAS, it is in the best interests of the Commission acting as the Agency to appoint as its agents the Executive Director, the Director of Homeownership Programs and the Chief Financial Officer of the Agency (the "Authorized Officers") for the negotiation of the terms of sale of the Bonds, and to sign such agreements on behalf of the Commission after such terms of sale have been negotiated, and such certificates and other documents as are necessary and customary to complete the sale of the Bonds, and to enter into agreements for their sale by the Agency and purchase by the Underwriters and by the U.S. Treasury and/or the GSEs, subject to the limitations herein established with regard to the Bonds:

- (a) a maximum principal amount of long-term bonds of \$200,000,000;
- (b) a maximum principal amount of short-term bonds of \$100,000,000;
- (c) a final maturity of not later than forty-two years from the date of issuance;
- (d) for Bonds sold to the Underwriters, a maximum average annual interest rate of 7.00% determined at the time of Bond pricing; and

WHEREAS, in furtherance of the above-stated objectives, the Commission, the Agency, and RBC Capital Markets, LLC, Morgan Stanley & Co. LLC, Northland Securities and Isaak Bond Investments, Inc. or successors thereto or affiliates thereof approved by an Authorized Officer (the "Underwriters"), will cause to be prepared and presented to the Commission for adoption after the sale of the Bonds, such bond issuance documents as are necessary for issuance, but prior to delivery of the Bonds; and

WHEREAS, Section 1.150-2 of the Internal Revenue Code regulations (the "Tax Regulations") provides, if the Agency intends to finance mortgage loans with its own funds or warehouse funds, and then reimburse itself with Bond proceeds, that the Agency declare its intention to do so prior to so financing such mortgage loans.

NOW BE IT HEREWITH RESOLVED:

1. The sale of the Bonds to the Underwriters in accordance with the limitations herein established is hereby authorized and the officers, agents and employees of the Commission and the Agency are hereby authorized, empowered and directed to take any actions required to effect such transactions and to execute any instruments and take any actions required to effect the issuance of the Bonds and to apply the monies received by the Commission from the bond proceeds in such manner as is necessary to give effect to the Program.

2. Any acts of the officers, agents and employees of the Commission and the Agency which are in conformity with the purpose and intent of this General Authorization Resolution and in furtherance of the sale of the Bonds shall be submitted for approval, ratification and confirmation prior to the delivery of the Bonds.

3. The appointment of the Agency's Executive Director, the Director of Homeownership Programs and the Chief Financial Officer of the Agency as Authorized Officers with the authority to accept and execute Mortgage Purchase Agreements with Lenders and Servicing Agreements with Servicers, and the prior execution thereof by any such Authorized Officer shall be and are in all respects ratified, approved, and confirmed.

4. The use and distribution by the Underwriters of initial offering documents in the form of Official Statement(s) as contemplated and in conformity with the provisions of sale of the Bonds is hereby

authorized and the use thereof prior to the date of ratification and confirmation as of the date first circulated is also authorized.

5. The Bonds shall be executed by the manual or facsimile signatures of the Governor, the Attorney General, the Agriculture Commissioner and an Authorized Officer, and with the manual or a facsimile of the Official Seal of the Commission impressed, imprinted or otherwise reproduced thereon.

6. Program Directive No. 59, adopted by the Commission on September 23, 1998, authorizing the changing of Mortgage Loan purchase price, fees and points and interest rate is still in effect and is hereby ratified and confirmed.

7. The Master Reimbursement Resolution, adopted October 3, 1997, is hereby ratified and confirmed, and proceeds from the sale of the Bonds may be used to reimburse the Agency for its purchase of any Mortgage Loans in anticipation of the availability of the proceeds from the sale of the Bonds; in particular, the Agency hereby declares its intention, within the meaning of the Tax Code Regulations, to facilitate continuous funding of its home mortgage finance program (as described above) by, from time to time, financing Mortgage Loans and then issuing Bonds in one or more series within 18 months thereof to reimburse itself for such financing, all in an amount presently expected to not exceed one-half of the amount of long-term Bonds authorized by Section 1 hereof, and hereby confirms that any Authorized Officer is authorized to also so declare the intention of the Agency within the meaning of said Tax Regulations, provided that any such declaration does not authorize or obligate the Agency to issue any such Bonds.

IN WITNESS WHEREOF, this General Authorization Resolution has been adopted and signed on December 17, 2014, and shall remain in full force and effect through December 31, 2015.

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

There was discussion regarding legislative issues. It was indicated that there are still questions about the Housing Incentive Fund and the utilization of that program in energy-impacted areas versus the rest of the state. Ms. Kline stated the only thing that drives usage out west is the Essential Service Worker component which says the Agency has to give priority to housing Essential Service Workers in energy-impacted areas. Based on that priority 51% of the funding is going out west. It is, however, a state-wide program.

Being no further Housing Finance Agency business, Governor Dalrymple adjourned this portion of the meeting at 9:42 a.m. and the Commission took up Bank of North Dakota business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

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Agriculture Commissioner Doug Goehring

Also

Present: Eric Hardmeyer, Bank of North Dakota
Tom Redmann, 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 9:43 a.m. following completion of Housing Finance Agency business.

Mr. Eric Hardmeyer, Bank of North Dakota President, presented the GAP Scholarship Program Concept as follows:

**North Dakota GAP Scholarship
12.8.2014**

Low and middle-income families often find it difficult to meet the financial needs of their college-bound student while student loan debt continues to rise in the United States, topping \$29,000 per borrower according to *The Project on Student Debt*. As such, the North Dakota GAP Scholarship is being proposed by the Bank of North Dakota and the North Dakota University System.

- Goals** To improve the access and completion of students attending North Dakota colleges.
- Improve access to higher education by making college more affordable, especially to low and middle income families.
 - Act as a retention and completion tool, promoting certificate, associate or bachelor's degree completion.
 - Catalyst to reduce student loan debt burden of North Dakota resident students.
- Target** Low to middle-income families. (Verified only once during the initial application process. Based on FISAP Total Income (FTI) from the FAFSA, which represents the family's total income.)
- Two-income household @ \$100,000 FTI income or less.
 - One-income household @ \$60,000 FTI income or less.

What is different about the North Dakota GAP Scholarship?

- This scholarship helps qualifying low and middle-income families cover up to 70% of the entire cost of the student's attendance with non-repayable funds.
- Encourages students to complete their education and rewards the students who accomplish that goal.
- ND ranks #16 in credential or degrees awarded per \$100,000 of education & related expenditures for total public colleges in the U.S. (Dr. Larry C. Skogen, NDUS Interim Chancellor (May 20, 2014), *NDUS Retention Summit 2014 [PowerPoint slides].*)
 - To retain eligibility for the scholarship, the student must maintain continuous enrollment at levels that result in degree completion in a timeframe that exceeds national averages.
- Based on cohort year 2007, 55.2% students graduate within 150% of normal time at 4-year institutions. (U.S. Dept. of Education, NCES, IPEDS, *Graduation Rates*)

- Goes beyond the benefit of established state need-based grants and merit-based scholarships and fills a defined “GAP” after all federal, state, institutional, private and other defined grants or scholarships are first considered.

Budget \$5,000,000 for 2015/2017 biennium. Funded by the North Dakota Student Loan Trust.

- Approximately 800 new awards per year for two years (total 2,400 payments), plus one cohort’s “bonus” payment of \$1,000 per 800 students for earning a degree.

2015/2016 AY	2016/2017 AY
Cohort 1 = 800 students	Cohort 1 = 800 students Cohort 2 = 800 students
Payment 1 Cohort 1 = 800 X \$1,750 = \$1,400,000	Payment 2 Cohort 1 = 800 X \$1,750 = \$1,400,000
	Payment 1 Cohort 2 = 800 X \$1,750 = \$1,400,000
	Bonus payment Cohort 1 = 800 X \$1,000 = \$800,000

Budgeting Beyond 2015/17

Beyond the 2015/2017 biennium, the North Dakota GAP Scholarship will require appropriated funding to continue.

- A student could earn a maximum scholarship of \$8,000. This would consist of four annual payments (maximum of \$1,750 each) and one bonus payment (\$1,000) for graduating on time.
- Cost for 2017/2019 biennium is estimated at \$11.4 million and \$12.8 million thereafter.

Eligibility

- North Dakota resident who has not yet earned first bachelor’s degree, attending fulltime with a 2.5 minimum GPA.
- Enrolled in a certificate or degree-granting program at a qualifying college within North Dakota – public, tribal or private regionally accredited.
- Cumulative credit requirement – students must meet minimum cumulative credits earned requirement prior to each payment to remain eligible for the program.

North Dakota GAP Scholarship

December 8, 2014

Goals

1. Improve access to higher education by making college more affordable, especially to low and middle income families.
2. Act as a retention and completion tool, promoting certificate, associate or bachelor’s degree completion.
3. Catalyst to reduce student loan debt burden of North Dakota resident students.

Target Low to middle income families. This measure is determined once @ application based on FISAP Total Income (FTI) from FAFSA, which represents the family’s total income for the independent student and spouse, or for the dependent student and parents.

- Two-income household @ \$100,000 FTI income or less
- One-income household @ \$60,000 FTI income or less

Budget (SLTF funded) = \$5,000,000 for 15-17 biennium.

- Approximately 800 new awards per year for 2 years (total of 2400 payments), plus one cohort's "bonus" payment of \$1000 per 800 students for earning a degree.

2015/16 AY
Cohort 1 = 800 students

Payment 1 cohort 1 = 800 X 1750 = 1,400,000

2016/17 AY
Cohort 1 = 800 students
Cohort 2 = 800 students

Payment 2 cohort 1 = 800 X 1750 = 1,400,000
Payment 1 cohort 2 = 800 X 1750 = 1,400,000
Bonus payment cohort 1 = 800 X 1000 = 800,000

Max Student Award

Beyond the 15/17 biennium, the ND Access and Completion Scholarship would require appropriated funding to continue. Under a fully funded program, a student could have the potential of earning of a maximum scholarship of \$8,000 as follows.

- \$8,000 maximum; may be less dependent on student eligibility
- Maximum of 4 payments and one bonus payment for graduating on time
- Dependent on calculated eligibility, payment may be less than maximum annual award amount.
- If calculated annual eligibility is less than full payment amount, unused portions will NOT be carried forward.

Funding Formula for Eligible Candidates = Cost of Attendance (COA) X 70% = Gap Threshold – All federal, state, institutional, private or other defined scholarships/grants = "GAP"

- The annual payment to the student may not exceed \$1,750 or the student's determined GAP, whichever is less.
- The "bonus" of \$1,000 is in addition and is based upon on-time graduation, defined as obtaining a degree within 1 year of the final eligibility payment period.

Eligibility and Application Process

- North Dakota resident who has not yet earned 1st bachelor's degree, attending fulltime
- Enrolled in a certificate or degree-granting program at a qualifying college within ND – public, tribal or private regionally accredited
 - - All NDUS institutions
 - Trinity Bible College, University of Jamestown, University of Mary
 - CCCC, FBCC, TMCC, SBC, UTTC
 - Does NOT include proprietary institutions
- Cumulative Credit Requirement – Students must meet minimum cumulative credits earned requirement prior to each payment. Summer periods of enrollment, dual credit and AP coursework credits that count toward cumulative credits at the student's institution will be considered.
 - Students must enter the program prior to earning 129 cumulative credits and prior to first bachelor's degree.
 - Bonus payment must be attained within 1 AY of final eligibility payment period (see Progress Toward Graduation).

- NO payment for enrollment less than 12 credits >>> NOTE: students will NOT be on track to progress at 12 credits per semester. Average credits per semester to progress is 16 credits.

Mr. Hardmeyer provided background of how this concept had been developed with input from the University System and requested the Commission to allow him to advocate for this program with the Legislature. He would find legislators to introduce the bill and he is proposing that the funding of \$5 million come from the Student Loan Trust for a pilot program for the 2015-2017 biennium.

He noted that the primary focus of this program is to offer a scholarship for students from middle-income families to stay in school and to complete their education in a timely manner. They have found that there are dollars available for low-income families -- PELL grants, etc. but middle income families are left out. The Bank, as a lender for student loan programs, is concerned about the level of debt students are accumulating in completing their higher education and developed this concept to help lower that overall debt. He reviewed the goals and targets as outlined in the handouts.

He stated that this is different from other scholarship programs in that the students will get the scholarship after they have completed a successful semester with a GPA of at least 2.5. They believe this will help keep students motivated to complete their course work and to complete their higher education within either the two-year or four-year time frame. The fifth or sixth year of going to school is very expensive in terms of lost revenue and additional debt.

The Commission members discussed the concept and thought it was creative. They talked about how this fit in with other scholarship programs funded by the State and the funding levels for those programs - noting that this is a new initiative and a policy decision that the Legislature needs to make.

In response to a question, Mr. Hardmeyer said they are proposing that the \$5 million of funding for the pilot program would come from the Student Loan Trust. He noted that there is \$30 to \$35 million available in the Trust although they believe a minimum of \$10 million should remain in the Trust. In the past the dollars in the Student Loan Trust have been used for reserves for the Bank's student loan programs.

The consensus of the Commission was that Mr. Hardmeyer could be an advocate for the program to legislators.

Mr. Hardmeyer presented the Fourth Quarter 2014 Performance Highlights. (A copy of the Performance Highlights is available in the Commission's files.) He highlighted the following points:

- Loan volume is \$134 million above where they budgeted--farm side with a \$55 million increase and the Student Loan Program – DEAL One Consolidation Program -- which has been a success has done over \$150 million of loans since April.

- Equity at \$650 million which is \$21 million above projections and half of that comes from income above and beyond what they thought they were going to generate and the other is simply market to market adjustments in the securities portfolio.
- Over all, he is very pleased with the balance sheet and where they ended the year – a good mix and good growth on the loan side.
- Net profit of \$111 million which is \$11.5 million over what was budgeted and \$17 million above 2013. Eleventh straight year of record profits.
- Provision for loan losses at nearly \$8 million-- in a very good position.

The Commission commended the Bank on another great year.

Mr. Hardmeyer reviewed the legislative update as follows:

College SAVE

Proposed Legislation for ND Achieving A Better Life Experience Program or NDABLE to be introduced by Representatives Mark Dosch and WayneTrottier

Proposed legislation planned to be introduced provides authority to establish the **ND Achieving a Better Life Experience Program or NDABLE** to comply with the Federal Governments passage of the ABLE Act (Achieving A Better Life Expectancy Act of 2014) which in turn allows for States to establish and maintain a program for disabled individuals. Legislation includes language that BND shall adopt new rules to administer, manage, promote, and market a ND disabled individual savings plan.

Update on Existing College SAVE Administrative Rules

BND is planning to edit its existing College SAVE Administrative Rules to allow for changes in direction (2X per year) in the investment portfolio fund for 529 account owners. This rule change will give College SAVE account owners more flexibility with their investments.

HB 1116 – State Department of Health

HB 1116 is pre-filed legislation bill being introduced by the ND Health Department amending sections of the NDCC pertaining to the Health Statistics Act. BND is seeking permission from the Health Department to amend this bill when it is introduced to allow the Bank to receive vital statistics from the Health Department which in turn will allow the Bank to better market its existing 529 College SAVE Children First Program to the parents of all North Dakota newborns. The funding for future grant money will be funded from the MOHELA Fund – projections are calling for between \$750,000 and \$1million for the biennium. Increased grant amounts for parents of newborns would be as follows: \$100 grant for year 1; an additional grant of \$100 may follow in year 2. The program will continue to be a match of a participant's contribution and existing program rules will need to be reviewed and possibly revised.

HB 1014 – Industrial Commission Appropriation – BND

Testimony will be presented on January 15 to the House Appropriations Government Operations Division members. HB 1014 has several sections impacting BND as follows:

Section 2 – One time funding of \$50 million for 2013-15 biennium for BND Medical Loan Program

Section 7 – BND transfer \$28 million from earnings to PACE Community Fund.

Section 8 – BND transfer \$3 million from earnings to AG PACE Fund.

Section 9 – BND transfer \$2 million from earnings to Bio Fuels PACE Fund.

Section 10 – BND transfer \$7 million from earnings to Beginning Farmer Loan Fund.

Section 14 - \$10 million appropriation transfer from Strategic Investment and Improvements Fund to develop a new BND Short Line Railroad Loan Fund.

Section 15 – Short Line Revolving Loan Fund Program requirements detailed.

Section 22 – Extends Flex PACE Loan Program until June 30, 2019.

HB 1014 also provides that FTE positions be increased from 179.5 to 181.5.

HB 1137

HB 1137 is pre-filed legislation introduced by Representatives Robert Frantsvog, Mike Lefor, Jay Seibel and Senators Karen Krebsbach, Joan Heckaman, and Jessica Unruh relating to the creation of the Capital Infrastructure Revolving Loan Fund. Section 6 of this legislation allows BND to transfer the sum of \$100 million or so much of the sum as may be necessary from the Bank's current earnings and undivided profits to this loan fund during the biennium beginning July 1, 2015 and ending June 30, 2017.

Mr. Hardmeyer discussed HB 1049 dealing with addiction counsellors and \$1 million to establish the program. He said at some point the addition of these different responsibilities that will catch up to the Bank's FTE count so he is asking in HB 1014 to increase their FTE count from 179 to 181.

Mr. Hardmeyer said HB 1137 is a capital infrastructure revolving loan fund. It is a program to be administered by the PFA designed to address infrastructure needs in communities whether it is water, sewer, streets etc. and would require a transfer of \$100 million of BND earnings/equity into this fund. This is a sum BND can handle.

Governor Dalrymple said Mr. Hardmeyer has been familiar with the development of this last year. The main push is these trunk line street corridors that you need in order to have add more residential developments to your city. They are difficult to finance with assessments because no one lives along the streets but everybody uses them and if you start just assessing the people that are in the neighborhood, they become resistant – so they need help with the financing mechanism that reduces that assessment, that burden. The bill actually refers to a trunk line corridors or something similar. It is very much needed and they have good legislative sponsorship. It is an appropriate use of earnings.

Mr. Hardmeyer summed up what the Bank sees so far coming from their earnings - \$100 million in HB 1137 and another \$40 million for the buy down programs--a total of \$140 million. BND is

projected to earn about \$240 million in the next two years so that will leave the Bank with \$100 million for capital. If there are more programs, the Bank will need to look very closely at them.

Governor Dalrymple closed the meeting at 10:37 a.m. pursuant to North Dakota Century Code 6-09-35 to discuss the items on the agenda under Bank of North Dakota confidential business.

Following the confidential portion of the meeting, the Commission reconvened in non-confidential session at 10:51 a.m. and it was noted that during the confidential portion of the meeting, it had been moved and seconded that the Bank of North Dakota be authorized to participate in a loan identified as Attachment 7. 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 10:52 a.m. and the Commission took up Public Finance Authority business.

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Also
Present: Members of the Press

Governor Dalrymple called the Outdoor Heritage Fund portion of the Industrial Commission meeting to order at 12:28 p.m. following completion of Western Area Water Supply Authority business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented the following financial report on the Outdoor Heritage Fund:

Outdoor Heritage Fund (294)
Financial Statement
2013-2015 Biennium
January 9, 2015 Industrial Commission Meeting

	<u>Cash Balance</u>
July 1, 2013 Balance	\$ 0.00
Interest Revenue through November 30, 2014	\$ 3,689.77
Revenues through November 30, 2014	\$13,866,837.43
Grant Expenditures through November 30, 2014	\$ (971,226.74)
Administrative Expenditures through November 30, 2014	<u>\$ (83,269.94)</u>
	\$12,816,030.52
Outstanding Project Commitments as of November 30, 2014	<u>\$(13,139,173.26)</u>
Balance	\$(323,142.74)

Outdoor Heritage Fund
Continuing Appropriation Authority
2013-2015 Biennium

Uncommitted Balance July 1, 2013	\$ 000.00
Interest Revenue	\$ 20,000.00
Revenues Fiscal Year 2014	\$ 15,000,000.00
Revenues Fiscal Year 2015	<u>\$ 15,000,000.00</u>
	\$ 30,020,000.00
Administration Expenditures	\$ (300,000.00)
Project Commitments 2013-2015	<u>\$(14,110,400.00)</u>
Available Funding	\$ 15,609,600.00

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

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

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

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

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

...

Ms. Fine presented the Outdoor Heritage Fund Advisory Board Grant Round 4 recommendations as follows: (Copies of the applications are available in the Commission files and on the Outdoor Heritage fund website.)

1. GR4 - 01 - **“Harmon Lake Campground Expansion”**; Submitted by Morton County Water Resource District; Project Duration: 6 months; Total Project Costs: \$200,000; OHF Funding Requested: \$150,000; **Recommended Funding: \$150,000**
2. GR4-02 - **“Dead Colt Creek Recreational Playground Project”**; Submitted by Ransom County Water Resources District; Project Duration: 6 months; Total Project Costs: \$60,232; OHF Funding Requested: \$45,174; **Recommended Funding: \$45,174**
3. GR4-03 - **“LaMoure County Memorial Park Streambank Restoration Project”**; Submitted by LaMoure County Soil Conservation District; Project Duration: 3 years; Total Project Costs: \$971,946; OHF Funding Requested: \$695,424; **Recommended Funding \$695,424**
4. GR4-04 - **“Sargent County Silver Lake Park ‘Playplaces & Gathering Spaces’ Renovations”**; Submitted by Sargent County Park Board & Commissioners; Project Duration: 6 months; Total Project Costs: \$54,832; OHF Funding Requested: \$13,708; **Recommended Funding: \$13,708**
5. GR4-06 - **“Beach City Park Northside Playground”**; Submitted by Beach City Park Board; Project Duration: 1 year; Total Project Costs: \$60,000; OHF Funding Requested: \$41,000; **Recommended Funding: \$25,000**
6. GR4-07 - **“Norsemen Outdoor Education Center”**; Submitted by Norsemen Archers, Inc.; Project Duration: 1 year; Total Project Costs: \$303,281; OHF Funding Requested: \$216,781; **Recommended Funding: \$216,781**
7. GR4-08 - **“Crooked Crane Trail Exercise & Fitness Loop”**; Submitted by City of Dickinson; Project Duration: 9 months; Total Project Costs: \$1,300,000; OHF Funding Requested: \$975,000; **Recommended Funding: \$975,000**
8. GR4-10 - **“TMBCI Sky Chief Park Fishing Pier Project”**; Submitted by Turtle Mountain Band of Chippewa Indians; Project Duration: 3 months; Total Project Costs: \$70,000; OHF Funding Requested: \$60,000; **Recommended Funding: \$60,000**
9. GR4-11 - **“Drayton Campground”**; Submitted by Drayton Park Board; Project Duration: 11 months; Total Project Costs \$463,378; OHF Funding Requested: \$180,000; **Recommended Funding: \$180,000**
10. GR4-14 - **“Sheyenne River Bank Stability Restoration Project - Phase 1 Bjornson Golf Course”**; Submitted by Valley City Parks & Recreation Department; Project Duration: 1 year; Total Project Costs: \$1,245,917; OHF Funding Requested: \$197,550; **Recommended Funding: \$197,550**

11. GR4-17 - **“Riparian Grazing Systems Project”**; Submitted by Stutsman County Soil Conservation District; Project Duration: 3 years; Total Project Costs: \$422,500; OHF Funding Requested: \$253,500; **Recommended Funding: \$253,500**
12. GR4-18 - **“Western ND Habitat Enhancement Projects”**; Submitted by Mule Deer Foundation; Project Duration: 4 years; Total Project Costs: \$719,900; OHF Funding Requested: \$480,900; **Recommended Funding: \$480,900**
13. GR4-19 - **“Fox Island Boat Ramp Bank Stabilization”**; Submitted by Bismarck Parks & Recreation District; Project Duration: 6 weeks in 2015; Total Project Costs: \$299,122; OHF Funding Requested: \$215,374; **Recommended Funding: \$215,374**
14. GR4-20 - **“North Dakota Waterbank Program”**; Submitted by North Dakota Department of Agriculture; Project Duration: 10 years; Total Project Costs: \$1,600,000; OHF Funding Requested: \$1,200,000; **Recommended Funding: \$1,200,000**
15. GR4-21 - **“Handicap Accessible Fishing Pier at Sheep Creek Dam”**; Submitted by Grant County Water Resource District; Project Duration: 4 months; Total Project Costs: \$28,632; OHF Funding Requested: \$20,902; **Recommended Funding: \$20,902**
16. GR4-22 - **“Stump Lake Park Bank Restoration”**; Submitted by Nelson County Park Board; Project Duration: 4 months; Total Project Costs: \$630,550; OHF Funding Requested: \$472,912; **Recommended Funding: \$472,912**

Ms. Fine stated there were 23 applications submitted in Grant Round 4. The Outdoor Heritage Fund Advisory Board is recommending 16 of the 23 applications be funded. She noted that these applications are similar to ones previously approved by the Commission except for one application that includes a building. The Norsemen Outdoor Education Center application submitted by the Norsemen Archers from the Mayville area had previously been submitted in an earlier grant round and had been turned down on a close vote. They resubmitted their application this grant round and in a close vote 6 to 5 with one member absent it is being recommended to the Industrial Commission for funding.

Ms. Fine stated that the topic of whether buildings should be funded has been discussed at every Advisory Board meeting. She did not know if the Legislature is going to weigh in on this issue -- she is aware of a bill draft being drafted that would impact the type of projects that can be funded with Outdoor Heritage Fund dollars. She noted that some Advisory Board members feel buildings should be outright prohibited and some feel that no, if the building is related to conservation efforts or promoting outdoor activities they should be funded. This particular application is promoting an outdoor activity -- archery but it is also somewhat of a community building.

Governor Dalrymple said there is a bill draft under Representative Porter’s name that has some prohibitions on the use of the Outdoor Heritage Fund dollars – the biggest he noticed was playground equipment.

The Commission briefly discussed whether or not playground equipment should be funded. Ms. Fine stated that there is playground equipment funding being recommended in these 16 applications. (She noted which ones had funding for playground equipment.) She indicated that two playground equipment applications were not recommended for funding by the Advisory Board. The recommended projects that include playground equipment made very

good cases of why the funding of playground equipment meets the directives of the Outdoor Heritage Fund.

Governor Dalrymple said he thought the legislature would clear it up.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the recommendation of the Outdoor Heritage Fund Advisory Board and approves the funding for the following 16 projects in the total amount of \$5,202,225 and authorizes the Industrial Commission Executive Director to enter into contracts with the applicants with the contingencies as noted below:

1. **“Harmon Lake Campground Expansion” - \$150,000***
2. **“Dead Colt Creek Recreational Playground Project” - \$45,174***
3. **“LaMoure County Memorial Park Streambank Restoration Project” - \$695,424***
4. **“Sargent County Silver Lake Park ‘Playplaces & Gathering Spaces’ Renovations” - \$13,708***
5. **“Beach City Park Northside Playground” - \$25,000***
6. **“Norsemen Outdoor Education Center” - \$216,781***
7. **“Crooked Crane Trail Exercise & Fitness Loop” - \$975,000***
8. **“TMBCI Sky Chief Fishing Pier Project” - \$60,000***
9. **“Drayton Campground” - \$180,000***
10. **“Sheyenne River Bank Stability Restoration Project - Phase 1 Bjornson Golf Course” - \$197,550***
11. **“Riparian Grazing Systems Project” - \$253,500**
12. **“Western ND Habitat Enhancement Projects” - \$480,900**
13. **“Fox Island Boat Ram Bank Stabilization” - \$215,374***
14. **“North Dakota Waterbank Program” - \$1,200,000**
15. **“Handicap Accessible Fishing Pier at Sheep Creek Dam” - \$20,901***
16. **“Stump Lake Park Bank Restoration” - \$472,912**

***with the contingency that the applicant will provide signage to be displayed on site recognizing the Outdoor Heritage Fund’s contribution to the project.**

It was noted that the Commission needed to be careful in not supplementing local park boards for the funding of equipment that every other city park board is already funding. There is, however, value in funding projects that have a more regional impact.

Governor Dalrymple indicated that he is hopeful that the Commission will start to see some larger grant application that have a more comprehensive approach to habitat development.

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

Ms. Fine handed out maps showing the geographic locations of the projects approved so far. As depicted on the map there is wide distribution of the funds except for in the northwest part of the state. (A copy is available in the Commission files.)

Ms. Fine provided the following legislative update on the bills currently impacting the Outdoor Heritage Fund:

1. House Bill 1014 - Outdoor Heritage Fund awards to State Agencies
2. House Bill 1013 - Additional funding of \$20 million for Outdoor Heritage Fund
3. House Bill XXXX - Outdoor Heritage Fund policies

Outdoor Heritage Fund Legislation 1/09/2015

Excerpt from House Bill 1014:

SECTION 18. A new section to chapter 54-17.8 of the North Dakota Century Code is created and enacted as follows:

North Dakota outdoor heritage fund disbursement.

The industrial commission shall notify the office of management and budget when moneys are disbursed to a state agency from the North Dakota outdoor heritage fund. The director of the office of management and budget may adjust the appropriation of a state agency in an amount equal to that of the disbursement.

Excerpt from House Bill 1013:

Credit ~~four percent of the amount available under this subsection~~ revenues to the North Dakota outdoor heritage fund, but not in an amount exceeding ~~fifteen~~ twenty-five million dollars in a state fiscal year and not in an amount exceeding ~~thirty~~ fifty million dollars per biennium;

House Bill XXXXX

Attached is a draft bill that Representative Porter is working on. This is a draft from December. Further changes may have been made. Section 1 is some rewording of the law and incorporating into law the majority of the policy positions that the Commission had adopted. It does limit the Fund paying for playground equipment. Section 2 includes a new section regarding the Fund paying for some staffing costs. Section 3 of the bill deals with the additional funding for the Outdoor Heritage Fund. Language is the same as what is found in HB 1013.

Being no further Outdoor Heritage Fund business, Governor Dalrymple adjourned the meeting at 12:35 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 January 9, 2015 beginning at 9:30 a.m.
Governor's Conference Room
State Capitol

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

Also

Present: Kylee Merkel, Public Finance Authority
Members of the Press

Governor Dalrymple called the Public Finance Authority portion of the Industrial Commission meeting to order at 10:52 a.m. following completion of Bank of North Dakota business.

Ms. Kylee Merkel, Public Finance Authority Business Manager, indicated that DeAnn Ament, Public Finance Authority Executive Director, is out of state so she is here on her behalf. Ms. Merkel presented the Clean Water State Revolving Fund Program loan request from the City of Watford City in the amount of \$19,000,000. She said this loan is to finance construction of a waste water treatment facility. The entire cost for the facility is \$22,514,420 with \$3,514,420 being provided from the City's reserves access fee. The annual payment will be approximately \$855,567 and the City will issue revenue bonds payable from user fees. The reserve requirement will be \$1,026,680 and 120 percent coverage will be \$907,800. The City does intend to use their Gross Production Tax (GPT) income to pay the sewer debt service requirements. Ms. Merkel noted that if the GPT income is insufficient to meet the coverage requirement the sewer rates will need to be increased as necessary and the City is aware of that. She pointed out that the GPT could decline by more than 60 percent and the City would still be able to meet the 120 percent coverage so their current sewer rates and collections are fairly sufficient right now. Based on that information the Advisory Committee is recommending 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 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 Watford City (the "Political Subdivision") has requested a loan in the amount of \$19,000,000 from the Program to finance a wastewater resource recovery facility; 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. Merkel presented the Clean Water State Revolving Fund Program loan request from the City of Mandan in the amount of \$5,300,000. She said this loan would finance internal waste water optimization. The annual payment will average \$326,165 and the City will issue revenue bonds payable with user fees for this project. The 120 percent coverage requirement will be \$691,398 and the reserve requirement will be \$338,000. In anticipation of this project, the City did increase their user fees by \$3.65 per month resulting in additional revenue of \$306,819. The combination of this fee increase with existing excess revenues will be adequate to meet the 120 percent coverage. The Advisory Committee is recommending approval of this 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 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 Mandan (the "Political Subdivision") has requested a loan in the amount of \$5,300,000 from the Program to finance wastewater treatment plant optimization; 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. Merkel presented a Capital Financing Program loan request from the City of Minot for \$2,035,000. She said this would finance construction improvement to the All Seasons Arena. The average annual payment will be \$178,855. The coverage requirement of 120 percent is \$214,626. The reserve requirement is \$361,000 funded by a letter of credit by the Bank of North Dakota. The City is pledging their lodging tax revenues for this project which would generate \$583,409 which exceeds the 120 percent coverage. Based on that pledge, the Advisory Committee is recommending approval of this loan request.

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

INDUSTRIAL COMMISSION OF NORTH DAKOTA
NORTH DAKOTA PUBLIC FINANCE AUTHORITY
RESOLUTION APPROVING
LOAN AND PURCHASE OF MUNICIPAL SECURITIES
WITH FUNDS HELD IN THE CAPITAL FINANCING PROGRAM
GENERAL BOND RESOLUTION OPERATING ACCOUNT

WHEREAS, the City of Minot (the "Political Subdivision") has requested a loan in the amount of \$2,035,000 (the "Loan") from the North Dakota Public Finance Authority (the "NDPFA") to finance All Seasons Arena improvements; and

Whereas, the Political Subdivision will issue revenue bonds payable with lodging tax collections to repay the loan;

Whereas, upon a review of the loan application, the NDPFA's Advisory Committee is recommending approval of the Loan; and

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

1. The Loan is hereby approved.

2. The Executive Director is authorized to fund the Loan as an eligible investment with funds available under the NDPFA's Capital Financing Program General Bond Resolution Operating Account, upon receipt of the Municipal Securities described and authorized to be issued in the Resolution to be adopted by the Political Subdivision's governing body.

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

Ms. Merkel presented the following memorandum regarding loans approved by the Public Finance Authority Advisory Board as follows:

Re: Southeast Water Users District, Drinking Water State Revolving Fund Program Loan
Granville, Clean Water State Revolving Fund
Ryder, Clean Water State Revolving Fund

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 Southeast Water Users District (District) requesting an \$110,000 increase to the previously approved \$1,500,000 loan (total \$1,610,000) under the Drinking Water State Revolving Fund (DW SRF) to finance modifications to existing west reservoirs A, B, C and D and improvements to meet the Stage 2 Disinfectants-Disinfection By-Products (D-DBP) Rule in Ransom and Sargent Counties. In addition, the District will construct a new East Booster O Station in Richland County and expand the West Reservoir D in LaMoure County. The requested loan term is 20 years. The entire project will be financed through the DW SRF. This project qualifies for \$825,400 of loan forgiveness; the net amount of the loan will be \$784,600 when fully funded. The District will issue revenue bonds payable with user fees for this loan.

The committee reviewed an application from the City of Granville requesting a \$165,064 loan under the Clean Water State Revolving Fund (CW SRF) to finance the restoration of their lagoon. Total construction costs are estimated at \$265,064. The difference of \$100,000 will be provided by a 1% ten year loan through the ND Association of Rural Electric Cooperative's Rural Development Finance Corporation Community Capital Fund. The City will issue revenue bonds payable with user fees. The requested loan term is 20 years.

The committee reviewed an application from the City of Ryder requesting a \$26,400 increase to the previously approved \$165,000 loan (total \$191,400) under the Clean

Water State Revolving Fund (CW SRF) Program to finance a sanitary sewer lift station replacement. Total construction costs are estimated at \$305,000, with the difference of \$113,600 coming from a Community Development Block Grant. The City will issue revenue bonds payable with user fees. The requested loan term is 20 years.

The Southeast Water Users District loan was approved by the Public Finance Authority's Advisory Committee the November 7, 2014 Advisory Committee meeting the other two loans were approved at their December 19, 2014 Advisory Committee meeting..

Ms. Merkel presented a Capital Financing Program Series 2015A Resolution in the amount of up to \$5,000,000. She said the initial project for this would be the \$2,035,000 Minot loan that was just approved. The resolution is for a larger dollar amount should any loans come in prior to the Authority issuing these bonds. However at this point she did not anticipate receiving any additional loan applications.

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

**SERIES RESOLUTION FOR
UP TO
\$5,000,000
NORTH DAKOTA PUBLIC FINANCE AUTHORITY
CAPITAL FINANCING PROGRAM BONDS
SERIES 2015A**

WHEREAS, the Industrial Commission of the State of North Dakota (the "Commission"), acting pursuant to provisions of the North Dakota Public Finance Authority Act, Chapter 6-09.4, North Dakota Century Code (the "Act"), and pursuant to the General Bond Resolution adopted by it on March 2, 1990, as amended March 16, 1990, March 30, 1992, and May 13, 1998 (the "General Bond Resolution"), desires to authorize and direct the issuance by the North Dakota Public Finance Authority (the "Authority") (formerly the North Dakota Municipal Bond Bank) of a Series of its Capital Financing Program Bonds (the "Bonds");

WHEREAS, the General Bond Resolution authorizes the issuance of Bonds in one or more Series pursuant to a Series Resolution authorizing each Series;

WHEREAS, the Industrial Commission of North Dakota has determined that it is necessary and expedient that the Authority issue at this time a Series of Bonds to be designated "North Dakota Public Finance Authority Capital Financing Program Bonds, Series 2015A" (the "Series 2015A Bonds") to provide moneys to lend to the City of Minot to purchase approximately \$2 million of lodging tax revenue bonds to finance improvements to the All Seasons Arena located on the North Dakota State Fairgrounds and to lend to other Political Subdivisions requesting loans prior to the issuance of the Series 2015A Bonds (the "Municipal Securities"), all pursuant to the General Bond Resolution;

WHEREAS, the Reserve Requirement for the Bonds will be provided by the Political Subdivisions and/or a letter of credit to be issued by the Bank of North Dakota pursuant to the Capital

Financing Program Reserve Fund Master Letter of Credit and Reimbursement Agreement (the "Reimbursement Agreement") between the Bank of North Dakota and Authority; and

WHEREAS, the Municipal Securities are expected to mature on June 1 of each of the years and in the principal amounts determined by the Executive Director, not exceeding an aggregate of \$5,000,000 and having a final maturity not later than June 1, 2035.

WHEREAS, the Commission has received and reviewed a report of Public Financial Management, Inc., financial consultants to the Commission, describing the estimated costs to certain above-named entities (the "Political Subdivisions") of borrowing for their projects through the Capital Financing Program as compared to the costs of borrowing through other alternatives available to such Political Subdivisions, copies of which are on file in the offices of the Commission.

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

ARTICLE I
Authority, Definitions and Findings

Section 1.01. Series Resolution. This Series Resolution is adopted in accordance with the provisions of Section 2.02 of the General Bond Resolution and pursuant to the authority contained in the Act.

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

Section 1.03. Findings. The Commission hereby determines with respect to the Political Subdivisions for which reports were received that the reasons for the Authority's involvement in the bond issue through the Capital Financing Program are that (a) the net borrowing costs for the Political Subdivisions for the financings are expected to be lower under the Capital Financing Program than they would be under any other borrowing method available to the Political Subdivisions, (b) issuance costs and reserves required to be funded by the Political Subdivisions are lower than would be the case under other methods so that the aggregate amount required to be borrowed by the Political Subdivisions is less than other competitive means of borrowing, and (c) the Political Subdivisions voluntarily requested financing through the Authority's Capital Financing Program.

ARTICLE II
Authorization of Series 2015A Bonds

Section 2.01. Authorization of Series 2015A Bonds. Pursuant to the General Bond Resolution, a Series of Capital Financing Program Bonds to be designated as the "Series 2015A Bonds" is hereby created and authorized to be issued in the aggregate principal amount of up to \$5,000,000; provided that the terms of the Series 2015A Bonds may be established or revised to provide for any additional obligations authorized by the Commission or for the reduction in the amount of the Municipal Securities.

Section 2.02. Purposes. The Series 2015A Bonds are being issued to provide funds to be loaned to the Political Subdivisions by purchasing such Municipal Securities to be issued by the Political Subdivisions as are approved by this Commission pursuant to the Act. In the event any Political Subdivision receiving such approval fails to issue its Municipal Securities as contemplated by September 1, 2015, proceeds of the Series 2015A Bonds allocated for such purpose may be used for the

purchase of any other Municipal Securities subsequently approved by the Commission or for the redemption of Series 2015A Bonds as provided in Section 2.04. It is hereby found and determined in accordance with Section 2.11 of the General Bond Resolution that the Municipal Securities will be in an amount and will mature and bear interest at rates sufficient to pay the principal of and interest on the Series 2015A Bonds when due.

Section 2.03. Date, Payment Dates, and Maturities. The Series 2015A Bonds shall be dated as of a date determined by the Executive Director to be appropriate, except that Series 2015A Bonds issued on or subsequent to the first interest payment date shall be dated as of the most recent date to which interest has been duly paid or provided for. The Series 2015A Bonds shall bear interest from their date, payable semiannually on June 1 and December 1 in each year, commencing December 1, 2015. The Series 2015A Bonds shall mature, or at the option of the purchaser be subject to mandatory redemption, on June 1 in each of the years and in the principal amounts determined by the Executive Director to be necessary to accommodate the needs of the Political Subdivisions. The Series 2015A Bonds may be issued in any amount not more than \$5,000,000 and maturing in amounts on each June 1 as determined by the Executive Director.

Section 2.04. Redemption. The Series 2015A Bonds maturing on or after June 1, 2026, are subject to redemption and prior payment at the option of the Authority at par plus accrued interest on June 1, 2025, and any date thereafter, in whole or in part in such order as the Executive Director may determine. The Series 2015A Bonds are also subject to mandatory redemption on December 1, 2015, at par plus accrued interest, in whole or in part in such order as the Authority may determine, to the extent that the net proceeds of such Series exceeds the net proceeds of the Municipal Securities which have been purchased by the Authority with the proceeds thereof on or prior to October 1, 2015.

Section 2.05. Interest Rates. The Series 2015A Bonds shall bear interest at such rate or rates as the Executive Director may approve based on the public sale procedure described in Section 2.08, provided that the net interest rate for the Series 2015A Bonds shall not exceed 5.00% per annum.

Section 2.06. Denominations, Numbers, and Letters. Each Series 2015A Bond shall be in an integral multiple of \$5,000 and shall be numbered separately from R-1 consecutively upwards in order of issuance.

Section 2.07. Registrar and Paying Agent. The principal of the Series 2015A Bonds shall be payable upon presentation and surrender thereof at the main office of the Bank of North Dakota, Bismarck, North Dakota, which is hereby appointed Registrar and Paying Agent under the General Bond Resolution. Interest on the Series 2015A Bonds shall be payable by wire transfer or by check or draft mailed to the registered Owners of record as of the 15th day of the month preceding each interest payment date at their registered addresses.

Section 2.08. Sale of Series 2015A Bonds. The Series 2015A Bonds shall be sold at public sale pursuant to and in accordance with the Official Terms of Offering which shall be prepared by the Executive Director in customary form and shall be mailed to prospective bidders in advance of the sale. Upon receipt and acceptance of a bid conforming to the Official Terms of Offering, the Executive Director is authorized to execute the bid form submitted by the successful bidder in acceptance thereof and to return the good faith deposits of the unsuccessful bidders.

Section 2.09. Official Statement. A Preliminary Official Statement of the Authority in respect of the Series 2015A Bonds, similar in form to previous official statements shall be prepared by the Executive Director and made available to members of the Commission, and a final Official Statement shall be

distributed with such changes, omissions, insertions and revisions as the Executive Director shall deem advisable in order to make such Official Statement a complete and accurate disclosure of all material facts to prospective purchasers of the Series 2015A Bonds. The Executive Director shall sign one or more copies of such final Official Statement on behalf of the Authority, and at least one such signed copy shall be filed with the permanent records of the Commission.

Section 2.10. Loan Agreement. The forms of Loan Agreement proposed to be entered into between the Authority and the Political Subdivisions are 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.

ARTICLE III Use of Proceeds of Series 2015A Bonds

Section 3.01. Reserve Fund Deposit; Letter of Credit. Upon or prior to the issuance and sale of the Series 2015A Bonds and as a condition to the delivery thereof, the Authority shall have received a letter of credit provided by the Bank of North Dakota in accordance with the Reimbursement Agreement (the "Letter of Credit") in an amount equal to the largest amount of money required by the terms of the Series 2015A Bonds to be paid on maturing principal of and interest on the Series 2015A Bonds in any period of 24 consecutive months (the "Series Reserve Fund Requirement"), less such amounts as may be deposited in the Reserve Fund from the proceeds of the Series 2015A Bonds as directed by the Executive Director or from funds deposited by the Political Subdivisions. The Executive Director is authorized to deposit up to one half of the Reserve Fund Requirement into the Reserve Fund from Series 2015A Bond proceeds. The proceeds of any draw on the Letter of Credit are pledged to the Reserve Fund and may be applied only for the purposes for which the Reserve Fund may be applied. The Authority shall make a draw on the Letter of Credit at any time funds thereunder are necessary to pay principal of or interest on Bonds issued under the General Bond Resolution when due. In the event of a draw on the Letter of Credit which has not been reimbursed by legislative appropriation, the Authority shall reimburse the Bank of North Dakota only after payment of the Series 2015A Bonds and solely from amounts on deposit in the Series 2015A Account of the Reserve Fund, subject and subordinate to the prior pledge to the holders of Bonds under the General Bond Resolution.

Section 3.02. Deposit to Costs of Issuance Fund. Upon receipt of the proceeds of sale of the Series 2015A Bonds, the Authority shall deposit in the Costs of Issuance Fund from the proceeds of the Series 2015A Bonds the sum determined by the Executive Director to be used to pay Costs of Issuance of the Series 2015A Bonds in accordance with the provisions of the General Bond Resolution.

Section 3.03. Deposit to Series 2015A Account of Loan Fund. The Authority shall deposit all other proceeds derived from the sale of the Series 2015A Bonds which are not deposited in the Reserve Fund or Cost of Issuance Fund in the Series 2015A Account of the Loan Fund, which is hereby created, to be applied to the making of loans to the Political Subdivisions through the purchase of the Municipal Securities at the prices corresponding to the percentages of par bid for the Series 2015A Bonds plus accrued interest for the period from the date of the Series 2015A Bonds to the date of purchase; provided that such accrued interest shall not in any event exceed the amount of accrued interest received from the sale of the Series 2015A Bonds plus all interest earnings on the amounts deposited in the Series 2015A Account of the Loan Fund under the General Bond Resolution.

ARTICLE IV
Form, Execution and Other Details of Series 2015A Bonds

Section 4.01. Form of Series 2015A Bonds. The Series 2015A Bonds, the Registrar's Authentication Certificate and the form of assignment shall be in substantially the form set forth in Exhibit A to the General Bond Resolution, with all such insertions as may be consistent with this Series Resolution and the successful bid. The approving legal opinion of bond counsel may be printed on the reverse side of the Bonds and certified by the Executive Director.

Section 4.02. Execution and Delivery. The Series 2015A Bonds shall be executed by the facsimile signatures of the Chairman and Executive Director and delivered as provided in the General Bond Resolution.

ARTICLE V
Special Covenants

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

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

Section 5.02. Maintenance of Tax-Exempt Status. Neither the Commission nor the Authority shall take, or permit the Political Subdivisions to take, any action that would cause the Series 2015A Bonds to be "private activity bonds" (other than "qualified 501(c)(3) bonds") within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended. The Commission and the Authority shall comply with all the rebate requirements imposed under Section 148(f) of the Internal Revenue Code of 1986, as amended, and regulations thereunder, which are necessary to preserve the tax exempt status of the Series 2015A Bonds, including (if applicable) the requirement to make periodic calculations of the amount subject to rebate thereunder and the requirement to make all required rebates to the United States. The Authority agrees to use any moneys on deposit in any Fund or Account maintained under the General Bond Resolution to pay any such rebate (or penalty in lieu thereof) when due. In addition, the Authority shall make no investment of funds or take or permit any Political Subdivisions to take any action that would cause the Series 2015A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations thereunder. All terms used in this Section 5.02 shall have the meanings provided in the Internal Revenue Code of 1986, as amended, and regulations thereunder. The Executive Director shall execute any certificates as may be necessary or appropriate to establish the tax exempt status of the Bonds.

Section 5.03. Continuing Disclosure. The Continuing Disclosure Certificate proposed to be executed and delivered in connection with the Bonds is hereby approved and the Authority's undertaking therein shall be a contractual obligation of the Authority for the benefit of the holders of the Bonds.

ARTICLE VI

Book-Entry Bonds

Section 6.01. Depository. The Bonds shall be initially issued in the form of a separate single typewritten or printed fully registered bond. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee

for The Depository Trust Company, New York, New York, and its successors and assigns (“DTC”). Except as provided in Section 6.03 hereof, all of the outstanding Bonds shall be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the registration books kept by the Bond Registrar in the name of Cede & Co., a nominee of DTC, the Authority, the Bond Registrar and the Paying Agent shall have no responsibility or obligation to any broker dealers, banks and other financial institutions from time to time for which DTC holds Bonds as securities depository (the “Participants”) or to any other person on behalf of which a Participant holds an interest in the Bonds, including but not limited to any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person other than a registered owner of Bonds, as shown by the registration books kept by the Bond Registrar, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a registered owner of Bonds, or any amount with respect to principal of, premium, if any, or interest on the Bonds. The Authority, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or on the order of the respective registered owners, as shown in the registration books kept by the Bond Registrar, and all such payments shall be valid and effectual to fully satisfy and discharge the Authority’s obligations with respect to payment of principal of, premium, if any, or interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner of Bonds, as shown in the registration books kept by the Bond Registrar, shall receive a certificate evidencing the obligation of the Authority to make payments of principal, premium, if any, or interest pursuant to this Bond Resolution. Upon delivery by DTC to the Executive Director of a written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the words “Cede & Co.” shall refer to such new nominee of DTC; and upon receipt of such a notice, the Executive Director shall promptly deliver a copy of the same to the Bond Registrar and Paying Agent, if the Bond Registrar or Paying Agent is other than the Executive Director.

Section 6.02. Letter of Representations. The blanket Representation Letter submitted to DTC, which is on file with the Executive Director, is hereby confirmed. Any Paying Agent or Bond Registrar appointed by the Authority with respect to the Bonds shall agree to take all action necessary for all representations of the Authority in the Representation Letter with respect to the Bond Registrar and Paying Agent, respectively, to at all times be complied with.

Section 6.03. Discontinuance of Book-Entry. In the event the Authority, by resolution of the Industrial Commission, determines that it is in the best interest of the persons having beneficial interests in the Bonds that they be able to obtain Bond certificates, the Authority shall notify DTC, whereupon DTC shall notify the Participants, of the availability through DTC of Bond certificates. In such event the Authority shall issue, transfer and exchange Bond certificates as requested by DTC and any other registered owners in accordance with the provisions of this Bond Resolution. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law. In such event, if no successor securities depository is appointed, the Authority shall issue and the Bond Registrar shall authenticate Bond certificates in accordance with this Series Resolution and the provisions hereof shall apply to the transfer, exchange and method of payment thereof.

Section 6.04. Payments and Notices. Notwithstanding any other provision of this Series Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

ARTICLE VII
Miscellaneous

Section 7.01. Amendments. This Series Resolution may be amended as provided in the General Bond Resolution.

Section 7.02. Effective Date. This Series Resolution is effective immediately.

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

Ms. Merkel presented Ms. Ament's recommendation to extend the NDPFA Bond Counsel contract as follows:

RE: North Dakota Public Finance Authority Bond Counsel Extension

On January 23, 2012, the Industrial Commission approved an engagement for bond counsel services to be provided to the Public Finance Authority (PFA) for three years with the option to extend the contract an additional year. The current contract is due to expire December 31, 2014. Due to the upcoming legislative session and exceptional services provided by Faegre Baker Daniels LLP, I am requesting the Industrial Commission exercise the optional one year extension of the contact.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission accepts the recommendation of the Public Finance Authority Executive Director and extends the bond counsel engagement with Faegre Baker Daniels LLP for an additional year. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further Public Finance Authority business, Governor Dalrymple adjourned this portion of the meeting at 11:00 a.m. and the Commission took up Department of Mineral Resources 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 January 9, 2015 beginning at 9:30 a.m.
Governor's Conference Room
State Capitol

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

Also
Present: Lynn Helms, DMR
Alison Ritter, DMR-Oil and Gas Division
John Harju, EERC
Members of the Press

Governor Dalrymple called the Department of Mineral Resources portion of the Industrial Commission meeting to order at 11:00 a.m. following completion of Public Finance Authority business.

Mr. John Harju, EERC, gave an update on federally sponsored research of crude oil characterization, suggestions for state participation and consideration of funding. The following is a copy of his presentation:

***Update on Federally Sponsored Research of Crude Oil
Characterization
And Suggestions for State Participation***

Presentation to the NDIC Bismarck, North Dakota January 9, 2015
John Harju, Associate Director for Research

Crude-by-Rail Concerns

- ***Recent accidents have raised concerns about the safety of railtransport of tight oil. These concerns include:***
 - Physical and chemical properties of tight oil.
 - Adequacy of transport rules/regulations.
 - Railintegrity.
 - Packaging.
 - Tight oil-conditioning and stabilization practices.

Ongoing Response

- To address these concerns, the following work has begun:
 - Physical and chemical properties of tight oil
 - + NDPC, PHMSA, AFPM, API characterization studies

- Transport rules/regulations
 - + PHMSA rulemaking ongoing
- Rail integrity
 - + FRA, PHMSA evaluating
- Packaging
 - + FRA, PHMSA evaluating
- Tight oil-conditioning and stabilization practices
 - + NDIC Oil Conditioning Order #25417

DOE Study What It Is and What It Isn't

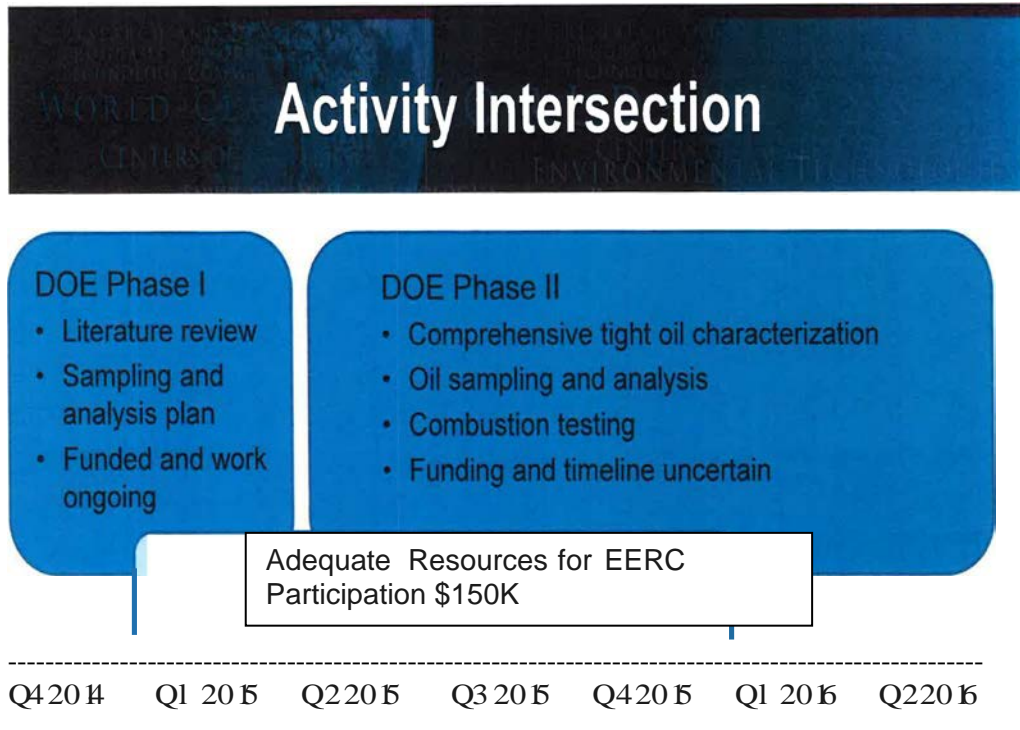
Comprehensive tight oil characterization effort intended to assess oil properties relative to its safe storage and transport.

- Phase I-Problem Definition (funded-complete Q1 2015)
 - Scoping/planning effort
 - DOE, NETL, PHMSA, Sandia, EERC
 - + Literature review and identification of data gaps
 - + Development of comprehensive sampling and analysis plan to define:
 - Sample locations (physical process, geography).
 - Sampling methodology.
 - Analytical methods.
 - Characterization relative to combustion science.
- Phase II-Comprehensive Tight Oil Characterization (pending)
 - Crude oil sampling and analysis, combustion testing
 - DOE, NETL, PHMSA, Sandia, EERC, others

Limitations of EERC's Role Within DOE Effort

- Sandia National Lab was contracted by DOE NETL; \$500K.
- DOE, DOT, PHMSA are financing and directing the effort.
- The EERC's subcontract from Sandia is \$100K and focused on documenting crude oil-conditioning operations, reviewing available tight oil characterization data, and supporting preparation of a sampling and analysis plan.
 - Limited ability to participate in additional tasks or travel
- Additional funding from OGRC can ensure the EERC is adequately

engaged and knowledgeable about factors influencing production operations and North Dakota-specific efforts and enable appropriate representation within the DOE characterization study.



Mr. Harju stated this is federal sponsored research underway regarding crude characterization which includes Bakken production. The work was brought forward because of accidents over the last sixteen months – the first in Canada and subsequently the derailment in Casselton. Approximately one year ago he was contacted by the Department of Energy (DOE) as they were contemplating a Characterization Study to better understand these tight oil resources. Three or four weeks ago the Energy and Environmental Research Center (EERC) completed a contract with DOE to focus on this work. Currently they are in Phase One which includes reviewing literature and studies that have been conducted to date and looking specifically at identifying any key data gaps that might be out there. The product of Phase One will be a detailed study plan focused on comprehensive sampling and analysis with specific definition, sampling locations, methodologies, what kinds of analytical methods need to be utilized and characterization of these tight oil resources and the context of their combustibility and how they perform spark response, etc. At this point they are not certain if the Phase Two work is actually going to be funded by the DOE or a large grouping of federal agencies. The EERC's role in this effort is very limited. The total funds that DOT, DOE and FEMSA have financed and directed to this study is about \$500,000, however, there are other obvious resources from their own internal staffing etc. that are being brought to the table. The EERC contract is for about \$100,000 and EERC's role is focused on documenting conditioning operations, reviewing the data out there from the multiple studies that have been conducted to date and supporting the preparation of the sampling and analysis point. Because of the limited budget, the EERC is unable to fully participate in this work and participate in additional tasks or travel or fully engage with the larger group. Additional funding through the Commission and Oil and Gas Research Council could ensure the EERC is adequately engaged and knowledgeable EERC staff could be at the table to make sure that North Dakota's specific efforts and knowledge are adequately

represented in this federal dialog. He said the EERC request would be for \$150,000 via the Oil and Gas Research Council to allow them to adequately engage with these federal efforts over the course of the next year.

In response to a question regarding if the \$150,000 would cover both Phase I and II, Mr. Harju said it would cover Phase I and II in terms of EERC's ability to adequately be engaged. However, it would not be sufficient funding to do any analytical work. At this time it is not entirely clear where or when funding will be made available for the Phase II effort that they are contemplating. It took the EERC approximately a year from when they were contacted about being involved in this project to actually receive funds. That is very challenging for a not for profit like the EERC to participate without the cash flow being provided.

In response to a question regarding the timeline, Mr. Harju said that they anticipate that the Phase 1 effort would be completed by the end of the first quarter of 2015— at least according to the schedule that the federal group has laid out. The second phase would begin sometime in the second quarter of this year and probably run all the way out into the middle of 2016. The EERC is looking for funds to help them stay engaged in this study above and beyond any direct work that might be conducted over calendar year 2015.

The Commission discussed the importance of having a presence in the study. It is surprising to hear some of the incorrect assumptions that are made by researchers and if the EERC can keep things on track from the beginning it is much easier.

The Commission thanked Mr. Harju for coming.

Mr. Lynn Helms, Department of Mineral Resources Director, presented proposed orders for Cases heard August 28, October 29 & 30 and December 18, 2014: (Copies of the orders are available in the Commission files.)

Case 22197, Order 24531 - determination of volumes and value of flared gas – Mr. Helms stated that this is one of a dozen flaring value cases that had been taken to federal court in a class action suit. The federal court said the cases were in the wrong place and that the cases need to go back to the Industrial Commission because the Commission has jurisdiction over volume and value. Mr. Helms stated that he would bring as many of these dozen cases to the Commission as they want to see. He thought if the Commission was satisfied with the way the staff handled this case, he would bring only the future cases that had opposition unless the Commission directs otherwise.

Mr. Helms indicated that in this case, Continental Resources is the applicant. Continental agrees that they owe taxes and royalties for a period of time but it is up to the Commission to sort through its records and through a hearing what the period of time is. Currently in North Dakota an operator can flare without taxes and royalties for a year after completion and then on day 366 payment of taxes and royalties kicks in. The Commission is to define when day 366 was and in one of these wells it was a little bit difficult because the completion process was extended but the staff got it worked out. The staff also had to determine month by month the volume of gas that was flared. The staff worked through that by holding a hearing and obtaining supplements to the record several times from Continental. He indicated that the

value is probably the hardest thing to determine. Continental had contracted this gas and other wells in the area so they were able to provide data from that contract about what the value of that gas was. This order sets out month by month how much gas was flared and what the value of the gas was each month during the time period that they need to pay royalties. Now the royalty owners can know what should show up in their royalty checks and the Tax Department can calculate, based on the flat rate they use and the volume, what the taxes will be.

In response to a question, Mr. Helms said the most difficult issue was determining what day the 366 day was. He discussed how the completion date is actually defined.

Case 22197: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 24531 issued in Case 22197, be approved and effective this 9th day of January, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Governor Dalrymple said as far as future orders go, if Mr. Helms's analysis leads him to a place where he feels the volumes and values are basically certain, he didn't know why the Commission would need to act on every single order. On the other hand, if Mr. Helms thinks there is any gray area and he is making a recommendation based on an estimate, then the Commission should consider those orders. Mr. Helms said, if like this matter, the staff is able to come to certainty and complete agreement with the company and there is not any opposition from a mineral owner, he will go ahead and handle those orders but if there is a judgment call to be made or if there is opposition from a mineral owner or someone who is going to get the royalties, then he will bring those orders to the Commission for their action.

Case 23116, Order 25445, Case 23117, Order 25446 - Mr. Helms stated that these two cases involve a risk penalty and are identical with the exception of the well name in the proposed orders. They are also identical to four previous orders that the Commission approved granting the risk penalty to Emerald Oil which have been appealed to district court and the first oral arguments are scheduled for May 25. Counsel at the hearing recommended that the Commission issue orders identical to those four earlier orders and then they would add these orders to the appeal. The issue they are asking the court to decide is outside the venue of the Industrial Commission. It is all about whether two land men were not communicating or being honest with each other and we are not going to speak to the merits of that whole issue. It is for the district court to decide. We need to act on these two cases so they can become part of the district court case. The staff is confident, based on the record, that Emerald did comply with all the processes and timelines that they needed to comply with.

Case 22116: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 25445 issued in Case 22116, be approved and effective this 9th day of January, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 23117: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 25446 issued in Case 23117, be approved and effective this 9th day of January, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 23158, Order 25489 - application for creation and establishment of spacing units – (The handout is available in the Commission files.) He said the application is for the creation of overlapping spacing units. The purpose is to allow a section line well to be drilled between two existing spacing units and the production to be shared fairly by those two spacing units. XTO made the application. Generally these are routine. However, in this case another operator in the area, Liberty, opposed it and proposed a different plan. The proposed order grants the request of XTO for the following reasons – Liberty asked for an overlapping spacing unit that was not advertised so their request could not be granted; the XTO proposal lines up best with the existing spacing units, it does not complicate the existing spacing layout. Mr. Helms explained that the area is problematic. It was initially drilled in 2008 before the Commission took the action saying everyone is going to do more south 1,280's so it has a mixture of 320's, 1,920's and 1,280's – operators were experimenting with different well layouts in this area. XTO's proposal aligns best with that and also allows them to use common well pads for the section line wells and the normal development wells. For those reasons it is the better of the two proposals and this order approves XTO's proposal to create the overlaps. The order will not affect the way owners are paid out for their separate smaller spacing unit. It is just to make sure the operator fairly pays out for the section line well.

Case 23158: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 25489 issued in Case 23158, be approved and effective this 9th day of January, 2015. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 23443, Order 25783 - application authorizing the flaring of gas as an exception to Order No. 24665, Case 23444, Order 25784 - application authorizing the flaring of gas as an exception to Order No. 24665 and Case 23445, Order 25785 - application authorizing the flaring of gas as an exception to Order No. 24665 – Mr. Helms stated that there are three orders being considered because there are three separate fields. This is the first request to grant relief from gas capturing. The company has a very valid reason for requesting this relief. The request is for six wells but the end benefit will impact about six townships. He stated that there is a brand new gas plant that is in the final stages of construction and a 64 mile gathering system that impacts about six townships. The operator needs relief from the gas capture rule for these six wells so they can flow gas through this system multiple directions and purge the system, get all of the water, solids and oxygen out of the system before startup. The operator thought they would have this all ready to go by the end of September but it still is not ready to go. They are diligently trying to get this done. The proposed orders allows them to flow these well at a maximum efficient rate and flare the gas until the 31st of March or whenever the plant starts up,

which ever come earlier. If for some reason they run into problems and they can't get there by March 31, they can come back and ask for an extension but we want to stay tight on this.

In response to a question regarding the reason they need to flare for a while and not just hook up, Mr. Helms said in order to safely operate this 64 miles of pipeline in the gathering system and start up the gas plant, they need to get the oxygen levels down below two parts per million. To do that, it requires multiple periods of flaring in multiple directions – because of the terrain there are some low areas and they need to get the water out of the system and all the oxygen out so no one is injured or there is some kind of a serious incident here. Every pig launching station, every well connection has to be purged. The plant has a lot of piping inside of it, but there are 64 miles of underground pipe. After that pipe is all welded then they pressure test it with water and then blow all the water out with air and dry it as much as they can. Then they need to move natural gas through from the good wells and sometimes they are flowing it through and temporarily flaring from a pig launching station; other times from another well connection. It is a complicated thing they go through but they have got to get the oxygen content down before they can safely kick the plant on, go to sales and go to full operation. Right now there is 33 million cubic feet per day being flared in this area and when the plant comes on, that goes to zero. It is a \$90 million project and is really important. He said they are already ordering equipment for the gas plant expansion – they have an aggressive in field drilling program planned in here. This plant will not just be able to put out the 33 million they flare today but gather 100 percent of the gas from the in-fill wells.

In response to a question regarding if the Commission denies this request would the operator never be able to get the plant up and running, Mr. Helms said the operator would have to come up with an alternative plan like trucking in nitrogen. Companies like Hess own nitrogen wells and they can purge their system with their nitrogen wells but that does not exist here. The alternative would be truck loads and truck loads of nitrogen or something like that or back flowing gas from MDU out through the system – purchasing gas from MDU. There are alternatives but they are incredibly expensive and also a major burden on the infrastructure. This is really the minimal way to get the gathering system and the plant up and running.

In response to a question Mr. Helms stated that by granting this request the whole six township region goes from flaring 33 million cubic feet per day to nothing. The Commission may have to wait three months to get there but the operator's goal is to have it done by February 1. Weather being what it is and the current cold snap, it makes it really hard; everything goes slow. If everything goes as planned it will be running in three weeks. However, because of the time of the year in reality it will probably be three months.

The Commission asked to be kept updated on this project.

The Commission asked Mr. Helms for a report on where we are today on flaring. Mr. Helms said October data is the latest he has. It was October 1 that the first flaring goal kicked in. November data he will have by the middle of next week so he will bring that to the next meeting.

For the October data the goal was 74 percent capture and the statewide capture was 78 percent. We had really good results. Reservation lands capture was 75 percent, tribal lands within the reservations was 74 percent and off reservation capture was almost 80 percent, just a shade under 80 percent. When they looked at the initial cut of the October data it looked like we had eight companies that were going to have to restrict production in January. However, as the staff worked through what really were the flow back periods and all of the idiosyncrasies of Order 24665 that number was reduced down to two companies and it also reduced itself down to about 12,000 barrels per day. That is where we are at.

He stated that the staff has met with one of those companies and let them know which wells they have a problem with and they want to do a final little tweak on that because there were some of them that were right on the bubble and there may be some gas allocation problems etc... that could take a few wells off the list.

Mr. Helms stated that he is very happy with the progress. Getting to 77 percent January 1 is a bit of a challenge with everything going on in the industry. He indicated that the bigger yellow flag to everyone is next January 1, 2016 when 85 percent is the gas capture goal. We are going to be meeting with all the mid-streamers the first half of 2015 and we should leave that January 1, 2016 goal in place until we have a chance to meet with them and see if we are getting there. There is always an opportunity to modify that goal – that's a Commission action that could be modified at some meeting in the last half of 2015 if it had to be. Eight days ago the new goal kicked in, 77 percent flaring so we will be monitoring that.

In response to a question regarding if we are meeting these goals off the reservation but it is on the reservation that we are having a harder time when everything is combined, Mr. Helms said that is correct. There are tribal lands where acquisition of right-of-way and bottle necks in the gathering system are much larger – the difficulties in achieving gas capture are much larger. There are some limitations on how much well site liquid capture equipment is available etc... Interestingly of the two companies, one is on tribal land on the reservation and the other is at Alexander, so it isn't all about reservations.

Case 23443: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 25783 issued in Case 23443, be approved and effective this 9th day of January, 2015.

Case 23444: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 25784 issued in Case 23444, be approved and effective this 9th day of January, 2015.

Case 22197: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 24531 issued in Case 22197, be approved and effective this 9th day of January, 2015.

It was noted that they are not going to approve these exceptions just because they are requested. The operator needs to come in, as in this case, with a compelling reason and a factual situation

where we are going to wind up in better shape once we get this all hooked up than we would if we denied it. There were factors here beyond their control and that they could have foreseen. We never intended this rule to be so inflexible that we couldn't accept what the realities of the world are –we are focusing on what it is we want to do long term knowing there will be hiccups along the way. There is a pretty compelling argument here to grant the motion.

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

Mr. Helms discussed legislative issues as follows:

House Bill 1014 - Amendment to Industrial Commission appropriation bill – He said the following paragraph is from Mr. Ed Murphy:

Wilson M. Laird Core and Sample Library

HB 1014 includes funding for expansion of the Wilson M. Laird Core and Sample Library on the University of North Dakota campus. It was recently brought to our attention that if core library funding stays intact and this budget bill is passed and signed by Governor Dalrymple, but does not take effect until July 1, 2015, demolition of the core library laboratory and office space could well extend into the fall semester. Section 8 of the core library memorandum of agreement between the University of North Dakota and the North Dakota Department of Mineral Resources (signed in 2014) reads in part *“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.”* Demolition activities and the trucking of demolition debris will negatively impact the University if it is done during the fall semester. To avoid this disruption, we are seeking permission to request that the North Dakota legislature attach an emergency clause to the core library portion of HB 1014. Doing so should enable us to complete demolition prior to August 25, 2015, the first day of class.

Mr. Helms said it came to his attention that should the Core Library expansion be approved and signed by the Governor – in order to minimize the impact on the University and fall classes, we need to get that demolition started as soon as possible and he is asking the Commission's approval to request the emergency clause on the expansion.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring to include the emergency clause for the Core Library expansion into House Bill 1014 – as an amendment to Industrial Commission appropriation bill. On a roll call vote on all three orders, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

House Bill 1068 - Decisions of the Industrial Commission – as follows:

SECTION 1. Part 5 of section 04 of chapter 38-08 of the North Dakota Century Code is amended and re-enacted as follows:

5. To adopt and to enforce rules and orders to effectuate the purposes and the intent of this chapter and the commission's responsibilities under chapter 57-51.1. When adopting a rule, issuing an order, or creating a policy, the commission shall give due consideration to the effect of including locations within this state that may also be under the jurisdiction of the federal government or a tribal government. When reporting information resulting from adopting a rule, issuing an order, or creating a policy that effects locations within this state that may also be under the jurisdiction of the federal government or a tribal government the commission shall provide sufficient information to indicate the effect of including locations that may also be under the regulatory jurisdiction of the federal government or a tribal government.

Mr. Helms said it would modify Chapter 38-08 to drastically change how the Commission addresses issues of regulation in the State of North Dakota. The background on this bill – the driving force behind it is the gas capture on tribal lands and the potential impact that has for oil and gas operators who operate on tribal lands and off the reservation. It does not say that – it doesn't limit it to tribal lands or to gas. He indicated that there are significant negative unintended consequences with this language. One – we have a rule in place where if you fracture a well within 1,320 feet of your neighbor, you have to give him notice that you are going to fracture your well so they can prepare their well and not have a blowout. We would not be able to enforce that if the well being fractured or the well that should have gotten notice was on tribal lands. Setbacks – a well on tribal lands could violate the setbacks and we could not use that information to address where you could drill a well on the adjacent spacing unit. An oil or salt water spill, we would not be able to figure out or use information from the tribal wells to figure out if it came from there or who the responsible party was. That is just quick list of unintended consequences from the way it is written.

The Commission indicated that Mr. Helms should oppose it.

House Bill 1032 - amendment that affects the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund – (A copy of HB 1032 and two amendments is available in the Commission files.) Mr. Helms provided his draft testimony as follows:

Testimony of Lynn D. Helms, Director

The North Dakota Industrial Commission – Department of Mineral Resources – Oil and Gas Division has had jurisdiction over the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund (AWPSRF) since 1983:

This bill increases the annual funding and maximum balance amounts for the fund. Current fund balance as of December 31, 2014, is \$8,980,231.64.

Proposed amendments initiate two programs that the Commission supports:

Program 1

The first program initiated by proposed amendments identifies land and water resources adversely affected by oil and gas development and left in an inadequate reclamation status before August 1, 1983. The amendment also authorizes and prioritizes spending up to three million dollars per biennium for reclamation on those projects identified. The language creating this program borrows

the best aspects of the very successful Abandoned Mine Lands program overseen by the Public Service Commission.

Program 2

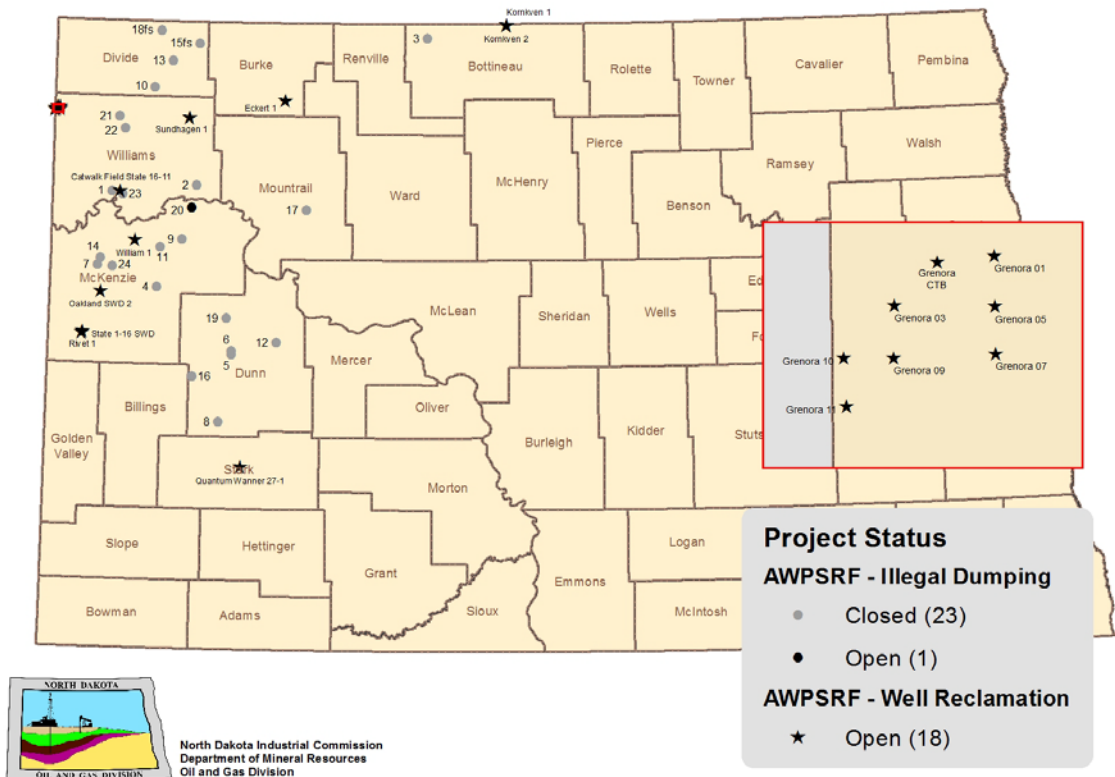
The second program initiated by proposed amendments appropriates \$2,500,000 from AWPSRF for a pilot program through the oil and gas research council to determine the best techniques for removing salt from soil surrounding waste pits reclaimed by trenching between 1951 and 1984 in the north central portion of the state.

Senate Bill 2190

SB 2190 initiates a third program authorizing transfer of funds from AWPSRF to the Environmental Quality Restoration Fund managed by the Department of Health to address environmental emergencies involving oil and natural gas production, transportation, or waste disposal. There is no statutory cap on that fund, however the Department of Health has a policy of maintaining a \$400,000 balance in the fund.

Mr. Chairman and members of House Energy and Natural Resources the North Dakota Industrial Commission urges a do pass for HB 1032 with amendments and the necessary consideration of SB 2190.

Abandoned Well Plugging and Site Restoration Fund Program (AWPSRF)



Mr. Helms said this bill came out of the Energy Development and Transmission Interim Committee and it deals with funding into the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund (AOGSRF). He is aware of two potential amendments to that bill – both of which he thinks the Commission should support. As of the end of November there was \$10.7

million in the Fund and will end up at about \$13 million at the end of the biennium; it has a \$75 million cap.

Senator Armstrong's amendment would allow this fund to transfer monies into an Environmental Cleanup Fund that is operated by the State Department of Health but only if they expend funds. The Health Department's fund is maintained at about \$400,000 and if the Department were to expend money from that fund to clean up an oil or gas incident this would allow AOGSRF to reimburse the Health Department's Fund and bring it back up to \$400,000. He recommended the Commission supporting this amendment.

Representative Porter's amendment has two pieces – Section 1 sets up a program that is identical to the Abandoned Mine Lands Program that the PSC has been using to fix problems with old underground mines and un-reclaimed lands. This program would allow \$3 million per year to come out of AOGSRF for a prioritized list of legacy problems. There are the legacy problems with the old evaporation pits and there are problems with a number of flowing seismic holes up in Williams County. He indicated that before the Commission was given regulatory authority over seismic activities in 1997 there were a lot of improperly plugged seismic holes. The amendment proposes that the Commission sets up a priority list and says we are going to spend \$3 million per year and work our way down the list and fix as many of our legacy issues as \$3 million will cover.

Section 2 carves out an additional \$2.5 million that is dedicated strictly to a pilot program to clean up salt from an evaporation pit or waste pit in the north central portion of the State.

Mr. Helms recommended the Commission overall support the amendments. There may need to be some further amendments.

The Commission and Mr. Helms discussed various aspects of the legislation including the need to deal with some of the legacy issues, what would define a legacy site, locations where work needs to be done, whether this would result in the State assuming any responsibility for these sites, and whether there would be sufficient funding in the Fund.

In response to a question regarding whether the statement that the Commission no longer allows landowners to sign off on those specific sites is correct, Mr. Helms said it is correct. The only thing that a landowner can get approval for by the Commission is to not re-contour the site. For example, if a landowner wants the land surface to stay as a flat spot, it can be reclaimed without being re-contoured or they can get approval to leave the road in place. No longer could they get approval to leave a tank full of slug or those joints of tubing or those stubs of pipeline sticking out of the ground. The Commission staff would never approve the signoff by the landowner on that. In fact, we make sure any aggregate or soil stabilization materials are removed. We will let them keep it as a flat spot but that is the limit.

Senate Bill 2051 - Information Technology Services (A copy of SB 2051 is available in the Commission files.)

Mr. Helms said Mr. Bruce Hicks is giving testimony at this time regarding this bill as follows:

Testimony of Bruce E. Hicks, Assistant Director
North Dakota Industrial Commission –
Department of Mineral Resources – Oil and Gas Division

Chairman Dever and members of the Senate Government and Veterans Affairs Committee, my name is Bruce Hicks. I am the Assistant Director of the Oil and Gas Division of the North Dakota Industrial Commission.

SB2051 amends North Dakota Century Code (NDCC) § 54-59-22 and seeks to remove authority for the Office of Management and Budget to grant exemptions for IT consolidation. Our department is opposed to this bill and we offer the following:

Permanent Exemption granted in 2005

- Pam Sharp's letter of 4-29-2005, "I am granting your request for a full and **permanent** exemption from IT consolidation based on the authority provided to me in NDCC § 54-59-22."
 - Office of Management and Budget can only exempt agencies after advisement by the Information Technology Department
 - Since receiving exemption: 300 → 3217 users; 140,000 → 1,200,000 bopd
 - **permanent** exemption should not expire

Consolidation Study by Ummel Group

- Costs—Ummel expected no cost savings
 - 20-30% cost increase experienced by other states
 - \$1,400,000 biennium increase DMR estimate
- Physical Security—Ummel expected increased security
 - no improvement noted by other states
- Cyber Security—Ummel expected no change
 - no change to less secure noted by other states
- Redundancy—Ummel expected 15% improvement expected
 - State's experienced loss of staff, ITD billed back IT personnel at higher cost
- Service—Ummel expected improvement
 - degradation in service noted by all other states

Current ITD Consolidation Implemented by DMR

- Electronic Mail
- Phone Service
- Audio Streaming Services
- Wireless Connectivity (StageNet)
- VPN Services
- Security Intrusion Detection and Prevention

Chairman Dever and members of the Senate Government and Veterans Affairs Committee, we urge you to vote "**Do Not Pass**" on SB2051.

Mr. Helms said Mr. Hicks is just providing the committee with information that we got through the IOGCC. We brought it up in May at the IOGCC and four other states approached us and said share our information and our experience with the committee and ask them not to

consolidate your hardware. So that is what is happening - Ohio and Utah are two of the four states.

Mr. Helms gave a presentation of gathering pipeline versus transmission pipeline construction rules/policies and potential for 2015-2016 rule change(s). (A copy of a document used by the PSC that is somewhat of a guideline is available in the Commission files.) The following is his overview:

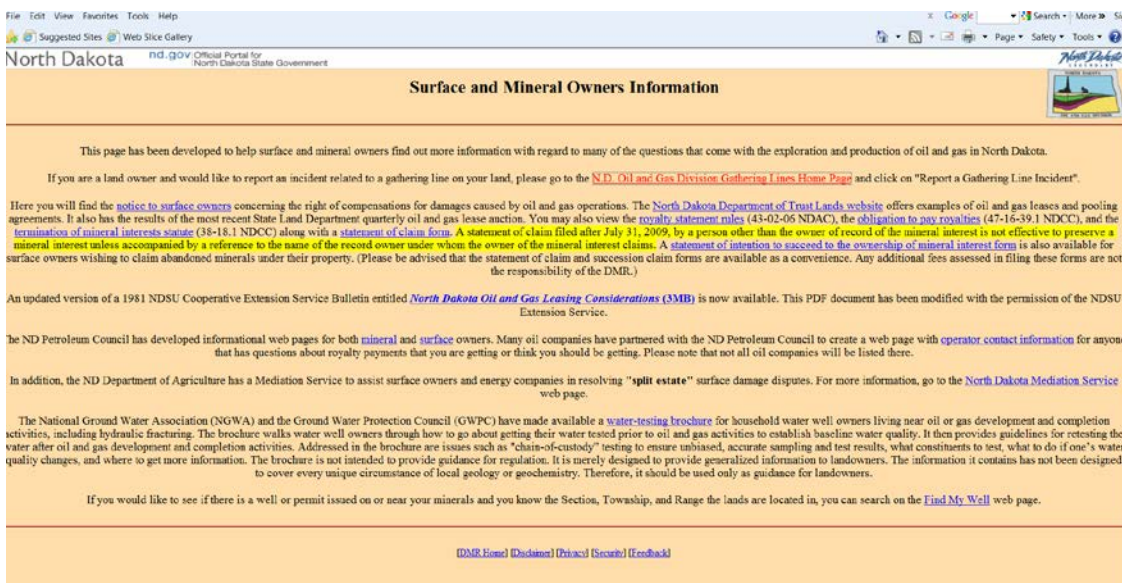
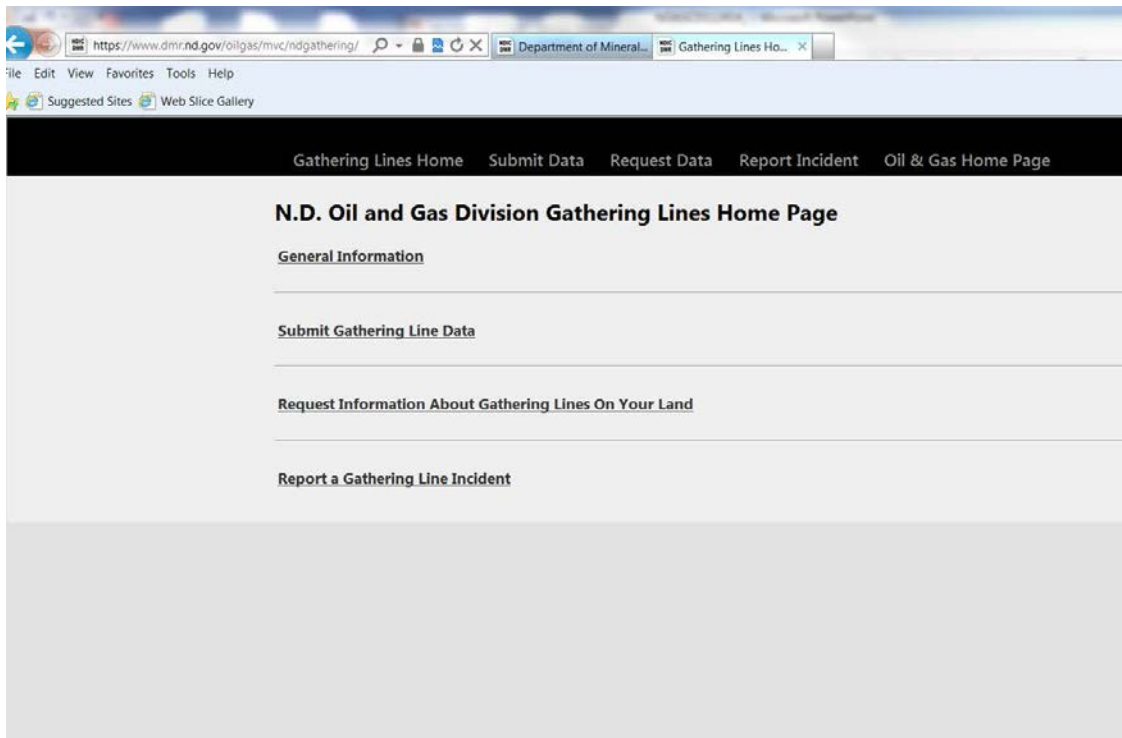
**North Dakota Department of Mineral Resources
North Dakota Industrial Commission
1/09/2015**

Presentation by Mr. Lynn Helms, Director, Department of Mineral Resources
Approach to Gathering Line Oversight

Western North Dakota Gathering Lines
Estimate 12,700 miles pre August 2011
+ 4,900 miles August 2011-December 2013
+ 2,650 miles per year 2014-2020
= 36,000 miles

43-02-03-29. WELL AND LEASE EQUIPMENT. Wellhead and lease equipment with a working pressure at least equivalent to the calculated or known pressure to which the equipment may be subjected shall be installed and maintained. Equipment on producing wells shall be installed to facilitate gas-oil ratio tests, and static bottom hole or other pressure tests. Valves shall be installed and maintained in good working order to permit pressure readings to be obtained on both casing and tubing.

All newly constructed underground gathering pipelines must be devoid of leaks and constructed of materials resistant to external corrosion and to the effects of transported fluids. All such pipelines installed in a trench must be installed in a manner that minimizes interference with agriculture, road and utility construction, the introduction of secondary stresses, the possibility of damage to the pipe, and tracer wire shall be buried with any nonconductive pipe installed. When a trench for an oil and gas underground gathering pipeline is backfilled, it must be backfilled in a manner that provides firm support under the pipe and prevents damage to the pipe and pipe coating from equipment or from the backfill material.



<https://www.dmr.nd.gov/oilgas/mvc/ndgathering/>

Public Service Commission ±1,000 miles		Industrial Commission ±20,000 miles
NDCC 49-22-01 through 49-22-24 Energy Conversion and Transmission Facility Siting Act		NDCC 38-08-01 through 38-08-26 Oil and Gas Underground Pipeline Regulation
NDAC 69-06-08-01 and 69-06-08-02 Energy Conversion Facility Siting Criteria Transmission Facility Corridor and Route Criteria	construction BMP 6,10,11,12,13 22,23,24,25,26	NDAC 43-02-03-29 WELL AND LEASE EQUIPMENT underground gathering pipelines
Hearing		Hearing
Certification Relating to Order Provisions Transmission Facility Siting 45 standard stipulations Can be modified	14 R 15 e 16 c 17 l 18 a 19 i 20 m	
	1, 3 and 4 possible conversion	
Certificate – Permit		Order – Exception if warranted
Construction or Conversion		Construction Reporting – Self Certification
Inspection – contract inspectors		Inspection – 3 FTE field inspectors
Enforcement \$10,000/violation - \$200,000 max Class A Misdemeanor for willfull		Enforcement \$12,500/violation/day – no max Class C Felony for willfull

1. Company understands and agrees that any Certificate of Corridor Compatibility or Route Permit issued by the Commission will be subject to the conditions and criteria set forth in Chapter 49-22 of the North Dakota Century Code and Chapter 69-06-08 of the North Dakota Administrative Code, and that Company shall be responsible for compliance with this order and conditions and criteria set forth in the applicable laws and rules.
3. Company agrees to comply with the rules and regulations of all other agencies having jurisdiction over any phase of the transmission facility including all city, township, and county zoning regulations.
6. (For a pipeline) Company understands and agrees that the pipeline will be buried to a minimum depth from the ground surface to the top of the pipe of 48 inches in range land, 48 inches for cultivated land, 48 inches at the bottom of the ditch for road crossings, and 72 inches across undeveloped section lines.
13. Company understands and agrees that all buried facility crossings of graded roads must be bored unless the responsible governing agency specifically permits Company to open cut the road.
16. (For a pipeline or buried electric transmission line) Company understands and agrees that all topsoil, up to 12 inches, or topsoil to the depth of cultivation, whichever is greater, over and along trench areas where cuts will be made, must be stripped and segregated from the subsoil. Any area on which excavated subsoil will be placed must also be stripped of topsoil. After backfilling is completed, any excess subsoil must be placed over the excavation area, blending the grade into existing topography. Topsoil must be replaced over areas from which it was stripped only after the subsoil is replaced.

17. Company understands and agrees that reclamation, fertilization, and reseeding is to be done according to the Natural Resources Conservation Service recommendations, unless otherwise specified by the landowner and approved by the Commission.
18. Company understands and agrees that its obligation for reclamation and maintenance of the right-of-way will continue throughout the life of the transmission facility.
19. Company understands and agrees that its obligation for reclamation and maintenance of the transmission facility, associated facilities, and roadways will continue throughout the life of the transmission facility.
22. Company understands and agrees that it shall repair or replace all fences and gates removed or damaged during all phases of construction and operation of the transmission facility.
23. Company understands and agrees that it shall repair or replace all drainage tile broken or damaged as a result of construction and operation of the transmission facility.
24. Company understands and agrees that staging areas or equipment shall not be located on land owned by a person other than Company unless otherwise negotiated with landowners.
25. Company understands and agrees that it shall remove all waste that is a product of construction and operation, restoration, and maintenance of the site, and properly dispose of it on a regular basis.
26. Company understands and agrees that it shall, as soon as practicable upon the completion of the construction of the transmission facility, restore the area affected by the activities to as near as is practicable to the condition as it existed prior to the beginning of construction.

Mr. Helms went through the handout and reviewed the process followed by the Public Service Commission and a proposed process to be followed by the Department of Mineral Resources.

In response to a question, Mr. Helms said the Commission's rule would say before construction you need to sign off on these best practices.

In response to a question regarding if staff was going to work this through the rule process, Mr. Helms said yes. It is their intent to bring proposed rules. He said there are a number of ways this could be done. For example, the Legislature could put these provisions in law but then that doesn't allow for the flexibility that you need. The oil field extends from Bowman County to the Turtle Mountains and the environment is very different. If it is in law it doesn't give you any flexibility. This could be incorporated into hard and fast rules which the Commission could then grant exceptions through the notice and hearing process. Or the rule could simply require before construction that the operator sit down and stipulate to the things listed before they begin construction of the pipeline so the Department knows what it is going to look like when its inspector shows up to observe the construction and what took place during the construction, commissioning and reclamation. Mr. Helms stated that he likes the third option the best – putting a requirement in place that the operator before building the pipeline would stipulate to certain things.

It was suggested that Mr. Helms consult with the Attorney General's Office as to what process would be preferred legally in defending the Commission's regulating of the gathering lines -- a law, a standard rule or the requirement that the operator execute an agreement that they will adhere to the Commission's standards -- there is more than one way to go about this. .

Mr. Helms said there are some great ideas in the document the PSC uses for transmission lines but it needs to be recognized that there are vast differences between permitting a corridor for a transmission line and constructing a gathering line and what is the right place to put your requirements in the right process.

Governor Dalrymple said Mr. Helms already anticipated in his budget request needing some resources for this purpose. Mr. Helms stated that was correct. He stated that as the build out occurs, the Department would grow the staff but we would start with a staff of three to six inspectors whose summertime hours were dedicated to this construction and abandonment process and if we needed to grow beyond that, it is in the budget request anticipating stepping up of the oversight.

Mr. Helms said he will begin with the Commission having an opportunity to consider what has been presented and then giving him direction as to the right process to incorporate into the Department's oversight. That recommendation would then be part of the next rulemaking cycle.

Being no further Department of Mineral Resources business, Governor Dalrymple adjourned this portion of the meeting at 12:06 p.m. and the Commission took up Oil and Gas Research Program business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on January 9, 2015 beginning at 9:30 a.m.
Governor's Conference Room
State Capitol

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

Also
Present: Brent Brannan, Oil and Gas Research Program
Lynn Helms, DMR
Alison Ritter, DMR-Oil and Gas Division
Members of the Press

Governor Dalrymple called the Oil and Gas Research Program portion of the Industrial Commission meeting to order at 12:06 p.m. following completion of Department of Mineral Resources business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented the Oil and Gas Research Program Financial Report as follows:

Oil and Gas Research Fund
Financial Statement
2013-2015 Biennium
January 9, 2015 Industrial Commission Meeting

	<u>Cash Balance</u>
July 1, 2013 Balance	\$ 3,875,671.18
Revenues through November 30, 2014	\$10,007,665.41
Transfer to the Pipeline Authority Fund	\$(200,400.00)
Expenditures through November 30, 2014	<u>\$(7,006,077.24)</u>
	\$ 6,676,859.35
Outstanding Administration Commitment	\$ (194,569.91)
Outstanding Project Commitments as of November 30, 2014*	<u>\$(3,472,563.00)*</u>
Balance	\$ 3,009,726.44*

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

Uncommitted Balance July 1, 2013	\$ 000.00
Carried Over Administration Allocation	\$ 32,106.18
Projected Income from Project Applications & Interest	\$ 20,000.00
Revenues (2% of State's Share of Oil Tax Revenues)	\$10,000,000.00
Unused commitment from 2011-2013 biennium	<u>\$ 1,000,000.00</u>
	\$11,052,106.18
Transfer to Pipeline Authority	\$ (200,400.00)
Administration Commitment	\$ (332,706.18)
Approved Project Commitments 2013-2015	\$ (954,500.00)
Carried over Project Commitments for 2013-2015	<u>\$(6,542,439.00)</u>
Available Funding	\$ 3,022,061.00*

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

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

*This amount does not include research funding for:
Contract G-028-058 with \$1,100,000 to be expended in the 2015-2017 biennium;
Contract G-030-060 with \$3,027,250 to be expended in the 2015-2017 biennium.

Mr. Brent Brannan, Oil and Gas Research Program Director, presented the following Oil and Gas Research Council's recommendations regarding the Grant Round 34 applications:

G-034-08: **“North Dakota Petroleum Council Oil Can! Program”**; Submitted by: North Dakota Petroleum Council; Project Duration: 24 months; Total Project Costs: \$1,540,580; OGRF Request: \$736,290 (education); Recommended Funding: \$736,290 (A copy of the proposal, rating and recommendation is available in the Commission files.) The proposal consists of three objectives: education, outreach and marketing and promotion. Specific components of these three objectives include educational sessions, CookFest, Pick Up the Patch!, Teachers Education Seminar, Energy Career Awareness Partnership, OilCan! Power Futures Program, advertising, branding and promotion, media & policymaker education & outreach, and website & social media, and discretionary funding is also set aside for potential hot topics or issues that may arise in the next few years. He said both technical reviewers recommended funding the project. The Council had two conflicts of interest with a vote of 5 - 0 to fund with 2 absent and not voting.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the Oil and Gas Research Council recommendation to fund the grant application “North Dakota Petroleum Council Oil Can! Program” and to authorize the Industrial Commission Executive Director to execute an agreement with the North Dakota Petroleum Council to provide Industrial Commission Oil and Gas Research Program funding in an amount not to exceed \$736,290. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

G-034-01 - **“Reduction of Flares and Capture of Natural Gas Liquids with Vortex Tools”**; Submitted by Bakken Frontier, LLC (formerly known as Bakken Western Services, LLC); Project Duration: 12 months; Total Project Costs: \$790,000; OGRF Request: \$390,000 (research); Recommended Funding: \$350,000 with conditions (A copy of the proposal, rating and recommendation is available in the Commission files.) He said this application had previously been submitted but did not move forward through the review process until this grant round. The applicant continued to work on the application and developed a relationship with

Whiting Petroleum Corporation and now has a location to conduct this pilot project. If this project is successful it would reduce flaring and improve the capturing of NGL's in remote locations. This project will build on past successes achieved in Texas with the use of the Vortex Tool to capture NGL's and reduce the amount of flaring in the Bakken. Vortex Tools use the flow velocities on the surface in flow lines/pipelines to consolidate vapors to liquids through centrifugal force. The Vortex Tools create a spinning organized flow for solids and liquids in the outer bands and organize the flow for gases in a center core. This allows for more efficient carrying of fluids through pipe, both vertically and horizontally. The centrifugal force created by the spinning of the fluids causes density separation as those fluids travel through the pipe. Gas-entrained in the oil, condensate or water is liberated by the centrifugal force. Additionally natural gas vapors are consolidated into liquids and blend with the hydrocarbon liquids and can be recovered. The three technical reviewers that looked at it originally said: one fund, one consider funding and one said do not fund. He recommended funding the project at \$350,000 with contingencies. The Council had no conflicts of interest with a vote of 4 - 1 to fund with 2 absent and not voting.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accepts the Oil and Gas Research Council recommendation to fund the grant application "Reduction of Flares and Capture of Natural Gas Liquids with Vortex Tools" and to authorize the Industrial Commission Executive Director to execute an agreement with Bakken Frontier, LLC to provide Industrial Commission Oil and Gas Research Program funding in an amount not to exceed \$350,000 with the following conditions:

- **That there is a written agreement with an oil producer to install at least one unit at one of their sites;**
- **That there is a written agreement with a natural gas liquids company to purchase the natural gas liquids;**
- **Prior to final payment the applicant identifies and demonstrates to the Department of Mineral Resources staff that they will meet the conditions of the State's Gas Capture Order (#24665).**

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

G-034-02 - **"The Mini-GTL Zero Flare Solution that Captures 100% of Associated Gas Flaring at the Wellhead and Converts it to Biodegradable and Environmentally Safe Liquid Fuels and Chemicals"**; Submitted by: GasTechno Energy and Fuels (USA) LLC; Project Duration: 36 months; Total Project Costs: \$2,800,000; OGRF Request for \$600,000 (research); Recommended Funding: \$350,000 with conditions (A copy of the proposal, rating and recommendation is available in the Commission files.) He said this is another project that if successful would reduce flaring and assist with the capturing of gas in remote locations. The applicant has developed a proprietary, single-stage process for conversion of natural gas to liquids in the patented GasTechno process. The single step GasTechno process can be deployed remotely at miniature and small-scales since it eliminates the costly pretreatment,

reforming and syngas steps by converting the associated gas directly into methanol and higher-value oxygenates via a patented direct partial oxidation process. GasTechno will implement a full lifecycle Zero Flare Solution that will eliminate associated gas flaring via conversion to commercially saleable liquid chemicals at the well head in North Dakota to meet the regulatory requirements. The applicant has found a company that has agreed to provide a location for testing this process. He said two technical reviewers recommended funding the project and one said consider funding. The Council had no conflicts of interest with a vote of 4 - 1 in favor of funding with 2 absent and not voting.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the Oil and Gas Research Council recommendation to fund the grant application “The Mini-GTS Zero Flare Solution that Captures 100% of Associated Gas Flaring at the Wellhead and Converts it to Biodegradable and Environmentally Safe Liquid Fuels and Chemicals” and to authorize the Industrial Commission Executive Director to execute an agreement with GasTechno Energy and Fuels (USA) to provide Industrial Commission Oil and Gas Research Program funding in an amount not to exceed \$350,000 with the following conditions:

- **That there is a written agreement with an oil producer to install at least one unit at one of their sites;**
- **That there is a written agreement with a natural gas liquids company to purchase the natural gas liquids;**
- **Prior to final payment the applicant identifies and demonstrates to the Department of Mineral Resources staff that they will meet the conditions of the State’s Gas Capture Order (#24665).**

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

G-034-05 - **“Waterline Crossing Wrap Pilot Project”**; Submitted by: BOE Midstream LLC; Project Duration: 12 months; Total Project Cost: \$72,484; Request: \$36,242 (research); Recommended Funding: \$36,242 (A copy of the proposal, rating and recommendation is available in the Commission files.) He said the purpose of this project is to evaluate the effectiveness of protecting water supply lines from potential crude oil contamination where the pipelines overlap by wrapping the water supply pipelines with VISCOTAZ PVC Outer Wrap as an alternative to casing water supply pipelines with polyvinyl chloride (PVC) pipe or casing crude pipeline in steel. He indicated that one technical reviewer recommended funding the project and one said consider funding. He recommended funding at \$36,242. The Council had no conflicts of interest with a vote of 5 to 0 in favor of funding with two absent and not voting.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the Oil and Gas Research Council recommendation to fund the grant application “Waterline Crossing Wrap Pilot Project” and to authorize Karlene Fine, Industrial Commission Executive Director, to execute an agreement with BOE Midstream, LLC to provide Industrial Commission Oil and Gas

Research Program funding in an amount not to exceed \$36,242. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

G-034-09 - **“Aerial Pipeline Inspection”**; Submitted by Double M Helicopters, Inc. 10-Code, LLC; Project Duration 18 months; Total Project Costs: \$2,350,000; OGRF Request: \$575,000 (research); Recommended Funding: \$575,000 with conditions (A copy of the proposal, rating and recommendation is available in the Commission files.) He said the purpose of this project is to use a helicopter aerial platform and advanced visual identification and monitoring equipment to improve accuracy of aerial inspection and reconnaissance of hazardous liquid and natural gas transmission pipelines in North Dakota. The goals of this project are to demonstrate technologies and methodologies that will help in the early and more accurate detection of hydrocarbon-based spills and emissions, which will lead to reduced costs for remediation and environmental impact. He noted that one technical reviewer recommended funding the project and one said consider funding. He recommends funding the project at \$575,000 with contingencies. The Council had one conflict of interest with a vote of 4 to 1 in favor of funding with 2 absent and not voting.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the Oil and Gas Research Council recommendation to fund the grant application “Aerial Pipeline Inspection” and to authorize the Industrial Commission Executive Director to execute an agreement with Double M Helicopters, Inc. 10-Code, LLC to provide Industrial Commission Oil and Gas Research Program funding in an amount not to exceed \$575,000 with the following contingencies:

- **Obtains a written agreement with a pipeline company; or**
- **Obtains a written agreement with an appropriate state regulatory agency for a specified time negotiated with the Industrial Commission Executive Director.**

In response to a question regarding the use of unmanned aerial systems for this type of work, Mr. Brannan said that there is one ongoing project that is working on the development of unmanned aerial systems for this purpose.

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

It was noted that earlier in the meeting during the Department of Mineral Resources portion of the meeting the Industrial Commission had heard a presentation from Mr. John Harju with the Energy and Environmental Research Center regarding a federally sponsored research project of crude oil characterization. (See Department of Mineral Resources minutes.)

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission fund the study on federally sponsored research of crude oil characterization and to authorize the Industrial Commission Executive Director to

execute an agreement with the EERC to provide Industrial Commission Oil and Gas Research Program funding in an amount not to exceed \$150,000. On a roll call vote, Governor Dalrymple, Attorney General Stenejem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further Oil and Gas Research Program business, Governor Dalrymple adjourned this portion of the meeting at 12:18 p.m. and the Commission took up Western Area Water Supply Authority business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on January 9, 2015 beginning at 9:30 a.m.
Governor's Conference Room
State Capitol

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

Also

Present: Jaret Wirtz, WAWSA
Members of the Press

Governor Dalrymple called the Western Area Water Supply Authority portion of the Industrial Commission meeting to order at 12:19 p.m. following completion of Oil and Gas Research Program business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented the Western Area Water Supply Authority monthly reports (November and December) and Debt Reduction Report as follows:

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

Attached is the Western Area Water Supply Authority (WAWS) financial information for the months of November and December and for the seventeen months ending December 31, 2014.

Pages 1 & 2 were prepared by the Bank of North Dakota reflecting debt service payments. This report reflects the debt reduction payments made through December 15, 2014 while the remaining reports reflect December 31, 2014 numbers. WAWS made one more prepayment on December 31 which is not reflected on the Bank's charts. During the months of November and December WAWS made principal prepayments totaling \$3,076,582.83 which were applied to debt service payments due in 2016.

All the principal prepayments are being applied to the debt service owed on BND Loan #1. Original loan was \$50,000,000 and with the prepayments made through December 15, 2014 the principal owed is down to \$37,666,907. On this particular loan through December 15, 2014 WAWS has made principal prepayments totaling \$12,333,092.

The next 3 pages (pages 3, 4 & 5) I prepared based on the information provided by WAWS staff reflecting revenues and expenses and showing net income. Capital improvement disbursements (highlighted in orange) and prepayments (highlighted in yellow) are noted separately. With those adjustments the net income for the month of November was \$1,662,517.54 and for December \$1,252,204.50. Revenues in November were \$3,582,701.24 and in December were \$3,040,262.61. Net income for the year was \$16,205,497.32. Page 6 is the balance sheet prepared by WAWS staff as of December 31, 2014. As noted on the Balance Sheet the Accounts Receivable are \$6,668,914.61.

In response to a question regarding what the debt reduction was in November and December, Ms. Fine stated \$1.2 million in November and \$1.8 million in December (both current payments and prepayments).

Mr. Jaret Wirtz, Western Area Water Supply Authority (Authority) Executive Director, presented the Authority's recommendation for the Western Area Water Supply Authority's 2015 Industrial Reimbursement Rate. He reviewed the handout which included a map showing

what the rates would be around the system. (A copy of the map is available in the Commission files.) He said the last rates were approved back in August or September of 2013. He stated that the Authority is selling the water for \$20.00 per thousand at the industrial bulk rate. To get money to the Authority for the costs of the water and distributing it at depots and different locations throughout the system, he is requesting a rate reimbursement back. The numbers on the map reflect the actual amounts that the Authority charges its members and the members charge its customers. That is the way the law is set up--the Authority is to be reimbursed based on the amounts that are charged to the customers.

He explained that the Authority did a rate analysis for the WAWSA system over the past six months and looked at the expenses for 2014 and projected the budget for 2015 and they made adjustments as needed. On the south side there was no need to change the rate – it came in right where it should have been at about \$3.87. On the north side, the Authority did raise the rates to the Williams Rural Water, Burke Divide Rural Water and R&T Rural Water by \$.15 per thousand gallons and Williston was raised \$.04 per thousand gallons. They are not large increases. The majority of the water is sold on the south side of the river in McKenzie County. The results of these increases to the Authority will probably be \$40,000 to \$50,000 for 2015 based on the same level of sales seen in 2014.

In response to a question, Mr. Wirtz stated that these would be rates for the coming year unless there was a situation where rates needed to be raised. He anticipates these would be the rates for the year.

In regards to the industrial rate, Mr. Wirtz stated that is the rate they charge to the oil field and it is the rate that has been consistent since 2011 when the Authority started. He indicated that there are some areas where the independent water suppliers are selling water a little higher and some where they are selling water a little lower. The Authority Board did not recommend a change at this time.

In response to a question, Mr. Wirtz indicated that there are higher costs to move water to parts of the oil field but right now they would prefer to have the same rate across the region. In response to a question, he indicated that any rate adjustment would have to be approved by the Industrial Commission.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission, in accordance with §61-40-11 accepts the recommendation of the Western Area Water Supply Authority and establishes \$20.00/kgal as the industrial water depot and lateral retail rate for the year 2015. 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, in accordance with §61-40-10(1)(b) directs the Western Area Water Supply Authority (Authority) to reimburse the Authority and its member entities from the Industrial Account for the cost of delivery of potable or nonpotable water sold from the industrial water depots and laterals for the year 2015 as follows:

Entity	Location	Approved Industrial Commission 2013/2014 Industrial Reimbursement Rate (\$/kgal)	Recommended Industrial Commission 2015 Industrial Reimbursement Rate (\$/kgal)
City of Williston	City System and Associated Depots	\$ 3.65	\$ 3.69
McKenzie County WRD	System I and IV Pipeline Corridor (up to Watford City)	\$ 4.20	\$ 4.20
McKenzie County WRD	Watford City Depot (WAWSA Surface Water)	\$ 4.42	\$ 4.42
McKenzie County WRD	Watford City Depot (Ground Water)	\$ 3.32	\$ 3.37
McKenzie County WRD	System I, II, and IV Rural service area (beyond pipeline corridor), System I and IV Pipeline Corridor (East of Watford City), & Associated Depots	\$ 5.25	\$ 5.25
McKenzie County WRD	Tribal Water Supply	\$ 5.25	\$ 5.25
City of Watford City	City System	\$ 6.95	\$ 6.95
Williams Rural Water District	Pipeline Corridor and Associated Depots	\$ 3.16	\$ 3.31
Williams Rural Water District	Rural Distribution System	\$ 8.40	\$ 8.55
R&T Water Supply Commerce Authority	Between Ray & Tioga and Associated Depots	\$ 4.35	\$ 4.50
R&T Water Supply Commerce Authority	Between Tioga & Stanley and Associated Depots	\$ 4.50	\$ 4.65
R&T Water Supply Commerce Authority	Between Ray & Wildrose and Associated Depots	\$ 3.25	\$ 3.40
R&T Water Supply Commerce Authority	Between Wildrose & Crosby	\$ 3.16	\$ 3.31
City of Tioga	City System	\$ 5.26	\$ 5.41
City of Tioga	Tioga Depot	TBD	TBD
City of Stanley	City System	\$ 8.30	\$ 8.45
City of Stanley	Rural Distribution System	TBD	TBD
City of Stanley	Stanley Depot	\$ 3.03	\$ 3.03
City of Wildrose	City System	\$ 5.93	\$ 6.08
Burke-Divide-Williams Rural Water	Crosby Depot	\$ 4.17	\$ 4.17
Burke-Divide-Williams Rural Water	Rural Distribution System	TBD	TBD
City of Crosby	City System	TBD	TBD
City of Columbus	City System	TBD	TBD
City of Fortuna	City System	TBD	TBD
City of Noonan	City System	TBD	TBD

with the condition that this action does not set a precedence for future rate setting and that further reviews be completed to determine actual costs and then, as appropriate, the Authority recommend to the Commission subsequent rates to correct any under or over payment made in 2015.

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

Mr. Wirtz provided a handout showing the Authority's monthly gross industrial revenues for the years 2012, 2013 and 2014. In 2014 the amounts were higher throughout the year. (The handout is available in the Commission files.) He said that the Authority is currently forecasting that these levels will be consistent in 2015 even with the slowdown. They are seeing companies moving their rigs into Williams and McKenzie Counties. In discussion with companies, he is hearing that they are planning to move more of their rigs into those areas which should result in the Authority's sales continuing to be high. It will depend on the price of oil and how long this decrease in the price of oil continues.

Being no further Western Area Water Supply Authority business, Governor Dalrymple adjourned the meeting at 12:28 p.m. and took up Outdoor Heritage Fund 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 January 9, 2015 beginning at 9:30 a.m.
Governor's Conference Room
State Capitol

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

Also
Present: Members of the Press

Governor Dalrymple called the Administrative portion of the Industrial Commission meeting to order at 12:36 p.m. following completion of Outdoor Heritage Fund business.

Ms. Karlene Fine, Industrial Commission Executive Director, gave a legislative update. She noted SB 2032 is the bill for the Industrial Commission to develop a Strategic Planning Authority. This bill was supported by the EmPower Commission. It was heard yesterday. She had not attended because of a scheduling conflict with the appropriations committee. She had prepared a fiscal note in the amount of \$300,000 noting that there would not be any additional FTE's because she thought this work would be done by a consultant. The Commission has not taken a position on the bill.

Ms. Fine and the Commission discussed the bill, what the intent of it was, how it relates to work that other state agencies are currently doing, etc. It was the consensus of the Commission that the bill be monitored and if it is amended how it would impact the Commission.

Governor Dalrymple thanked Ms. Fine for forwarding the presentations made yesterday to the House Appropriations Committee by Mr. Helms and Mr. Kringstad. He said the presentations contained some good information including break-even oil prices as it relates to drilling.

Being no further Administrative business, Governor Dalrymple adjourned the meeting at 12:40 p.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary