

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on February 20, 2017 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

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

Also

Present: Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office
Jessie Pfaff, Agriculture Department
Jaret Wirtz, WAWSA
Eric Hardmeyer, Bank of North Dakota
Craig Hanson, Bank of North Dakota
Members of the Press

Governor Burgum called the Industrial Commission meeting to order at 1:00 p.m. and the Commission took up Western Area Water Supply Authority business.

Ms. Karlene Fine, Executive Director, presented the December Financial Report and Debt Reduction Report as follows: (A complete report is available in the Commission files.)

RE: Western Area Water Supply Authority - Industrial Sales - January, 2017 & Debt Repayment Report

Attached is the Western Area Water Supply Authority (WAWS) financial information for the month of January, 2017.

Page 1 prepared by the Bank of North Dakota, reflects debt service payments through the month of January, 2017. In January interest was paid on the two BND loans and two Water Commission loans and principal was paid on the \$40 million BND loan.

The next 3 pages (pages 2, 3 & 4) I prepared based on the information provided by WAWS staff reflecting January revenues and expenses and net income. There was one principal payment made in January that is highlighted in yellow. Net income for the month of January was **(\$5,275.00)** before making their principal payments. No baseline sales payments were paid and those deferred costs are reflected on the line item titled Deferred Expense Asset. (As you will recall from the overall Debt Service spread sheet the breakeven sales monthly number is \$871,750 without the baseline sales payments. With WAWS sales for the month of January being \$627,182.12 they were under that number by \$244,567.88.)

Page 5 is the balance sheet prepared by WAWS staff as of January 31, 2017. As noted on the Balance Sheet the Accounts Receivables are \$2,101,723.11 which is included in the assets of \$7,252,905.12 Note: The assets include a deferred expense line item of \$5,199,762.09 which reflects the deferred expenses for the Baseline Sales.

If you have questions I will be available to review the numbers. Jaret Wirtz will be at the meeting to respond to questions regarding the sales during the month of January.

Mr. Jaret Wirtz, WAWS Executive Director, stated that January sales were down because they did not have any fracture water sales. The majority of their sales were for maintenance water coming from the depots. He indicated that a fracture job for 800,000 barrels for one well pad (four wells). They hope to have one fracture job at a minimum of one a month.

Mr. Wirtz and the Commission members discussed what share of the market WAWS is supplying. Mr. Wirtz provided a summary sheet that showed the WAWS market share each year since 2012 statewide (in 2016 it was 10%) and the WAWS market share in the WAWS service area in 2016 (14%). He stated that information was

based on preliminary information provided by the State Water Commission. (A copy of the handout is available in the Commission files.) There were 741 wells hydraulically fractured in 2016 and WAWS did 16 which is 2.2%. The 16 wells that WAWS did were because of the \$.60 per barrel price break that the Commission authorized early last year. He said there have been a significant number of wells that have been completed within the WAWS service area that WAWS could not compete for because price was the bottom line. In response to a question he thought the price by the other water suppliers was in the range of \$.40 to \$.50 per barrel and in many cases they have very little input, upfront cost. That works out to be a difference of approximately \$80,000 to \$160,000 in the cost of water per well pad between WAWS and the other water suppliers.

In response to a question, Mr. Wirtz noted that there have been opportunities where they have provided water for a frack job as a secondary source. The operator is able to get some of the water supply from a creek but will need additional water and then will come to WAWS and then they blend the water into the frack job. They have especially seen that in the Keene area. Location makes a difference.

There was discussion about the source of the WAWS water coming directly out of the Missouri River and being treated and then the water that is coming out of the creek that needs to be treated by a biocide. Mr. Wirtz indicated that the chemical is pretty inexpensive so even with the company having to purchase the chemical it is still less costly for the company to use the other source of water. He noted that this is the case for frack jobs but when it the operator needs maintenance water the operator prefers the WAWS treated water that can be piped in to the well site.

There was discussion regarding the balance sheet that is provided with the financial report. It was indicated that this reflects just the industrial sales. There is another balance sheet that includes both the industrial and domestic sales. When the Legislature in 2013 gave oversight of the industrial sales to the Industrial Commission the auditors (WAWS and State Auditor) indicated that the best way to track this was with two balance sheets. The non-industrial sales (general) balance sheet includes the physical assets--plant, equipment, etc. The industrial account is more of an in and out account.

There was discussion regarding the deferred expenses and baseline sales payments. Mr. Wirtz provided a history on the baseline sales payments--why they were established, actions that were taken by the Legislature, the agreements with the member entities on deferring these payments beginning in 2016 and why it is reflected in this manner on the balance sheet. He indicated that this is one of the topics that WAWS leadership is discussing with the Legislature--making an adjustment to the "waterfall" of payments each month. He commented on the legal risk of deferring these payments and how the WAWS Board has worked with their member entities in explaining what the alternatives might be if the payments aren't deferred and reminding the members of the benefit of having WAWS where WAWS is carrying the debt for getting additional treated water to their communities and allowing those communities to grow.

In response to a question regarding where they are with their accounts receivable, Ms. Fine said \$2.1 million, that's about the amount they have every month. Mr. Wirtz indicated that they have had a few customers that have not paid but those are instances where a company has gone bankrupt and walked away from all their creditors

Mr. Wirtz, Mr. Hardmeyer and the Commission discussed the legislation that is impacting WAWS in the Water Commission bill - HB 1020. It was noted that there were amendments made last Friday before crossover that would impact all water suppliers including WAWS at a cost of \$.03 a barrel that was a surprise to WAWS. Mr. Wirtz stated what WAWS has been advocating for is having their debt service adjusted and having their accrued interest paid over a longer period of time and lowering the 5% interest rate that is on two loans. WAWS needs to have their annual debt service lowered so they can pay it from approximately \$12 million of annual revenues. They are committed to paying the debt but they need more time. One option that was proposed by the Bank of North Dakota but did not get much support in the House was allowing WAWS to consolidate their debt and go to

the bond market and get a long term fixed rate. WAWS currently does not have authority to issue bonds. It was noted that all other water supply entities have the authority to bond as one of their financing tools. Mr. Wirtz commented on WAWS efforts back in 2011 to get bonding authority but the Legislature chose to go a different direction and fund the project with loans.

There was discussion about actions taken by the Legislature over the years that impacted WAWS's ability to sell water such as the franchise protection that WAWS gave up with the understanding that the domestic users would not be asked to repay the WAWS debt. It was also pointed out that most rural water systems got their funding from the State as a grant and that when WAWS was created the money from the State came as a loan rather than a grant. If WAWS had been allowed to continue with a 20 to 25% market share WAWS would have been able to pay down the debt down.

Mr. Hardmeyer reviewed the options that the Bank has been discussing with legislators and leadership:

- 1) Take the existing debt (BND and General Fund) and stretch it out over a period of time. Risk with this scenario is the BND debt is at a variable rate and that cost will be going up.
- 2) Bond the outstanding debt over 30 years. Downside of this solution is that you lose flexibility--with bondholder debt payments must be made on a specific date; there is no flexibility. It appears the House is not interested in this option and the Senate is lukewarm to it. Based on current revenues WAWS would not be able to make the bond payments so either WAWS needs to be more competitive in the market and increase their revenues or funds be made available to augment the WAWS debt payments.
- 3) A hybrid of the two scenarios - the Bank will take over one piece of the State debt in the amount of \$19.5 million (one of the Water Resource Trust loans) and add it to their existing \$63 million debt with a variable interest rate and the remaining debt needs to be termed out over a longer period of time and the interest rate lowered.

Governor Burgum said there is another option which is to separate the domestic business from the industrial business and the industrial business is sold to a third party who can be competitive. The Commission would no longer have the conflict of setting rates that are handicapping WAWS because of a concern of about competing with the private sector on industrial sales. He stated that he is not advocating for that option but he thought all the options should be discussed.

Ms. Fine noted that there is one provision in HB 1020 as it passed the House that includes a study on whether WAWS industrial sales should be privatized and also directs the Commission to establish competitive floating market rates.

Mr. Wirtz said that the only part of WAWS that was built just for industrial sales is the 6 depots. He stated WAWS has paid back the State \$37 million in 4 years from the industrial sales. More drilling will be taking place and there will be opportunities for more industrial sales in the future, especially in the area of maintenance water. What is needed is a restructuring of the debt based on WAWS revenues.

In response to a question, Mr. Wirtz said the whole system was created based on the current and forecasted domestic demand. The only industrial inputs were the depots; the size of the pipes and the plant increases were never sized for any industrial demands. Every other water plant in the State only operates their plants at maximum capacity during three months of the year. WAWS is able to operate their plants at maximum capacity for all twelve months of the year and sell all the water that isn't used domestically. That was the uniqueness of the WAWS system.

There was discussion regarding the \$190 million of debt that went into building the WAWS system, the agreements made by the Legislature in regards to the franchise protection, guarantees by the State that they will

repay the debt if WAWS is unable to pay it and not put the debt burden on the backs of the domestic users if WAWS gives up its franchise protection, the level of funding that has been provided by the Water Commission compared to what the Water Commission has provided to other water systems--generally 75% grant money, only recently has WAWS been given grant dollars that have been matched with domestic dollars, currently WAWS funding is at 33%+ grant and 67% loan where most water systems have been front loaded with grant dollars, domestic rates for WAWS users--higher than other areas of the state, clarification that new debt is being paid by the domestic users, and ownership of water systems.

There was discussion regarding the size of the pipelines that were constructed and it was noted that as Watford City continues to grow there is a need for another pipeline to meet the needs of McKenzie County. When WAWS was built all the plans went through the Water Commission and the State's figures were used regarding population needs to determine capacity needs. Already WAWS has had to build another line to Stanley because the 12 inch pipeline that they built 20 years ago is too small--WAWS has put in a 16 inch line parallel to the older line.

Bank management and WAWS management was directed to meet with legislative leaders to discuss the options presented today to work towards a long term solution.

Being no further Western Area Water Supply Authority business, Governor Burgum adjourned this portion of the meeting at 1:55 p.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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Governor Burgum called the Bank of North Dakota portion of the Industrial Commission meeting to order at 1:55 p.m. following completion of Western Area Water Supply Authority business.

Mr. Eric Hardmeyer, Bank of North Dakota President, discussed the 2017 BND Budget as follows:

RE: 2017 Budget

Attached you will find a copy of the 2017 budget compared to the actual for 2016. For 2017, we project to see a continuation in a decrease in assets from the year end 2016 level of \$7.3 billion of approximately 5% to \$6.9 billion. We project net income to be \$137.4 million, a 1% increase over 2016.

Our budget projections are based on four assumptions:

- 1) North Dakota's economy will continue to be challenged by downturns in both the energy and Ag sectors. With this current downturn, the decrease in state revenues and proposed legislative spending will impact BND's deposit base. In line with recent discussions regarding state revenues, we are forecasting a 10% decrease in total deposits. This decrease in deposits will be made up in part by utilizations of alternative funding sources, chiefly advances from the Federal Home Loan Bank.
- 2) Loan demand will continue to be steady, generating consistent growth. We are projecting modest growth in commercial loans, farm and student loans and a slight increase in residential loan volumes. As we continue to monitor the impact to the economy, we will continue to be aggressive with loan loss reserve and consequently have included an additional \$6 million contribution to the reserve in our 2017 budget. This may be adjusted as we review our loan loss formula throughout the year.
- 3) BND equity will shrink by roughly \$72 million as we cover the contingent appropriations from the prior legislative sessions as well as a portion of the proposed appropriation in the 2017 legislative session. We anticipate that our capital will continue to exceed our internal benchmark of 10% throughout 2017.
- 4) The Fed has begun its gradual increase in interest rates; we believe interest rates will modestly move upward in 2017 with perhaps a total of 50bps increase in the Fed Funds rate. Based upon our projections, BND will end 2017 with net interest income of \$172 million, a decrease of \$5 million from last year.

The majority of the increase in the non-interest expense items comes from salaries and benefits, data processing costs, and other operating expenses. For salaries and benefits, we are budgeting for a legislative authorized increase. Data processing costs will increase as several projects that were budgeted for in 2016 will be addressed in 2017.

There will be challenges in 2017. As mentioned earlier, the commodity based part of ND's economy is experiencing a continued downturn led by global issues beyond local control. As such, we need to

ensure our balance sheet is structured properly which will enable us to act responsibly as these economic events play out. We are also mindful of our unique mission and must be willing to provide our services where needed and as appropriate.

Overall this is an achievable budget, but not a certainty. Our continued vigilance in providing competitive products and pricing, improving efficiencies and controlling costs will play a significant role in determining our success in meeting our objectives for 2017.

BANK OF NORTH
DAKOTA ENDING
BALANCE SHEET

ACTUAL 2016 v. BUDGET 2017

(In thousands)

	<u>Actual 2016</u>	<u>Budget 2017</u>	<u>Difference</u>	<u>% Change</u>
Cash and due from banks	361,807	185,000	(176,807)	-48.87%
Federal funds sold	63,070	65,000	1,930	3.06%
Securities	2,068,327	1,656,748	(411,579)	-19.90%
Loans				
Commercial	1,982,625	2,098,312	115,687	5.84%
Farm	687,486	717,688	30,202	4.39%
Residential	739,412	748,000	8,588	1.16%
Student loans	1,380,030	1,458,989	78,959	5.72%
	4,789,553	5,022,989	233,436	4.87%
Less allowance for loan loss	(78,747)	(79,554)	(807)	1.02%
	4,710,806	4,943,435	232,629	4.94%
Other assets	91,258	91,288	30	0.03%
Total Assets	7,295,268	6,941,471	(353,797)	-4.85%
Deposits -				
Non-interest bearing	663,156	650,000	(13,156)	-1.98%
Interest bearing	4,224,036	3,756,000	(468,036)	-11.08%
Federal funds purchased and repurchase agreements	242,480	170,000	(72,480)	-29.89%
Short and long-term borrowings	1,280,538	1,551,278	270,740	21.14%
Other liabilities	9,325	10,258	933	10.01%
Total liabilities	6,419,535	6,137,536	(281,999)	-4.39%
Equity	875,733	803,935	(71,798)	-8.20%
Total Liabilities and Equity	7,295,268	6,941,471	(353,797)	-4.85%

**BANK OF NORTH DAKOTA
ENDING INCOME
STATEMENT**

ACTUAL 2016 v. BUDGET 2017

(In thousands)

	Actual 2016	Budget 2017	Difference	% Change
Interest Income	210,803	220,239	9,436	4.48%
Interest Expense	33,975	48,459	14,484	42.63%
Net Interest Income	176,828	171,780	(5,048)	-2.85%
Provision for Loan Losses	16,000	6,000	(10,000)	100.00%
Net Interest Income After Provision	160,828	165,780	4,952	3.08%
Non-Interest Income	6,192	6,659	467	7.54%
Non-Interest Expense Salaries and benefits	16,151	17,530	1,379	8.54%
Data processing	5,745	7,666	1,921	33.44%
Occupancy and equipment	843	1,059	216	25.62%
Other operating expense	8,126	8,774	648	7.97%
	30,865	35,029	4,164	13.49%
Net Income	136,155	137,410	1,255	0.92%
Return on Average Assets	1.87%	1.95%		
Return on Average Equity	16.61%	16.02%		

Mr. Hardmeyer responded to questions from the Commission and provided a detailed explanation on how Bank management determined the amounts for Interest Expense and for the Provision for Loan Losses line items. There was discussion about what factors the Bank can control and what factors are driven by what is happening in the economy. Mr. Hardmeyer stated that this is monitored on a monthly basis--in January the Bank had over \$13 million in profits. He believes that this budget is achievable and Bank management has built in the appropriate safeguards.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approve the Bank of North Dakota 2017 Budget as presented. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Hardmeyer gave the 2017 Legislative update. (A copy is available in the Commission files.) He highlighted the following bills:

- SB 2014 - appropriation bill which now includes a new section that will allow the Bank to recoup at least a portion of their collection costs -- this new language is needed because SB 2130 was defeated on the floor of the Senate.
- SB 2044 - directs the Bank of North Dakota to purchase and host a piece of software for dynamic fiscal impact analysis that the Legislature would like to have. Monies to purchase the software will come from the Bank's contingency line item. BND staff believes this software could be of value to the Bank's

operations. Governor Burgum commented on the software/vendor and the value of this particular software. There was discussion about this particular software and vendor. The Governor indicated he was supportive of having the tools in place to be able to analyze the impact of economic incentives and taxes. It was noted that what is being proposed is an upgrade to what the Department of Commerce currently has.

- SB 2124 - BND sponsored legislation in regards to the ABLE Plan
- SB 2154/SB 2344 - Compassionate Care Act - Because of concerns with the Bank of North Dakota's partners and the Federal Reserve the Bank is not supportive of the Bank having a role in the operations of this program.
- SB 2162 - Relates to repayment of grants/tuition payments provided to dental and optometry students.
- SB 2174 - Commission will be looking at the loan regarding this legislation later in the meeting
- SB 2178 - Expands the Bank's infrastructure loan program to include repair and replacement
- SB 2196 - Integrated carbon plant at Valley City State University - discussion that the Bank have a role in financing for this project but nothing specific is in the bill. Bank management has been briefed on the project
- SB 2272 - Consolidation of School Construction loan programs - no significant changes from what was previously discussed with the Commission
- HB 1020 - Water Commission appropriation - includes Western Area Water Supply Authority refinancing - currently is not what the Bank had proposed. This bill also includes other financing from the Bank.
- HB 1024 - Adjutant General loan - Bank has concerns about the removal of the deficiency appropriation as a repayment source. The legislation needs to be amended to show a repayment source.
- HB 1303 - Hiring freeze on the filling of vacant positions - watching this legislation
- HB 1353 - Senior student waiver program failed to pass the House
- HB 1390 - relates to AgPACE and tiling or subsurface drainage.

He also distributed the following report that recaps the fiscal impact of the various pieces of legislation on the Bank.

As of: February 17, 2017

2017 Legislation Impacting BND Capital					
House/Senate Bill No.	Status	Agency/Borrower	Transfer Amount	Purpose	Repayment
SB 2014	Passed Senate	ND Industrial Commission	\$171,000,000	\$31 Million transfer for various buydown loan programs. BND capital transfer of \$140 million. Bill also includes authorization for BND to charge reasonable fees on defaulted student loans.	N/A
		TOTAL	\$171,000,000		

2017 Legislation Impacting BND Loan Programs & State Agency Borrowing Authority					
House/Senate Bill No.	Status	Agency/Borrower	Amount	Purpose	Repayment
HB 1008	House Appropriations Recommends As Amended	Public Service Commission	\$900,000	Section 4 - PSC rail rate complaint case. BND transfer from Beginning Farmer Revolving Loan Fund.	No Repayment
HB1020	Appropriations Sub-Committee.	Western Area Water Supply (WAWS)	\$83,000,000	Refinance existing WAWS debt of \$63.5 million assuming an additional \$19.5 million.	Primary: Industrial Water Sales & Royalty Payments. Secondary: Water Resources Trust

					Fund.
HB1020	Appropriations Sub-Committee.	ND State Water Commission	\$110,000,000	Minot Flood Control Line of Credit	Water Resources Trust Fund.
HB1020	Appropriations Sub-Committee.	ND State Water Commission	\$75,000,000	\$50 million LOC for existing water projects & \$25 million LOC for new water supply projects.	Primary: Resources Trust Fund. Secondary: Water Development Trust Fund or other funds appropriated by Legislature.
HB1020	Appropriations Sub-Committee.	ND State Water Commission	\$7,500,000	Provides \$7.5 million from Water Resources Trust Fund and Water Development Trust Fund for State Water Commission loan payment to BND on bonds refinanced during 2015-17 biennium.	See Purpose
HB 1024. Also See SB2174	Passed House-Emergency	Adjutant General	\$17,000,000	Amended bill removed 2017 legislative deficiency repayment for 2016 borrowings from BND of \$17 million authorized by Emergency Commission for resources needed in response to DAPL pipeline protest costs.	2017 Legislative deficiency repayment removed by House Appropriations. Senate amendment will be introduced to strengthen and restore repayment source.
HB 1024	Passed House-Emergency	Legal Council for Indigents & Judicial Branch	\$2,359,000	BND borrowings for court and legal costs related to unlawful activity associated with DAPL.	Federal or Other Sources. Senate amendment will be introduced to strengthen repayment source.
HB 1390	Hearing 2.10.17	BND Ag PACE Amendments		Provides amendments to existing AG PACE. Discussions on-going with bill sponsor regarding usage of BND General Loan Policy.	N/A
SB 2124	Passed Senate	BND Sponsored Legislation		Amendment to ND ABLE Plan to include state means-tested aid program.	N/A
SB 2130	Bill Failed in Senate	BND Sponsored Legislation		Clarified collection costs/maximum amount charged to borrower on defaulted student loan. SB2014 has been amended to allow charges of reasonable fees on these loans.	N/A
SB 2174 Also See HB1024	Signed by Governor. Effective 1.25.17	ND Adjutant General	\$11,000,000	BND Borrowing for DAPL law enforcement support costs and for grants to a county not eligible for state or federal reimbursement.	2019-21 Legislative deficiency repayment.
SB 2178	Passed Senate	Administered by BND	\$100,000,000	Relates to BND's <u>existing</u> Infrastructure Revolving Loan Fund including repair and replacement projects.	N/A
SB 2272	Passed Senate - Emergency	Administered by BND	\$273,000,000	Relates to new School Construction Revolving Loan Fund including consolidation of existing programs administered by ND School Land Trust.	N/A

SB2196	Passed Senate - Emergency	Valley City State University	\$22,500,000	Relates to issuance of \$22.5 million in revenue bonds for integrated carbon plant at VCSU. BND likely involved with financing package.	TBD
		TOTAL	\$702,259,000		

As of: February 17, 2017

Legislation Impacting ND Student Loan Trust 2017-19 Biennium		
House/Senate Bill No.	Bill Description	Appropriation Amount from NDSLTT
SB 2003	NDUS Appropriation includes Section 6 transfer of \$1,504,744 from NDSLTT made up of \$465,307 for Professional Student Exchange, \$500,000 for grants to tribally controlled community colleges, and \$539,437 for connect ND campus solution positions. Amendments in process from Senate Appropriations for transfer from NDSLTT in the amount of \$15.2 million for residency positions at UND School of Medicine & Health Sciences.	\$16,704,744
SB2004	ND Health Department Appropriation internal budget included appropriation transfer from NDSLTT for dental loan program. Note: SB 2004 has amendments in process from Senate Appropriations to provide a section in amended bill specific to this transfer.	\$360,000
SB 2243	Teacher loan forgiveness program includes Section 2 appropriation transfer from NDSLTT to Department of Public Instruction.	\$2,000,000
SB 2244	State Board of Higher Education appropriation includes Section 2 transfer from NDSLTT for dual-credit courses pilot program.	\$200,000
	TOTAL: Note that estimates in NDSLTT fund for next biennium is \$17,706,512.	\$19,264,744

Mr. Hardmeyer presented the non-confidential Bank of North Dakota Advisory Board December 15, 2016 meeting minutes.

Governor Burgum closed the meeting at 2:25 p.m. pursuant to North Dakota Century Code 6-09-35 to discuss the items on the agenda under Bank of North Dakota confidential business.

Following the confidential portion of the meeting, the Commission reconvened in non-confidential session at 2:30 p.m. and it was noted that during the confidential portion of the meeting, it had been moved and seconded that the Bank of North Dakota be authorized to participate in one loan identified as Attachment 4. In non-confidential session, on a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further Bank of North Dakota business, Governor Burgum adjourned this portion of the meeting at 2:31 p.m. and the Commission took up Public Finance Agency business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

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Present: Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office
Jessie Pfaff, Agriculture Department
DeAnn Ament, Public Finance Agency
Members of the Press

Governor Burgum called the Public Finance Agency portion of the Industrial Commission meeting to order at 2:32 p.m. following completion of Bank of North Dakota business.

Ms. DeAnn Ament, Public Finance Authority Executive Director, discussed the following Drinking Water State Revolving Fund loan requests:

City of Grand Forks - \$66,000,000 – She said this is for the Grand Forks new hybrid water treatment plant. It is a \$152.2 million project with \$76.1 million to be funded by the State Water Commission; and \$10.1 million to be funded locally. The city had hoped to use sales tax as their funding source but that didn't pass in the last November election. They have raised their rates 9% and in the next three years they anticipate raising their base rate and their volume rates another 9% for two years and 8% in the third year. They do have excess net operating revenues that have ranged from 164% to 112% over the last three years. The Public Finance Authority requirement is 120% coverage. Based on this information the Advisory Committee recommended approval of this loan.

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

RESOLUTION APPROVING
LOAN FROM DRINKING WATER STATE REVOLVING FUND

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

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

WHEREAS, the City of Grand Forks (the "Political Subdivision") has requested a loan in the amount of \$66,000,000 from the Program to finance a hybrid water treatment plant; and

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

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

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

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

2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.

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

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

In response to a question regarding what the interest rate is on the thirty year loan, Ms. Ament said the Public Finance Authority fixed rate is two percent.

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

City of Mandan - \$1,363,000 – She said this is a project to rehabilitate their water treatment plant. They have requested a twenty year loan with a \$79,000 average annual payment. They raised their rates on January 1 and anticipate raising them again in 2018. Their existing net operating coverage and their water and sewer fund has ranged from 124% to 157%. Based on this information the Advisory Committee recommended approval of this loan.

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

RESOLUTION APPROVING
LOAN FROM DRINKING WATER STATE REVOLVING FUND

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

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

WHEREAS, the City of Mandan (the “Political Subdivision”) has requested a loan in the amount of \$1,363,000 from the Program to finance water treatment plant improvements; and

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

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

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

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

2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.

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

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

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

Northeast Regional Water District - \$3,175,000 – She said this district was formed in 2014 which is Langdon Rural Water District and North Valley Water District up in the north east corner of the State. They have requested \$3.1 million for a pipeline to connect to the City of Devils Lake and will provide them a new and redundant water supply for their district. It is a \$24 million project with Rural Development providing \$3.7 million loan, State Water Commission providing a \$15.5 million grant and a \$1.6 million loan. Their average annual payment will be \$133,000. Because they are a new district they have a limited financial history. In 2014 they had coverage of 80%, and their 2016 audited projected coverage is 123%. Based on that the Advisory Committee recommended approval.

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

RESOLUTION APPROVING
LOAN FROM DRINKING WATER STATE REVOLVING FUND

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

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

WHEREAS, the Northeast Regional Water District (the “Political Subdivision”) has requested a loan in the amount of \$3,175,000 from the Program to finance a pipeline to Devils Lake; and

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

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

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

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

2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.

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

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

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

Southeast Water Users District - \$4,709,000 – She said this is for rural water distribution to users that are not currently hooked up to the water supply. It is a total of \$16.5 million project with the State Water Commission providing \$11.7 million grant. It is a thirty year loan. Their coverage has ranged from 111% to 124% and they implemented a rate increase in 2017 and anticipate future rate increases. Based on that information the Advisory Committee recommended approval.

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

RESOLUTION APPROVING
LOAN FROM DRINKING WATER STATE REVOLVING FUND

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

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

WHEREAS, the Southeast Water Users District (the "Political Subdivision") has requested a loan in the amount of \$4,709,000 from the Program to finance system expansion; and

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

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

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

1. The Loan is hereby approved, as recommended by the Advisory Committee.
2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.

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

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

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

The Commission and Ms. Ament discussed water rates and how the increases in water rates were presented -- some as cents per thousand and others as dollars per month and others as percentages. Ms. Ament said the applicants provide that information and it varies from entity to entity. Generally they want to see the base water rates because that is a fixed expense. In response to a question, Ms. Ament said the AE₂S does a water and sewer rate survey every other year that provides information on water and sewer rates for the region. She said the spread for rates is almost \$100. The AE₂S information is also broken down by population of less than 5,000 and over 5,000.

In response to a question regarding why there were two loans to Mandan, Ms. Ament stated that Mandan asked that the financing be separated--generally she would have advised them to combine them to save on costs. One project is for rehabilitating the water treatment plant and the other loan is for rehabilitating the transmission line to the reservoir. Mandan indicated that because these projects involve two different contractors it was less confusing for them to have two loans.

Ms. Ament presented a memorandum on the Public Finance Authority Advisory Committee SRF Clean and Drinking Water loan approvals as follows:

Re: Beulah, Clean Water State Revolving Fund
Hebron, Clean Water State Revolving Fund
Beulah, Drinking Water State Revolving Fund
Hebron, Drinking Water State Revolving Fund
Mandan, Drinking 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 approved, 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 loans.

The committee reviewed an application from the City of Beulah requesting a \$480,000 loan under the Clean Water State Revolving Fund (CWSRF) Program to finance the replacement of utility meters. The entire project will cost \$480,000. The requested term for the CWSRF loan is 20 years. The City will issue revenue bonds payable with water revenues.

The committee reviewed an application from the City of Hebron requesting an increase of \$229,000 to the previously approved \$682,000 loan (total \$911,000) under the CWSRF Program to finance sanitary sewer pipe, 9 manholes, PVC pipe and service to 70 existing connections as well as storm sewer replacement with concrete

pipe, eight catch basins and two manholes. Total construction costs are estimated at \$5,136,000 with Drinking Water State Revolving Fund providing \$3,055,000, Morton County Road Funding of \$900,000 and local funds of \$270,000. The requested term for the CW SRF loan is 20 years. Accordingly, the average annual payment will be approximately \$50,780. The City will issue improvement bonds payable with special assessments. The improvement bonds will be a contingent general obligation of the City, backed by the statutory requirement that the City levy a general deficiency tax in the event that the revenues from the collection of special assessments are not sufficient to pay the debt service on the improvement bonds.

The committee reviewed an application from the City of Beulah requesting a \$530,000 loan under the Drinking Water State Revolving Fund (DWSRF) Program to finance the rehabilitation of the water treatment plant. The entire project will cost \$5,450,000 with the State Water Commission providing a \$2,640,000 grant and an \$880,000 loan and Surge Funding providing \$1,400,000. The City will issue revenue bonds payable with water revenues. The average annual payment will be \$31,021.

The committee reviewed an application from the City of Hebron requesting an increase of \$767,000 to the previously approved \$2,288,000 loan (total loan \$3,055,000) under the DWSRF Program to finance replacement of water pipe with PVC, 10 fire hydrants, 24 gate valves and service to 70 existing connections. The total project cost is \$5,136,000 with \$911,000 from the Clean Water State Revolving Fund and \$1,170,000 provided by the county and local funds. The requested term for the DWSRF loan is 20 years. Accordingly, the average annual payment will be approximately \$170,601. The City will issue improvement bonds payable with special assessments. The improvement bonds will be a contingent general obligation of the City, backed by the statutory requirement that the City levy a general deficiency tax in the event that the revenues from the collection of special assessments are not sufficient to pay the debt service on the improvement bonds.

The committee reviewed an application from the City of Mandan requesting an \$886,000 loan under the DWSRF to finance the rehabilitation of the transmission pipeline that extends from the water treatment plant to the Sunset Reservoir. Total costs are estimated at \$886,000. The requested term for the DWSRF loan is 20 years. Accordingly, the average annual payment to the Public Finance Authority will be approximately \$51,246. The City of Mandan will issue revenue bonds payable with user fees for this project. The 120% coverage requirement will be \$61,496 and the reserve requirement will be \$55,825. Combined average debt service for this project and the water treatment plant improvements project will be \$130,987.

The Public Finance Authority's Advisory Committee approved the loans at their February 14, 2017 meeting.

Ms. Ament gave an update regarding legislation. The bill allowing Garrison Diversion to borrow from the PFA passed the Senate on Friday. HB 1055 that deals with the level of outstanding revenue bond indebtedness for water districts is still in committee. HB 1192, which clarifies in law the process to be used under the State Aid Intercept Program that will result in a better credit enhancement, passed the House on January 25.

Being no further Public Finance Agency business, Governor Burgum adjourned this portion of the meeting at 2:43 p.m. and the Commission took up Housing Finance Agency business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on February 20, 2017 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

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

Also

Present: Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office
Jessie Pfaff, Agriculture Department
Jolene Kline, Housing Finance Agency
Pat Nagel, Housing Finance Agency
Jaden Grossman, Attorney General's Office
Members of the Press

Governor Burgum called the Housing Finance Agency portion of the Industrial Commission meeting to order at 2:43 p.m. following completion of Public Finance Agency business.

Ms. Jolene Kline, Housing Finance Agency Executive Director, discussed the Housing Finance Agency Home Mortgage Finance Program 2017 General Authorization Resolution authorizing the issuance of bonds in an amount not to exceed \$300,000,000 for long-term bonds and \$100,000,000 for short-term bonds. She said they are requesting authority to issue up to \$400 million in mortgage revenue bonds to purchase mortgages under the 1994 General Resolution. This is something the Commission considers every year--providing the Agency authorization to issue bonds during the calendar year.

In response to a question regarding if the \$400 million has been a standard number in the past, Ms. Kline said the Agency issued \$247 million last year. The \$400 million number is more than what the Agency is going to need but rather than coming back in six months and having to amend the resolution they are requesting the maximum amount they think they could possibly use in 2017.

In response to a question if this was a typical breakout between long and short term, Mr. Pat Nagel said yes. By having this General Authorization Resolution in place the Agency staff is able to start the negotiations and work on the bond issues. Each time there would be a bond issuance the Commission will need to authorize that specific transaction. The number is high because depending on what happens in the financial markets sometimes the Agency might want to do a refunding to lower its cost of funds on existing transactions so this gives the Agency the authority to start the negotiations should that occur.

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

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

2017 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"), both of 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 described below, private entities or the U.S. Treasury and/or instrumentalities thereof, subject to the limitations herein established with regard to the Bonds:

- (a) a maximum principal amount of long-term bonds of \$300,000,000;
- (b) a maximum principal amount of short-term bonds of \$100,000,000;
- (c) a final maturity of not later than forty-four years from the date of issuance;
- (d) a maximum average annual interest rate of 7.00% for fixed rate bonds and for variable rate bonds an initial 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, Isaak Bond Investments, Piper Jaffray, Morgan Stanley & Co. LLC, or successors thereto, affiliates thereof, or other investment banking institutions (the "Underwriters") or purchasers approved by an Authorized Officer, 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, private entities or governmental entities 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.

The Authorized Officers are authorized and empowered to enter into interest rate hedging agreements with respect to any Bonds with a variable interest rate, including replacement of expiring hedging agreements, but only for the purposes and in accordance with the Commission's Swap Management and Execution Policy as then in effect, and in no case may the national amount of any such agreement exceed the principal amount of variable interest rate Bonds whose interest rate is being hedged.

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.

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 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 February 20, 2017, and shall remain in full force and effect through January 31, 2018.

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

Ms. Kline reviewed their legislative update:

HB 1162	Competition between government and private industry	IBL	Do Pass 12-2 Amend	Passed House 83-8	Watch; amended to recommend an interim study of the issue
HB 1186	Disclosure of radon hazards by a seller	Political Subs	Do Pass 7-5 Amend	Passed House 48-43 Reconsidered Failed 37-53	Watch; amendment removed disclosure by lessor
HB 1188	Disclosure of known radon hazards	Political Subs	Do Not Pass 11-3	Failed House 15-76	Watch
HB 1201	Responsibility of landlord regarding carbon monoxide alarms	IBL	Do Pass 12-2 Amend		Watch
HB 1219	Conversion of manufactured home to real property	Transportation	Do Pass 11-0 Amend	Passed House 90-0	Watch
HB 1220	Security deposit for felons	Political Subs	Do Pass 13-0	Passed House 92-1	Watch
HB 1251	Interim study of a prisoner-built housing program	IBL	Do Pass 12-1 Amend	Passed House 75-16	Watch
HB 1272	Reasonable accommodation for service animals in a rental unit	Political Subs	Do Pass 12-2 Amend		Watch
HB 1297	Community land trust loan fund			Withdrawn	
HB 1327	Exception from inspection for home repairs performed by homeowner	GVA	Do Not Pass 13-1	Failed House 24-66	Watch
SB 2014	Industrial Commission budget	Appropriations	Do Pass 14-0 Amend	Passed Senate 45-0	Support; amendment includes HIF, removes program sunset date, and authorizes \$5 million in tax credits, authorizes ESW homeownership program with \$500,000 in tax credits
SB 2192	Housing Incentive Fund reauthorization and funding	IBL Appropriations	Do Pass 7-0 Do Not Pass 14-0	Failed Senate 45-0	Support
SB 2234	Essential service worker homeownership program	IBL Appropriations	Do Pass 7-0 Amend Do Not Pass 14-0	Failed Senate 45-0	Neutral

Ms. Kline said two bills that they were following--SB 2192 – would have authorized or reauthorized and funded the Housing Incentive Fund (HIF) and SB 2234 – the essential service worker homeownership program were rolled into Senate Bill 2014. She discussed the following information regarding SB 2014:

Amendments to SB 2014 on Senate side:

- Incorporates 1% reduction in agency budget of \$448,594
- Creates an Essential service worker home ownership program with \$500,000 in housing incentive fund tax credits. Language pulled from SB 2234 introduced by Senator Bekkedahl and Representative Hatlestad. Provides \$250,000 specifically for Regions 1 and 8 and the remaining \$250,000 to be used statewide for secondary mortgage liens. Program is tied to NDHFA First Home and Roots programs and agency would be responsible for determining criteria. SB 2234 was subsequently defeated on the Senate floor.
- Removes the June 30, 2017 sunset of the Housing Incentive Fund and authorizes \$5 million in credits for calendar years 2017 and 2018. Incorporates some of the language included in SB 2192 introduced by Senators Kreun, Burckhard, Meyer and Representatives Hatlestad, Zubke and Mock. SB 2192 was subsequently defeated on the Senate floor.

In response to a question regarding how many essential workers \$500,000 can serve, Ms. Kline said she thinks maybe ten loans in western North Dakota and ten elsewhere so it is not going to have a big impact but she sees it as a pilot program. If it is successful and gets people to bring their families into the State, it is something the Legislature may look at differently next session.

In response to a question regarding how tight the definition of essential worker is, Ms. Kline said today the essential worker language says any employee of city, county, state or medical facility. In talking with the bill sponsor, Senator Bekkedahl suggested that as we develop criteria for it we may want to limit it to public safety, law enforcement and first responders. Those would be considerations if the House keeps this funding in the bill.

Ms. Kline also proved the following information regarding HB 1297. This bill was introduced by Representative Vetter and called for the BND to establish a revolving loan fund for community land trusts (CLTs) with NDHFA to process and approve loan applications. During visits with Representative Vetter it was decided that NDHFA was able to self-fund this initiative and he subsequently withdrew his bill. She said the Agency is in the process of developing a pilot program wherein CLTs could access a line of credit for the acquisition and rehabilitation or acquisition/demolition and new construction of infill residential for-sale housing. It is the Agency's intent to take the pilot program to their Advisory Board in March and if approved, bring it to the following Commission meeting.

Ms. Kline thanked the Commission for participating in the Annual Housing Conference two weeks ago. They are in the process of going through evaluations and very much appreciated all three members being there.

Being no further Housing Finance Agency business, Governor Burgum adjourned this portion of the meeting at 2:52 p.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 February 20, 2017 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

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

Also

Present: Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office
Jessie Pfaff, Agriculture Department
Lynn Helms, DMR
Bruce Hicks, DMR – Oil and Gas Division
Alison Ritter, DMR – Oil and Gas Division
Hope Hogan, Attorney General's Office
Ed Murphy, DMR – Geological Survey
Ron Ness, ND Petroleum Council
Lawrence Bender, Fredrickson & Bryon
Jan Swenson, Badlands Alliance
Robert Fimbres, Tribal Safety Program
Aron Abbey, TAT Tribal Safety Regulation and Compliance
Lyda Jade Robertson, TSRC of MHA
Rylan Baker, TSRC of MHA
Members of the Press

Governor Burgum called the Department of Mineral Resources portion of the Industrial Commission meeting to order at 2:52 p.m. following completion of Housing Finance Agency business.

Mr. Lynn Helms, Department of Mineral Resources Director, presented orders for the following cases: (Copies of the Orders are available in the Commission files.)

Case 24891, Order 27187 - Order 27187 will dismiss Case 24891 as the counts in Case 24891 are being amended into Case 25462

Case 25067, Order 27188 - Order 27188 will dismiss Case 25067 as the counts in Case 25067 are being amended into Case 25462

Case 25462, Order 28053 - violations of NDAC 43-02-03

Mr. Helms took the three cases above together. He said they all deal with GADECO in a complaint case. The Administrative Law Judge has recommended that Case 24891 and Case 25067 be dismissed and that in Case 25462 the Commission deny GADECO's Motion to Dismiss and go forward with a hearing. He noted that this matter goes back to a February 2016 initial complaint on not timely filing production reports, filing inaccurate production reports and that was followed up by a second set of complaints in June 2016 and GADECO has continued to behave in the same manner. It is the staff recommendation that these three orders be approved which will dismiss the first two cases and deny the motion to dismiss on the third case and let these complaints move forward to an administrative law judge.

In response to a question Mr. Helms explained the auditing function that the Division does every day--the auditing of production against purchaser and transporter information.

Case 24891: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 27187 issued in Case 24891, dismissing the case without prejudice be approved this 20th day of February, 2017. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 25067: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 27188 issued in Case 25067, dismissing the case without prejudice be approved this 20th day of February, 2017. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 25462: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 28053 issued in Case 25462, denying Gadeco, LLC's Motion to Dismiss be approved this 20th day of February, 2017. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 25084, Order 27486 - consideration of request for termination of Tracy Mountain - Tyler Unit (A handout is available in the Commission files.) Mr. Helms said the handout lists the issues that were raised at the hearing. Mr. Helms indicated that this is a secondary recovery water flood project that is at the very end of its life - one well producing, one well injecting, there are eight wells in abandoned status, five wells with a temporary abandonment status, and two wells plugged but not reclaimed. However there is a new operator, Southwestern Corporation, who believes the unit has potential for an enhanced oil recovery test using polymer. They are constructing a reservoir model and they want to implement a pilot polymer EOR test the fourth quarter of this year.

Mr. Helms stated that the surface owner, Kim Shade, appeared at the hearing and objected to the continuation of the unit. He indicated that the maintenance has been very poor and there is unused equipment on the sites. The new operator agreed to immediately begin cleaning up the well sites and also to work on reclamation plans for the roads and well sites. He stated that it is the staff recommendation that the operator be given a year to model and test the polymer flood. If it works there are several other old water flood units in the area that would benefit from this type of operation and it is good to get the technology tested. To assure that the operator moves forward with the project the proposed order also states that the Commission will review this unit no later than March 2018. If the polymer flood test has not been initiated or has failed then the Commission can take action at that time to terminate the unit and get the wells plugged and reclaimed.

In response to a question regarding if the operator will clean up the surface, Mr. Helms said they have committed to cleaning it up over the summer. The Division's field inspector is putting together a list of everything that needs to be taken care of and will be monitoring their progress.

Case 25084: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 27486 issued in Case 25084, be approved this 20th day of February, 2017. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 25517, Order 28052 - consideration of default order in regards to violations of NDAC 43-02-03. He said this is a default order in a complaint case that the Commission has previously discussed. This case involves one well that is in violation of plugging and reclamation requirements and is seven months into that violation. The operator did not respond to the complaint. If the Commission approves this default order, the Commission will go to court to get a judgement against the company. The ultimate end of this process is likely to be a bankruptcy, collection of as much as possible from the judgements, bonds and value of wells, equipment and oil and then a clean-up. The operator has five wells up in the Bottineau Renville County area. This is the second default order against this operator.

Case 25517: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 28052 issued in Case 25517, fining Strike Oil \$21,875 for violation of NDAC 43-02-03-55 on the Savelkoul 7-21 well and directing that Strike Oil compensate the Commission in the amount of \$202 for its investigatory costs and expenses, be approved this 20th day of February, 2017. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 25523, Order 27932 - consideration of application for a saltwater disposal well. (A handout is available in the Commission files.) Mr. Helms said this request is for approval of a saltwater disposal well eleven miles north of Watford City. He provided a map showing where the site will be located and a list of concerns that were presented at the hearing. He noted the housing development just to the east of that location and on the north end of the housing development an active production well site that was there two or three years before the houses were built. The houses and production well site share a road. The residents in the housing development and along the road submitted a petition in opposition to this permit. Oasis objected to that petition and the letters and testimony but it was allowed into the record for consideration. He stated that the proposed Order discusses each of the issues raised in the petition. He said the first set of objections are related to the location of the flare, tanks and treaters. There won't be any gas delivered to this site, it is a disposal well, so there will be no flare. There will be tanks, but since there is no production there will be no treater. The operator will be complying with the Commission's rules and for the benefit of homeowners within 1,000 feet of this location all of that equipment will be located at the far end of the well pad from those homes. He stated that the issue of improper notice was raised because some notice is required before the hearing and other notice is required when the permit is submitted. Oasis is in compliance with the notice requirements and intends to further be in compliance by notifying everybody within 1,000 feet when they submit the Form 14 if the Commission approves the proposed order. He stated that there were concerns about lighting, noise, truck traffic and safety at the site, lightning strikes, releases of hydrogen sulfide, possibility of an environmental spill, pipeline rupture, water well contamination, seismic activity and each of those items is discussed in the findings of the Order. Oasis testified that they will use directional task lighting to avoid the annoyance of excessive lighting at the site and they will install a pump house for noise abatement. They are being ordered in this Order to put up security fencing and secure the site so there won't be a risk to residents, children, pets and livestock. They are also being ordered in this Order to bring the road in from the west so it will not go through that housing development – it will come off the soon to be, if not already, paved County Road 35.

Mr. Helms and the Commission discussed each of the issues that had been raised at the hearing and that are stated in the proposed Order. The issues included--material on the road; types of tanks being installed with lightning protection; monitoring of air quality by the Health Department; steps that are being taken to deal with spills; regulations for berm height on these types of operations and the number of berms on each site; construction of the pipelines will be monitored under the Commission's new regulations; source of water for the residents in the nearby housing development--water wells and the need for baseline testing of those water wells; the sampling of the two closest water wells that the operator must do and provide to the Commission in accordance with Commission regulations; layers of protection required in the wellbore (minimum required by EPA is three layers of protection--North Dakota adds two more layers of cement for a total of five layers of protection; depth of those layers of protection--five layers of protection down to the pure shale which is at least fifty feet below the deepest drinking water source and then there are two layers of protection down to the Dakota Formation; seismic activity--the Commission's rules require the operator to submit maps showing that there are no open faults or fractures near the well; the operator installing a full supervisory control and data acquisition (SCADA) system on the well and by the end of the year that system will be reporting every few seconds to a control room in Williston which will be able to shut everything down at the site if there is some type of leak or spill occurring. The system will be monitoring the pipeline, volumes in volumes out, the pressure on the pipeline, the pressure at the well head, the volumes going into the well head, the tank levels, etc. The critical thing is that the SCADA was going to allow for shut down – it doesn't just record or alarm but it is actually going to allow the operator to remotely shut the facility down.

In response to a question Mr. Helms stated that the disposal of the salt water will be below 5,000 feet.

Mr. Helms stated that the issue was raised of alternative sites being available. He explained that in this area the Division has denied several permits because of shallow aquifers, so the ability to find sites is limited. Because of the geology in the area and the desire of the operator to keep all of operations with the same surface owner, Oasis is proposing this location. Geology wise it is the best place for the well to be.

Mr. Helms stated that the homeowners raised the issues of declining property values, quiet enjoyment of property, maintenance of the oil well and obstruction of view but those are things that are not under the Commission's jurisdiction.

Mr. Helms stated that in summary, the geology says this is an excellent place to put this well. Because of the nearby housing development the Commission in this Order, is requiring the road to come in from the west, directional lighting, security fencing, and have continuous monitoring. This should be a safe site and with the conditions required in the Order the Commission is responding to the concerns of the homeowners.

In response to a question regarding if the SCADA system includes alerts or alarms related to any discharges like gases, Mr. Helms said it can but he does not think at present it would have a gas monitor. It is something the Division staff could consider that as a permit stipulation.

In response to a question regarding the process Mr. Helms reviewed the process that this type of application must go through -- notice of hearing; holding of a public hearing; preparation of an Order with the staff recommendations, consideration by the Commission and if the Order is approved, a copy of the Order is mailed to all parties--both the applicant and all the objectors--who then have an opportunity to apply for reconsideration which would then come back to Commission and then any decision can be appealed to District Court. If there is no appeal, the operator can apply for a permit to drill – a Form 1 and a Form 14 and again there will be notice requirements to the surface owners and that is the point at which the Division staff could add additional permit stipulations or conditions. Once that permit to drill is approved, the operator can begin site and road construction. It is a very lengthy process.

In response to a question Mr. Helms indicated that each of the individuals that appeared at the hearing will get a copy of the Order if it is approved by the Commission and at that time the Commission will learn whether or not they are satisfied with the conditions that the Commission has placed on this saltwater disposal site.

Case 25523: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 27932 issued in Case 25523 authorizing the disposal of saltwater into the Dakota Group in the MT SWD 5298 12-20 well, be approved this 20th day of February, 2017. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 25545, Order 27954 - consideration of request for termination of Livestock - Lodgepole Unit. Mr. Helms said the unit is immediately south of Dickinson right across the Heart River. It was a one well unit and the well was plugged in 2014. The operator never approached the Commission about terminating the unit but the Division staff determined that it was time to do that. The matter was put on the docket and there was no opposition to terminating the unit. The Order would terminate this EOR water flood unit.

Case 25545: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 27954 terminating the Livestock-Lodgepole Unit issued in Case 25545, be approved this 20th day of February, 2017. On a roll call vote, Governor Burgum, Attorney

General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Helms discussed his recommendation to make comments on Department of Transportation Pipeline and Hazardous Materials Safety Administration 49 CFR Parts 171, 172, 173, 174, 177, 178, 179 and 180 [Docket No. PHMSA-2016-0077 (HM-251D)] RIN 2137-AF24 Hazardous Materials: Volatility of Unrefined Petroleum Products and Class 3 Materials. (A copy is available in the Commission files.) He said suggested to the Commission last month that they have him draft comments on PHMSA's advanced notice of proposed rulemaking (ANPR) on the volatility of unrefined petroleum products moving by rail. PHMSA has published an ANPR and the comment period ends March 20. This proposed rule is in response to a petition that the Department of Transportation has received from the Attorney General of New York to lower the vapor pressure of crude oil in rail cars to 9 PSI re-vapor pressure. Mr. Helms stated that number in the proposed rule is not science based it is politically based. PHMSA has asked 36 questions in their ANPR and they are asking for responses to each of those 36 questions. He has an initial draft done but would like to have a little more time to have discussions about his draft response with some other individuals and then he would provide the proposed comments to each Commission member's staff and get the Commission's approval at the March 15 meeting.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission direct Mr. Helms to prepare comments regarding the Department of Transportation Pipeline and Hazardous Materials Safety Administration 49 CFR Parts 171, 172, 173, 174, 177, 178, 179 and 180 [Docket No. PHMSA-2016-0077 (HM-251D)] RIN 2137-AF24 Hazardous Materials: Volatility of Unrefined Petroleum Products and Class 3 Materials for the Commission's consideration at their March 15, 2017 meeting. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Ed Murphy reviewed the Geological Survey Quarterly Report. (A copy of the report is available in the Commission files.)

Mr. Murphy presented the results of the Geological Survey 2016 Strategic Plan as follows:

North Dakota Department of Mineral Resources GEOLOGICAL SURVEY 2016 STRATEGIC PLAN

The 2016 Strategic Plan Yearend Review

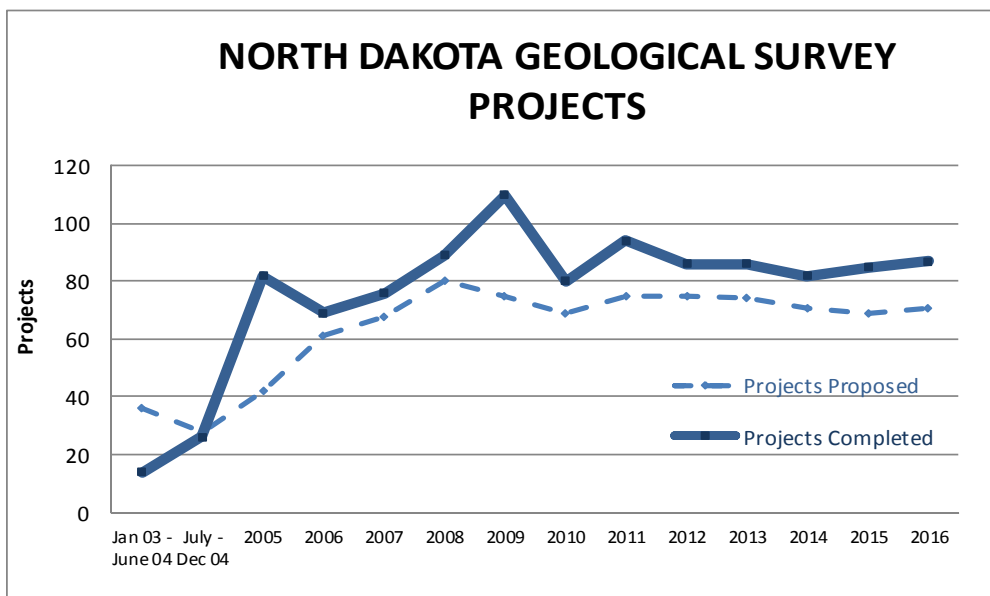
The 2016 Strategic Plan for the North Dakota Geological Survey contained 71, one-year goals. We completed all but 10 of those projects. Of the eleven not completed, two surface geology maps and a newsletter article and a publication on Williston Basin subsurface temperatures were not completed when Survey geologist Mark McDonald passed away and an East Flank Bakken report was not completed when Julie LeFever passed away. Several other mapping projects were postponed when we shifted geologists to mapping landslides in areas of potential or proposed wind farms.

In addition to completing 61 of the original projects, we completed 26 additional projects. Examples of projects added and completed in 2016 include: one additional Inyan Kara map, two additional presentations at the Williston Basin Petroleum Conference, collected 170 additional rock samples for rare earth analysis (270 total), 22 landslide maps in areas of potential wind farms, and doubled the number of major articles in the DMR Newsletter.

As a result, we completed 87 projects in 2016, 16 more than proposed. We completed a number of

projects even though two geologists passed away during this time period.

Proposed Projects	=	71
Projects Partially Completed	=	10
Projects Completed	=	61
Projects Added and Completed	=	26
Total Completed Projects	=	87



Proposed and completed projects in Geological Survey Strategic Plans (2003-2016).

SUBSURFACE ASSESSMENTS

One-year Plan:

1. Generate two stratigraphic posters and display them in our booth at NAPE 2016.
2. Present one paper at the 2016 Williston Basin Petroleum Conference.
3. Present two core workshops at the 2016 Williston Basin Petroleum Conference. (NDPC cut to one, GI 196)
4. Publish eastern North Dakota waste water disposal zone cross sections. (GI 200)
5. Publish waste water disposal zone maps and cross sections for the Jamestown area. (CHS plant dropped)
6. Publish an east-flank Bakken report.
7. Publish cross sections or report on the Stonewall and Stony Mountain Formations. (Inyan Kara priority)
8. Publish two 100k maps and cross sections of the Inyan Kara in western ND. (GI 194 & 198)

Added Projects:

1. Presented one additional paper at the 2016 Williston Basin Petroleum Conference.
2. Presented one additional paper at the 2016 Williston Basin Petroleum Conference.
3. Published one additional 100k map and cross sections of the Inyan Kara in western ND. (GI 199)
4. Presented Red River talk at AAPG national meeting. (GI 191)
5. Presented Inyan Kara talk at AAPG national meeting. (GI 192)
6. Red River paper submitted and accepted for AAPG Bulletin.
7. Depth of the Earth's crust in North Dakota. (MS 42)

CORE AND SAMPLE LIBRARY

One-Year Plan:

1. Assist architects with design changes as need for core library expansion.
2. Operate a makeshift laboratory during expansion activities.
3. Core library dedication event.
4. **Move 64,000 sample boxes into the new warehouse addition.** (moved 1,400 boxes—looking for chips)
5. Make a quick and smooth transition into new laboratories as construction phase ends.
6. Identify how best to minimize core movement between the three core laboratories.

Added Projects:

1. Met often with contractor, architect, UND to scrutinize GMP amendments/contract changes. (saved \$)

GEOHERMAL ASSESSMENTS

One-year Plan:

1. Temperature log two oil wells.
2. **Publish report on calculating formation temperatures based on temperature data.**

LIGNITE ASSESSMENTS

One-Year Plan:

1. Enter lithologic data from 200 oil and gas gamma logs into coal database.

GEOLOGIC MAPPING

Detailed Surface or Subsurface Mapping

One-Year Plan:

1. **Publish report on Red River Valley geology.** (Priority shift to northeast ND)
2. Publish the surface geology of six quadrangles in northeastern North Dakota.
3. **Publish the surface geology of two quadrangles in northwestern North Dakota.** (Mark)
4. Publish the surface geology of two quadrangles in the Minot area.
5. **Publish the surface geology of the Pickardville Quadrangle.** (Shifted priority to landslide mapping)
6. Publish 100 LiDAR quadrangles from eastern North Dakota.
7. Complete one urban geology subsurface drilling program. (Williston)
8. Order aerial photographs to fill in missing photo sets.
9. Publish Williston 250K lineament map. (GI 195)

Added Projects:

1. Published the surface geology of eight additional quadrangles in northeastern North Dakota.
2. Published the surface geology of one additional quadrangle in the Minot area.
3. Published an additional 62 LiDAR quadrangles in eastern North Dakota.
4. Published poster/map on dune sand resources in Pierce County. (GI 197)

Mineral Resource Mapping

One-Year Plan:

1. Publish a phase II report on the potash deposits of western North Dakota. (R.I. 116)
2. Publish a report on rare earth concentrations in western North Dakota lignites. (Newsletter article)

Added Projects:

1. Collected 170 additional coal and clinker samples for rare earth analysis.

Geologic Hazards Mapping

One-Year Plan:

1. Publish five landslide maps (1:24,000) of north-central North Dakota.
2. Publish five landslide maps (1:24,000) of southwestern North Dakota.
3. Publish five landslide maps (1:24,000) of south-central North Dakota.

Added Projects:

1. Published an additional five landslide maps in areas of potential wind farms.
2. Published an additional five landslide maps in areas of potential wind farms.
3. Published an additional five landslide maps in areas of potential wind farms.
4. Published an additional seven landslide maps in areas of potential wind farms.

5. Published North Dakota earthquake catalog. (MS 93)

Geochemical Mapping

One-Year Plan:

1. Assist EERC with oilfield brine collection for rare earth study.

PALEONTOLOGICAL ACTIVITIES

One-Year Plan:

1. Supervise redesign and implementation (May) of Cretoscope in Heritage Center.
2. Exhibit a triceratops skeleton in the Barnes County Museum.
3. Administer Dickinson Public Fossil Dig.
4. Administer Bismarck Public Fossil Dig.
5. Administer Pembina Gorge Public Fossil Dig.
6. Administer Medora Public Fossil Dig.
7. Administer Whiskey Creek Public Fossil Dig.
8. Assist the Dakota Dinosaur Museum with hiring a paleontologist and assist that person.
9. Evaluate eight of the fossil exhibits outside of the Bismarck area.
10. Conduct 25 tours of the Corridor of Time Exhibit or the Paleo Lab at the Heritage Center.
11. Present lectures on prehistoric life in North Dakota to public and academic groups.
12. Assess land tracts identified for development for potential impact on paleontological resources for the State Land Department.
13. Interact with federal agencies to assure effective management of ND paleontological resources.

Added Projects:

1. Assisted the Dakota Dinosaur Museum with hiring a director.
2. Assisted Historical Society with Dakota contract negotiations.
3. Fort Rice fieldwork; nine days and collected 19 field jackets.
4. Performed 23 additional outreach activities.

STATE FOSSIL COLLECTION

One-Year Plan:

1. Collect, prepare, and curate fossil specimens from public digs and agency digs into the collection.

STATE ROCK AND MINERAL COLLECTION

One-Year Plan:

1. Collect, prepare, and curate rocks and minerals collected by NDGS staff or donated to the collection.

REGULATORY ACTIVITIES

One-Year Plan:

1. Transfer non-confidential geophysical coal logs from confidential file to public file.
2. Issue permits for coal exploration in a timely manner.
3. Issue permits for subsurface minerals in a timely manner.
4. Issue permits for geothermal facilities in a timely manner.
5. Issue permits for fossil collecting on State administered lands in a timely manner.
6. Continue to educate geothermal installers about the state's permitting program.
7. Complete environmental reviews of landfill permit applications, coal mine permit applications, highway, pipeline, and transmission line corridors, and miscellaneous other activities in a timely manner.
8. Answer inquiries from industry and the public regarding program rules and regulations.

OUTREACH ACTIVITIES

Public Outreach

One-Year Plan:

1. Prepare materials and populate booth at NAPE 2016.
2. Assist with the 2016 ND Petroleum Council Teacher Seminar.
3. Present coal talk to the 2016 Lignite Council Teacher Seminar. (After 10 years, LEC reverted back to industry)
4. Publish six major geology articles in the DMR newsletter.
5. Prepare program for the 2016 Kids Reading Day at the Heritage Center.
6. Continue to provide public presentations pertaining to a variety of geologic topics in ND.
7. Continue to publish DMR newsletter in a timely manner.

Added Projects:

1. Published 13 major geology articles (seven more) in the DMR newsletter.
2. Facetime presentation *What Geologists & Paleontologists Do* to Edgeley Public School 5th graders.
3. Presentations to CHS biology class.
4. Stumpf tour for Geographic Alliance (ND Teachers).

Survey Web Page

One-Year Plan:

1. Create a more user friendly index for 24K and 100K maps.
2. Complete Survey web page overhaul.

Computerized Geologic Database

One-Year Plan:

1. Identify geologic data to be scanned and placed into a Survey database.

Information Dissemination

One-Year Plan:

1. As studies are completed, provide the results as NDGS publications.
2. Place links to digital copies of reports on our homepage.
3. Provide coal information to the National Coal Resource Database.
4. When published, place pdfs of ND mineral, surface, geothermal, and geologic hazards maps on the Survey website.
5. Place shape files of coal, uranium, landslides maps, etc on the website for download.

Earth Science Information Center (ESIC)

One-Year Plan:

1. Continue to maintain a wide variety of map products related to North Dakota.

Mr. Murphy presented the proposed Geological Survey 2017 Strategic Plan as follows and requested the Commission's approval:

**Department of Mineral Resources
NORTH DAKOTA GEOLOGICAL SURVEY
2017 STRATEGIC PLAN**

MISSION

To serve as the primary source of geologic information in the state by: 1) interpreting the states geologic setting; 2) conducting geological investigations that emphasize the state's economic products, geological hazards, and energy resources; 2) establishing a scientific framework from which to base regulatory programs; and 3) operating and maintaining a public repository for fossils, rock specimens, rock cores, well cuttings, and associated geologic data.

OVERVIEW

The 2017 Geological Survey Strategic Plan contains 69 one-year project plans. This is a flexible document and we will continue to add and subtract projects as priorities change. Examples of one year goals in this strategic plan include: completing three additional Inyan Kara maps, publishing 30 landslide maps (many in pipeline or potential wind farm areas),

publish rare earth concentrations in lignites report, getting the new core library running smoothly with two new personnel, publish 100 LiDAR quadrangles, administering three public fossil digs, and reviewing and, if need be, updating UIC Class III rules and solution mining rules.

SUBSURFACE ASSESSMENTS

One-year Plan:

1. Three stratigraphic posters to display at NAPE 2017.
2. Present one paper at the 2017 Williston Basin Petroleum Conference.
3. Complete and publish the east-flank Bakken report that Julie LeFever was working on.
4. Publish the 100k map and cross sections of the Inyan Kara for the Kenmare 100K sheet.
5. Publish cross section of organic-rich horizons in the Red River Formation.
6. Publish the 100k map and cross sections of the Inyan Kara for the Grassy Butte 100K sheet.
7. Publish the 100k map and cross sections of the Inyan Kara for the Killdeer 100K sheet.

Long-Term Plan:

1. Provide stratigraphic information to industry & the public on major oil and gas plays in North Dakota.
2. Generate information on current and future oil & gas plays useful to industry and the citizens of ND.
3. Continue to assess gas storage capabilities of the Williston Basin.
4. Complete digital stratigraphic column of North Dakota.
5. Determine the framework stratigraphy of the Williston Basin in three dimensions.
6. Continue involvement in the annual Williston Basin Petroleum Conference & Expo.

CORE AND SAMPLE LIBRARY

One-Year Plan:

1. New core library manager in place as quickly as possible.
2. Transfer a subsurface geologist to core library to assist industry.
3. Change out light fixtures in black light laboratory.
4. Convert five keyed doors to keyless entry to improve security.
5. Solve acid vapor problems in core photo lab.
6. Photograph 10,000 feet of core and add to website.
7. Move 20,000 sample boxes into the new warehouse addition.

Long-Term Plan:

1. Review and revise safety policy for the expanded core facility.
2. Photograph all 450,000 feet of core in the core library (prioritize based upon industry interest).
3. Identify whole core holdings and determine what should be slabbed and photographed and what should be retained for whole core analysis.
4. Take a large view photograph of each thin section and add it to subscription site.

GEOHERMAL ASSESSMENTS

One-year Plan:

1. Temperature log two oil wells.

Long-Term Plan:

1. Publish all forty-four 100k geothermal sheets using actual subsurface temperature data for ND.
2. Enhance ability to respond quickly to requests for geothermal data from industry, government, and private citizens.
3. Periodically evaluate methods of storing and publishing geothermal data so it can best be utilized by industry.

LIGNITE ASSESSMENTS

One-Year Plan:

1. Interpret lithologies from 200 oil and gas gamma logs and place into coal database.
2. Convert additional data in DOS based program into PETRA.

Long-Term Plan:

1. Evaluate feasibility and usability of a 1:250K series of coal map sheets.
2. Maintain and enhance ability to respond quickly to requests for lignite data from industry, government, and private citizens.

3. Evaluate feasibility of scanning all public coal logs into a web-based system and requiring digital raster files of electric logs from industry.

GEOLOGIC MAPPING

Detailed Surface or Subsurface Mapping

One-Year Plan:

1. Publish the surface geology of four quadrangles in northeastern North Dakota.
3. Publish the surface geology of the Crown Butte and Crown Butte Lake quads.
4. Publish the surface geology of two quadrangles in the Bismarck area.
5. Publish 100 LiDAR quadrangles from central North Dakota.
7. Publish map of localized sand and gravel deposits in eastern ND using LiDAR.

Long-Term Plan:

1. Complete 24K and 100K LiDAR maps for all of North Dakota.
2. Obtain an additional surface geologist so we can split mapping responsibilities amongst the geologists to each quarter of the state.
3. Publish isopachs and contour maps of all the subsurface fms. and mappable intervals in North Dakota.
4. Expand investigative resources through the use of contract drilling.
5. Complete engineering property cross-sections of all urban areas in ND.

Mineral Resource Mapping

One-Year Plan:

1. Publish a phase III report on the potash deposits of northwestern North Dakota.
2. Publish a report on rare earth concentrations in western North Dakota lignites.

Long-Term Plan:

1. Complete mapping of all nonhydrocarbon mineral deposits (salt, sand and gravel, clay, uranium, etc.) in North Dakota at a scale of 1:24,000.
2. Update existing maps, such as uranium, as nonconfidential information becomes available.
3. Digitize all uranium logs in our well files.

Geologic Hazards Mapping

One-Year Plan:

1. Publish ten landslide maps (1:24,000) in pipeline areas in western North Dakota.
2. Publish ten landslide maps (1:24,000) in pipeline areas in northwestern North Dakota.
3. Publish five landslide maps (1:24,000) of potential wind farms in eastern North Dakota.
4. Publish five landslide maps (1:24,000) of potential wind farms in central North Dakota.

Long-Term Plan:

1. Map all of the landslide-prone areas in North Dakota at a scale of 1:24,000.
2. Obtain recent stereo pair aerial photographs of the state to map current landslides and supplement with LiDAR.
3. Convert photos to digital database and map landslides on computer.

Geochemical Mapping

One-Year Plan:

1. Compare uranium and rare earth concentrations looking for exploration trends.

Long-Term Plan:

1. Map all of the pertinent metals either regionally or across North Dakota.
2. Compare geochemistry within bedrock units and between glacial deposits to determine feasibility of differentiating units based upon geochemical parameters.

PALEONTOLOGICAL ACTIVITIES

One-Year Plan:

1. Administer Dickinson Public Fossil Dig.
2. Administer Bismarck Public Fossil Dig.

3. Administer Medora Public Fossil Dig.
4. Continue to assist the new director and paleontologist at the Dakota Dinosaur Museum.
5. Evaluate two public fossil exhibits outside of the Bismarck area.
6. Publish a report on the Medicine Hill fauna.
7. Conduct 25 tours of the Corridor of Time Exhibit or the Paleo Lab at the Heritage Center.
8. Present lectures on prehistoric life in North Dakota to public and academic groups.
9. Publish volume 1 of the ND paleo outreach books.
10. Spend one week excavating dinosaur fossils at Fort Rice site – as funding allows.
11. Assess land tracts identified for development for potential impact on paleontological resources for the State Land Department.
12. Interact with federal agencies to assure effective management of ND paleontological resources.

Long-Term Plan:

1. Explore additional paleontologic exhibit opportunities in communities across North Dakota.
2. Keep paleontology website up to date.
3. Evaluate current fossil collections system and revamp if necessary.
4. Maintain public fossil digs program at the highest level funds, staffing, and time permits.
5. Continue paleontology outreach activities including tours of the NDGS Johnsrud Paleontology Laboratory and fossil exhibits at the ND Heritage Center, public lectures, public field trips to fossil sites, identification of fossils for the public, participation in science olympiads and science fairs, etc.
6. Continue to conduct research to learn more about North Dakota's prehistoric life and the climates and environments that existed at different times in the geologic past.
7. Continue publishing technical and non-technical articles about the prehistoric life of North Dakota for the scientific and public communities.

STATE FOSSIL COLLECTION

One-Year Plan:

1. Collect, prepare, and curate fossil specimens from public digs and agency digs into the collection.

Long-Term Plan:

1. Continue collection and curation of North Dakota fossil specimens.
2. Prepare fossil specimens for scientific study, public display, and educational use.
3. Expand the State Fossil Collection into the expanded Heritage Center.

STATE ROCK AND MINERAL COLLECTION

One-Year Plan:

1. Collect, prepare, and curate rocks and minerals collected by NDGS staff or donated to the collection.

Long-Term Plan:

1. Continue collection and curation of North Dakota rock and mineral specimens.
2. Prepare rock and mineral specimens for scientific study, public display, and educational use.
3. Expand the State Rock and Mineral Collection into the expanded Heritage Center.

REGULATORY ACTIVITIES

One-Year Plan:

1. Review and, if need be, update Underground Injection Control Class III Rules.
2. Transfer nonconfidential geophysical coal logs from confidential file to public file.
3. Issue permits for coal exploration in a timely manner.
4. Issue permits for subsurface minerals in a timely manner.
5. Issue permits for geothermal facilities in a timely manner.
6. Issue permits for fossil collecting on State administered lands in a timely manner.
7. Continue to educate geothermal installers about the state's permitting program.
8. Complete environmental reviews of landfill permit applications, coal mine permit applications, highway, pipeline, and transmission line corridors, wind farms in a timely manner.
9. Answer inquiries from industry and the public regarding program rules and regulations.

Long-Term Plan:

1. Propose the needed statute and rule changes to keep the regulatory programs functioning efficiently.
2. Modify, as needed, the assignment of duties for the coal exploration, subsurface minerals, UIC Class III, and geothermal regulatory programs.

OUTREACH ACTIVITIES

Public Outreach

One-Year Plan:

1. Prepare materials and populate booth at NAPE 2017.
2. Assist with the 2017 ND Petroleum Council Teacher Seminar.
3. Publish six major geology articles in the DMR newsletter.
4. Prepare program for the 2017 Kids Reading Day at the Heritage Center.
5. Continue to provide public presentations pertaining to a variety of geologic topics in ND.
6. Continue to publish DMR newsletter in a timely manner.

Long-Term Plan:

1. Prepare guidebooks for general public fieldtrips in areas of interest in North Dakota.
2. Meet with industry and state and federal agencies to assess study topics, on an as-needed-basis.
3. Hire a full-time outreach person.

Survey Web Page

One-Year Plan:

1. Create a more user friendly search index for publications.
2. Change out front page of Survey website.

Long-Term Plan:

1. Continue to place relevant geologic information and related technical material on the website.
2. Scan all of the electric and geologic logs from coal and uranium exploration holes and place them on the website.

Computerized Geologic Database

One-Year Plan:

1. Identify geologic data to be scanned and placed into a Survey database.

Long-Term Plan:

1. Complete digitization of existing databases and maintain files.

Information Dissemination

One-Year Plan:

1. As studies are completed, provide the results as NDGS publications.
2. Place links to digital copies of reports on our homepage.
3. Provide coal information to the National Coal Resource Database.
4. When published, place pdfs of ND mineral, surface, geothermal, and geologic hazards maps on the Survey website.
5. Place shape files of coal, uranium, landslides maps, etc on the website for download.

Long-Term Plan:

1. Create digital files for all of the Geological Survey's historic documents.
2. Study the feasibility of scanning all aerial photographs in the Survey collection (either internally using outside funding or through a partnership with private industry) and unless prohibited by agreement, provide to the general public.
3. Scan electric and geologic logs from coal and subsurface mineral files and place on website.

Earth Science Information Center (ESIC)

One-Year Plan:

1. Continue to maintain a wide variety of map products related to North Dakota.

Long-Term Plan:

1. Publicize the availability of our ESIC materials through the Survey website and other forms of communication.
2. Determine if there are additional geoscience materials on ND that could be provided through

our ESIC office.

3. Carefully maintain paper map inventory to avoid over-purchasing as the public transitions to digital maps.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Department of Mineral Resources Geological Survey Division 2017 Strategic Plan be approved as presented.

The Commission expressed their condolences to Mr. Murphy on the loss of Mark and Julie knowing it is difficult to replace staff that has many years of institutional knowledge. Mr. Helms discussed the level of staffing within the Geological Survey--there is currently one subsurface geologist position that is vacant. There was general discussion about legislative action on vacation positions and the level of funding by the Legislature.

Governor Burgum indicated that if oil activity picks up again one of the constraints is going to be disposal wells and sites. This would be a critical position that is needed for determining the geology for these wells and sites.

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

Mr. Helms gave the legislative update. (The handout is available in the Commission files.) He said it lists sixteen bills they have been following and still contains three bills that have failed so the list will get shorter next month. He discussed with the Commission some of the bills, the provisions that are currently in each of the bills and some of the amendments that are being discussed.

After discussion he indicated that he is supporting SB 2014, HB 1347, SB 2245 and providing information and data on HB 1151, HB 1257 and HB 1336. It was the consensus of the Commission that he proceed accordingly.

Mr. Helms reported on the flood outlook and preparation. He said the staff is very aware of the flood potential of the Yellowstone River Valley, Missouri River Valley west of Williston, the Little Missouri River and Souris River – at one point they were all above fifty percent probability of flooding. The Division has a guidance document for their field inspectors and the inspectors have sites they are required to visit on a weekly basis to look for ice jams and possible flooding. The Division has a list of operators that have already been notified to prepare for flooding. He stated that through the complaint and consent agreements adopted after the 2011 flood a lot of sites were upgraded in terms of their diking. In addition they are directed to shut in wells and not do work on those wells when there is potential flooding and those operators have all been notified that they are expected to implement those consent agreement requirements. Mr. Helms stated everybody is on guard and watching for ice jams and flood potential in those valleys where there are oil wells.

In response to a question of whether the Department is confident that their data base provides the guidance needed for their field inspectors, Mr. Helms said the field inspectors know what the protocol is and the operators have been notified so he has a high degree of confidence in what they are doing. The Division has a really good guidance document and the field inspectors are tracking the National Oceanic and Atmospheric Administration (NOAA) flood site on a daily basis.

Mr. Helms commented on the Williston Basin Petroleum Conference being held in Regina this year. He indicated that this is a partnership across the border that the Department has supported for many years -- the Department is helping with providing speakers and at next month's meeting he will be asking the Commission to provide a welcome letter.

Being no further Department of Mineral Resources business, Governor Burgum adjourned this portion of the

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meeting at 4:13 p.m. and the Commission took up Renewable Energy Program business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on February 20, 2017 beginning at 1:00 p.m.
Governor's Conference Room
State Capitol

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

Also

Present: Leslie Oliver, Governor's Office
Cassandra Torstenson, Governor's Office
Jessie Pfaff, Agriculture Department
Members of the Press

Governor Burgum called the Renewable Energy Program portion of the Industrial Commission meeting to order at 4:13 p.m. following completion of Department of Mineral Resources business.

Ms. Karlene Fine, Industrial Commission Executive Director/Secretary presented a request for a special grant round as follows:

RE: Additional Renewable Energy Program Grant Round

The Industrial Commission is in receipt of a request from Packet Digital for the establishment of an additional grant round (Round 32). The Renewable Energy Program policies allow for the establishment of additional grant rounds by the Industrial Commission.

Terri Zimmerman with Packet Digital indicated that they are engaged with a current partner to develop a portable solar system for remote locations, military missions and underserved power communities. Packet Digital and our partner wish to commence the project as soon as possible. The partner would provide the matching under the program. The manufacturing would take place at Chiptronics in Dunseith, North Dakota. Packet Digital would sell the system. The project would leverage our power expertise and technology and provide manufacturing and distribution in ND.

I have consulted with Andrea Pfennig with the Department of Commerce as to whether she has any objections to having an additional grant round and she has indicated she does not. Therefore, I am recommending the establishment of an additional grant round with a deadline submission date of March 1, 2017.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the recommendation of the Industrial Commission Executive Director/Secretary and approve an additional grant round for the Renewable Energy Program with an application submission deadline of March 1, 2017. On a roll call vote, Governor Burgum, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further Renewable Energy Program business, Governor Burgum adjourned this portion of the meeting at 4:15 p.m. and took up Administrative business.

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Cassandra Torstenson, Governor's Office
Jessie Pfaff, Agriculture Department
Members of the Press

Governor Burgum called the Administrative portion of the Industrial Commission meeting to order at 4:17 p.m. following completion of Renewable Energy Program business.

Ms. Karlene Fine, Industrial Commission Executive Director/Secretary, distributed handouts on the status of legislation impacting the Student Loan Trust, Oil and Gas Research Fund, and Renewable Energy Fund. (Copies of the handouts are available in the Commission files.)

Ms. Fine said on the Outdoor Heritage Fund she became aware last Friday of an amendment to SB 2225, which is a bill that creates a posted land register for a five-county pilot program, for an appropriation from the Outdoor Heritage Fund to the Game and Fish Department in the amount of \$250,000 to cover the IT costs of setting up the program. It should be going to the Senate floor tomorrow.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the December 8, 2016 and January 17, 2017 confidential and non-confidential Industrial Commission meeting minutes be approved. The motion carried unanimously.

Being no further Administrative business, Governor Burgum adjourned the meeting at 4:18 p.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary