

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on September 29, 2017 beginning at 9:00 a.m.
Governor's Conference Room
State Capitol

Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem

Also

Present: Leslie Oliver, Governor's Office
Melanie Gaebe, Agriculture Department
Lynn Helms, DMR
Bruce Hicks, DMR – Oil and Gas Division
Hope Hogan, Attorney General's Office
Other attendees are listed on the attendance sheet available in the Commission files
Members of the Press

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

Mr. Lynn Helms, Department of Mineral Resources Director, discussed a contract in regards to HB 1347, Section 2. Appropriation - Abandoned Oil and Gas Well Plugging and Site Reclamation Fund - One-Time Funding - Exemption - Brine Pond and Soil Remediation Studies -- A study of the best techniques for remediating salt and any other contamination from the soil surrounding brine ponds in the north central portion of this state which were active between 1951 and 1984 as a continuation of the study conducted pursuant to Section 9 of Chapter 254 of the 2015 Session Laws. (The contract and attachments are available in the Commission files.) He said this would extend the work of NDSU on the brine ponds. The contract is for \$435,000 with the money coming from the Abandoned Well Plugging and Site Restoration Fund. They are going to modify the earlier work that they had done to some extent. They did six test plots on a single site last biennium - some positive results and some not so much. This time they are going to expand out to six sites and do two tests on each site. They are going to test two different soil amendments on each site. They have four different salt tolerant species they have developed in green house that they are going to try. They are going to try two amounts of seeding – a heavy seeding and a light seeding – so two stages of seeding and then they are going to continue their work in the green house to see if they can develop additional salt tolerant species we might be able to use to speed up the reclamation of these brine ponds. It looks like a really good project with the first status report due November 30. He recommended approval of the contract.

In response to a question, Mr. Helms stated that the work is being done in Bottineau and Renville Counties. He noted that Department of Mineral Resources staff is currently doing a count of these sites (previous estimate was 120 sites) and they hope to have an updated number by this winter. Typical size of each site is four to six acres. The sites started out at less than an acre, the brine ponds themselves, but through the forty years since they were closed rather than going away they have been expanding. These brine ponds are from the 1960's when it was a common practice in other states to use evaporation ponds for produced water. It didn't work well in North Dakota because our water is much saltier, our soils are different and it is frozen seven months out of the year. The last one was closed in 1982. The thought was that whatever contamination there had been from them as they were cleaned up and closed would go away, but it has not. In aggregate it is about one section, 640 acres, across a couple of counties.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission approves North Dakota State University proposal to conduct the Legacy Brine Study authorized in House Bill 1347 - NDCC §38-08-04.5 2 (c) and authorizes the Department of Mineral Resources Director to execute a contract with North Dakota State University. On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

Minutes - Page 2
September 29, 2017

Mr. Bruce Hicks presented the Quarterly Oil and Gas Division Report for April, May and June, 2017 which included the following: (A complete copy of the report is available in the Commission files.)

- Statistics (request to add spuds to these statistics)
- Gas Flaring
- Drilling Permit Review
- Complaints

The Commission, Mr. Helms and Mr. Hicks responded to a number of questions regarding:

- oil production levels - relatively steady
- gas production levels - increasing
- water production levels - increasing
- oil field activity - shortage of workers; anticipate rig count to go up
- the need for more infrastructure by the mid-stream companies
- over the past six weeks there have been no spills that have gone off site,

Being no further Department of Mineral Resources business, Governor Burgum adjourned the meeting at 9:30 a.m. and took up Western Area Water Supply Authority business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

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Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem

Also

Present: Leslie Oliver, Governor's Office
Melanie Gaebe, Agriculture Department
Jaret Wirtz, Western Area Water Supply Authority
Other attendees are listed on the attendance sheet available in the Commission files
Members of the Press

Governor Burgum called the Western Area Water Supply Authority portion of the Industrial Commission meeting to order at 9:30 a.m. following completion of Department of Mineral Resources business.

Ms. Karlene Fine, Industrial Commission Executive Director/Secretary, presented the Western Area Water Supply Authority August Financial Report and Debt Reduction Report as follows: (A complete copy of the report is available in the Commission files.)

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

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

Page 1 prepared by the Bank of North Dakota, reflects debt service payments through the month of August, 2017. With the restructuring of the loans in August principal and interest was paid only on the \$87.75 million BND loan. Page 2 is a copy of the restructured debt service report.

The next 3 pages (pages 3, 4 & 5) I prepared based on the information provided by WAWS staff reflecting August revenues and expenses and net income. The one principal payment made in August is noted on the next to last line on page 4 and in yellow on the net income Page 5. Net income for the month of August was \$662,951.43 before making the principal payment or making any baseline sales payments. When you include the baseline payment expense the net income for the month of August is \$262,969.34. As you will recall from the overall Debt Service spread sheet the breakeven sales monthly number is \$994,920 without the baseline sales payments. With WAWS sales for the month of August being \$1,712,688.33 WAWS was over that number by \$717,768.33. This is good news. However, there are some accounts payable that need to be paid.

Page 6 is the balance sheet prepared by WAWS staff as of August 31, 2017. As noted on the Balance Sheet the Accounts Receivables are \$3,629,045.53 which is included in the assets of \$8,913,136.74. The Balance Sheet still includes a Deferred Expense line item as an asset for the 2016 baseline sales payments but the 2017 baseline sales payments are not included in that line item. The liabilities include, within the accounts payable line item, the 2016 baseline sales payments amount plus the 2017 baseline sales payments. This is the fifth balance sheet you have seen in 2017 with negative total equity. You will continue to see a negative number until we resolve the issue of the baseline payments. Pages 7 & 8 are the consolidated balance sheet for the WAWS General Account which includes the Industrial Account balance sheet.

The Commission recently discussed the WAWS pricing of water and the Commission indicated they wanted to see the average sale price for the water each month. For the months of July and August the numbers are:

July	\$0.01362 per gallon or \$ 0.57194 per barrel
August	\$0.01542 per gallon or \$ 0.65 per barrel

If you have questions I will be available to review the numbers.

Mr. Jaret Wirtz, WAWS Executive Director, updated the Commission on sales and current activities. He presented four charts. (The charts are available in the Commission files.)

- 2017 WAWSA Daily Water Demands: YTD Through August 2017
- 2017 WAWSA Industrial Demand Summary Through August 2017
- 2017 WAWSA Industrial Water Sales YD & Year End Projections
- 2017 WAWSA Industrial Demand Projection
- WAWSA Cumulative 2017 Actual, Budgeted and Forecasted Industrial Revenue

Mr. Wirtz said sales have been much better this last quarter with a demand for high volumes of water. He noted that on a recent completion the operator used close to 17 million gallons per well. Operators are indicating that is going to be the norm - more fluid, less chemical and more sand. Operators are making commitments for the next few months--there is an interest in making commitments for larger volumes of water.

In response to a question, Mr. Wirtz indicated that the domestic demand was up this year partially as a result of the drought and partially as a result in the growth of the population. The months of June, July and August were all record breaking months in terms of domestic water sales for WAWSA; the drought was a pretty good contributor to that.

In response to a question, Mr. Wirtz discussed pipeline capacity limitations especially in the McKenzie County-Watford City area. He indicated that they are looking at a possible secondary pipeline so Watford City would have two sources of water in case something detrimental ever happened to one of the pipelines.

Mr. Wirtz indicated that they are also working on a joint project with Watford City, McKenzie County Rural Water, and the City of Arnegard to build tank storage that could be used jointly. Instead of each one of those entities building their own traditional storage WAWSA would build just one big one in between Watford City and Arnegard. This would help Watford City with their fire flows, the City of Arnegard with their fire flows, and WAWSA with their need for more storage. Currently the biggest demand is in McKenzie County and right around Williston. Williston has sufficient capacity; Watford City area is limited because of the pipeline capacity.

Mr. Wirtz stated that they are working with private industry and private water sellers. With the demand for water increasing no one water seller has sufficient supply so they are buying from WAWSA and ranchers that have creek permits or pond permits and working with a transfer company to move the water to the site.

It was indicated that the next item on the agenda is to be done in executive session. Governor Burgum stated that the discussion during executive session must be limited to the one topic of Presentation of Evaluations from the WAWS Study Advisory Committee. This item must be discussed in an executive session because the proposals are exempt records pursuant to 54-44.4-10. The legal authority for closing this portion of the meeting is N.D.C.C. 44-04-17.1 subsection 5. The purpose of this executive session is to review the evaluations regarding RFP 110.7-17-064 for the study listed on the agenda. The executive session is anticipated to last 10 minutes. Following that executive session the Commission will reconvene in open session. Commission members, employees of the North Dakota State Water Commission and Procurement Office will remain. The executive session began at 9:47 a.m.

EXECUTIVE SESSION

Members Present:

Governor Doug Burgum
Attorney General Wayne Stenehjem

State Water Commission Personnel Present:

Garland Erbele State Water Commission

State Procurement Office

Chad Keech OMB Procurement Office

Others in Attendance:

Leslie Oliver Governor's Office

Melanie Gaebe Agriculture Department

Governor Burgum stated that the Industrial Commission meeting is reconvened at 9:59 a.m. and the public was invited to return to the meeting room.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission accept the evaluations completed by the WAWS Study Advisory Committee and direct the Industrial Commission Executive Director/Secretary to execute a contract with Stantec to conduct the Industrial Water Supply Infrastructure Financial Analysis/Study as authorized in House Bill 1020. On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

Being no further Western Area Water Supply Authority business, Governor Burgum adjourned this portion of the meeting at 10:00 a.m. and the Commission took up Lignite Research, Development and Marketing Program business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



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Melanie Gaebe, Agriculture Department
Tyler Hamman, Transmission Authority
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Members of the Press

Governor Burgum called the Lignite Research, Development and Marketing Program portion of the Industrial Commission meeting to order at 10:00 a.m. following completion of Western Area Water Supply Authority business.

Ms. Karlene Fine, Industrial Commission Executive Director/Secretary, presented the confidentiality request for Project Carbon as follows:

RE: Confidentiality determination

The Lignite Research Program statute - Chapter 54-17.5-06 - allows the Industrial Commission to determine if certain information is confidential.

Mr. Tobe Larson with the Energy and Environmental Research Center (EERC) has requested confidentiality for Exhibit D of the EERC application "Project Carbon." The Commission approved the funding for this project on August 22. Mr. Larson has provided the information that is required in the statute to make the determination of confidentiality. **Therefore, it is my recommendation that the Industrial Commission grant the Energy and Environmental Research Center's request and determine that the following information is confidential:**

Exhibit D of the "Project Carbon" Application (EERC Proposal No. 2017-0102) dated June 30, 2017.

If the Commission wishes to review the confidential information that has been received, I can provide that information in executive session.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission accepts the recommendation of the Industrial Commission Executive Director/Secretary that the following items be determined confidential:

Exhibit D of the "Project Carbon" Application (EERC Proposal No. 2017-0102) dated June 30, 2017.

On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring absent and not voting. The motion carried.

Being no further Lignite Research, Development and Marketing Program business, Governor Burgum adjourned this portion of the meeting at 10:03 a.m. and the Commission took up Transmission Authority business.

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Melanie Gaebe, Agriculture Department
Tyler Hamman, Transmission Authority
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Members of the Press

Governor Burgum called the Transmission Authority portion of the Industrial Commission meeting to order at 10:03 a.m. following completion of Lignite Research, Development and Marketing Program business.

Mr. Tyler Hamman, former Transmission Authority Director, presented the Transmission Authority Annual Report. (A copy of the report is available in the Commission files.) He said he resigned his position August 18, 2017 and has taken a position with Basin Electric Power. The Commission thanked him for coming back and present the Annual Report.

Mr. Hamman discussed the following presentation:

North Dakota Transmission Authority Update

Presentation to
North Dakota Industrial Commission
September 29, 2017



2016-17 Summary

- Annual Report
 - Culmination of Major Transmission Projects
 - MISO Transmission Expansion Planning Identifies New Projects for North Dakota
 - Next Phase of Transmission Heavily-Driven by Deployment of Renewables/CO2 Reductions/Fate of Clean Power Plan
 - DOE Grid Study
 - Participation in Federal Environmental Law Impact Review Committee Study



Project Updates

- CapX 2020
 - All projects now complete
 - Big Stone South-Brookings County put into service in August 2017
 - Jointly owned by Xcel and Otter Tail Power
 - 8 wind projects, 1 natural gas generator waiting to interconnect



Project Updates

- Basin Western North Dakota Project
 - Construction begun in 2014 on 200 mile AVS-Neset line
 - 140 Miles to Judson Substation placed into service in 2015
 - Remaining segments complete by end of 2017
 - Basin has also completed Phase I of the North Killdeer Loop, 28 mile 345kV line, in September 2016



Project Updates

- GRE HVDC Refurbishment
 - GRE Board in December of 2015 approved largest transmission refurbishment in organization’s history.
 - \$200 million over next decade to make improvements to 436-mile line.



2017 Legislative Session

- North Dakota Siting Act
 - HB 1144
 - Separated the rules regarding siting of electric facilities from oil and gas facilities.
 - Addresses different infrastructure and siting needs of two different industries.



2018 Outlook

- MISO Transmission Expansion Planning
 - MTEP runs on an 18-month cycle beginning in June with a final report approved by the MISO Board of Directors in December of the following year.
 - MTEP approves three different categories of projects.
 1. Bottom-Up: Not cost-shared, developed by transmission owners. Includes Baseline Reliability Projects to meet NERC standards, as well as projects to meet reliability needs that are not part of bulk electric system. MISO evaluates projects submitted by transmission owners to ensure that the project is a practical solution to the identified issue.
 2. Top-Down: Includes Market Efficiency Projects (MEP), and Multi-Value Projects (MVP) at the regional or sub-regional level. These projects are generally developed by MISO in conjunction with stakeholders.
 3. Externally-Driven: These projects are driven by customer-initiated needs and include Generation Interconnection Projects (GIP) to connect new transmission to the grid, and other market participant-funded projects that provide benefit to one or more participants but do not qualify as a BRP, MEP, or MVP.
 - 10 transmission projects in North Dakota approved by MISO Board of Directors in the MTEP16 for total investment of \$37 million.
- MISO-SPP Seams Study
 - MISO and SPP currently conducting a study to look at newly created “seam” between their two markets. Study might identify necessary projects to address seam issues where the two RTOs border each other, primarily North Dakota, South Dakota, and Iowa. Expected end of 2017.



MTEP16 Projects

Category	Project Name	Description	Year	Priority	Cost	Status
OTC	COB - Station 2022	Completed agreement for Coe Station Substation at 2016/17	2016	GP	\$10,000	Externally-Driven
NDU	Laska	A new 225 kV transmission line from the Elendale Jct. Substation to a new Laska Jct. 225 kV Substation. The new Laska Jct. Substation will connect to the existing 225 kV double 41.6 kV line.	2016	Other	\$12,000,000	Bottom-up
NDU	Western-Mandan 115 Upgrade	Re phase (imfing) and phase in the western substation on the Mandan 225 kV line.	2016	Baseline	\$125,000	Bottom-up
NDU	TSR 2125/4 224	Re conductor Coyle-Sauln 225 kV line	2016	NDGP	\$300,000	Externally-Driven
OTF	Devils Lake East 41.6 kV	Re lay upgrade	2016	Other	\$7,500	Bottom-up
OTF	Devils Lake West 41.6 kV	Re lay upgrade	2016	Other	\$7,500	Bottom-up
OTF	Rugby 41.6 kV Breakers	Install four 41.6 kV Breakers in the Rugby area to re-terminate existing OTF-owned 41.6 kV circuit from OTC-owned Rugby substation to 2016 delivery.	2016	Other	\$1,000,000	Bottom-up
OTF	Mau to Ryder 41.6 kV line upgrade	The project will start in 2016 and be completed in 2018. The project will include adding insulation, conductors and poles identified through surveys and inspections and replace the failing 110 A GCP conductor for approximately 24 miles between Mau, ND and Ryder, ND.	2016	Other	\$1,000,000	Bottom-up
OTF	Western ND 41.6 kV Breaker Stations	Western ND 41.6 kV Breaker Stations will consist of 3 Facilities: 1. Conductor - Single 41.6 kV circuit breaker addition 2. Drain - Single 41.6 kV circuit breaker addition 3. Ground Rod - Three 41.6 kV circuit breaker addition	2016	Other	\$1,000,000	Bottom-up
NEL	MPC Baseline Interconnection	This project will convert the three Substations to a breaker-in-the-air configuration to approximate MPC's Baseline 225 kV Interconnection network. Baseline will operate 24/7/365.	2016	Other	\$17,100,000	Bottom-up



2018 Outlook Continued...

- Clean Power Plan
 - 2016 election significantly changed the outlook for administrative and/or legislative changes to the Clean Power Plan and any potential carbon dioxide regulations that could replace it.
 - EPA currently conducting “review” of CPP, expected to release details of repeal and replace actions in coming weeks.
 - Outlook for CO2 regulation and necessary generation and transmission projects to meet CO2 goals remains uncertain.
- States within RTO Footprints Continue to Drive CO2 Reductions and Renewable Energy Policy



2018 Outlook Continued...

- DOE Grid Study Recommendations
 - Improve price formation in wholesale markets, including mitigating negative pricing to the broadest extent possible.
 - Valuation of Essential Reliability Services.
 - Improve Bulk Power System Resilience.
 - Promote R&D for next generation grid reliability and resilience tools.
 - Promote Energy Dominance and Economic Growth (including review of environmental regulations).
 - Infrastructure development (includes Hydro, Nuclear and Coal). Recommends EPA allow coal-fired plants to make efficiency improvements without triggering NSR, and include R&D for efficiency improves.



What's on the Horizon

Baseload Generation Retirements

- As regional utilities retire baseload generating units in response to either economic or regulatory conditions, they will require significant buildout of new generation, numerous issues remain to be seen with impacts on transmission grid
- NDTA works with MISO and SPP in the process of analyzing impacts on regional transmission

Other Regulations/Issues

- Cybersecurity



The Commission and Mr. Hamman discussed some of the new technology that is being developed as it relates to transmission and being able to increase the amount of electricity that can be distributed on existing transmission lines. There was also discussion regarding the pricing of electricity, the impact it is having on the industry, the actions that are being taken at the national level and what, if any, role the Industrial Commission should have in dealing with these challenges. It was also pointed out that cyber security continues to be a significant issue in regards to the electric grid.

Being no further Transmission Authority business, Governor Burgum adjourned the meeting at 10:28 a.m. and took up Building Authority business.

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Melanie Gaebe, Agriculture Department
Barb Aasen, Eide Bailly
DeAnn Ament, Public Finance Authority
Other attendees are listed on the attendance sheet available in the Commission files
Members of the Press

Governor Burgum called the North Dakota Building Authority (Authority) portion of the Industrial Commission meeting to order at 10:28 a.m. following completion of Transmission Authority business.

Ms. Karlene Fine, Industrial Commission Executive Director/Secretary and Authority Authorized Officer introduced Ms. Barb Aasen from Eide Bailly to present the North Dakota Building Authority FY2017 external audit. (A copy of the audit is available in the Commission files.) Ms. Aasen said the statements are presented in accordance with GAAP and their firm has issued an unmodified or clean opinion. She discussed the various parts of the audit and noted that the Authority has a zero fund balance. That is the way the Authority is structured--to have the debt equal to the lease receivables.

In response to a question regarding if there are employees at the Authority, Ms. Fine said the Authority does not have separate staff. Part of her time is spent doing Authority business and the Public Finance Authority is hired to do the accounting and BND is the Trustee. Ms. Aasen said the cost of these entities doing the Authority work is reflected under operating expenses -- in this audit the amount was \$32,000.

Ms. Aasen said there are no findings in regards to the audit -- nothing rises to either a significant deficiency or a material weakness. There were no corrected or uncorrected misstatements found. There are no other issues to report. It is a super clean organization doing a great job.

There was discussion about the overall bonding that is done by the State--Public Finance Authority, Housing Finance Agency, Building Authority (no new bonds have been issued since 2012--capital projects have been financed with cash), University System (revenue generating facilities such as dorms, parking lots, etc.), and Student Loan Trust (no bonding has been done for a number of years).

Ms. Fine reported on the recent rating by Moody's Investors Service affirming the State's rating of "Aa1". (The Moody's Investors Service Credit Opinion dated 8-1-17 is available in the Commission files.) She stated that this action by Moody's was a positive for the State. She indicated that the Authority had looked at doing a refunding of the Authority's outstanding debt back in 2015. Because of the State budget concerns at that time, she held off on proceeding with a refunding. Now that Moody's has affirmed the State's rating the timing is right to go back into the capital market and capture some debt savings. The schedule is to bring a bond refunding to the Commission in October or November.

Being no further North Dakota Building Authority business, Governor Burgum adjourned this portion of the meeting at 10:36 a.m. and the Commission took up Public Finance Authority business.

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DeAnn Ament, Public Finance Authority
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Members of the Press

Governor Burgum called the Public Finance Authority portion of the Industrial Commission meeting to order at 10:36 a.m. following completion of North Dakota Building Authority business.

Ms. DeAnn Ament, Public Finance Authority Executive Director, presented a Drinking Water State Revolving Loan Fund request from the City of Jamestown in the amount of \$1,538,000. She indicated that the loan proceeds will be used for a project that will rehabilitate some water mains in the northwest section of the City. The repayment source will be from improvement bonds to be paid from special assessment collections over twenty years. The Advisory Committee recommended approval of the loan.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the following resolution be approved:

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 Jamestown (the "Political Subdivision") has requested a loan in the amount of \$1,538,000 from the Program to finance the rehabilitation of water mains; 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 and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

Ms. Ament presented a Clean Water SRF loan request from the City of Horace in the amount of \$3,192,000. She indicated that the loan proceeds would be used for the installation of a lift station, sanitary sewer gravity and force mains to connect to the City of Fargo at Deer Creek. They have requested a twenty year loan term and will be issuing improvement bonds payable from special assessment collections. The Advisory Committee recommended approval of the loan.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the following resolution be approved:

RESOLUTION APPROVING
LOAN FROM CLEAN WATER STATE REVOLVING FUND

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

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

WHEREAS, the City of Horace (the "Political Subdivision") has requested a loan in the amount of \$3,192,000 from the Program to finance installation of a lift station, sanitary sewer gravity and force mains to connect to Fargo at Deer Creek; and

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

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

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

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

In response to a question, Ms. Ament indicated that their review of the ability of the borrower to repay the loan includes an analysis of any other debt the borrower may have excluding any leases the borrower would have for equipment.

In response to a question regarding when the Advisory Committee meets how long would they spend on a loan request, Ms. Ament said it can be anywhere from five to twenty-five minutes depending on how often the Committee has reviewed the financial information on the borrower.

Governor Burgum said he was pleased to see the analysis which showed the cost per resident – for this borrower it was almost \$4,000 per resident on improvement debt and \$20,000 per service connection. He asked if there were metrics available to compare that information to other cities. Ms. Ament said they have checked with the League of Cities and the Association of Counties and so far she has not found any data to do that comparison. She indicated that when it comes to comparing information for a loan it would be difficult to compare from community to community. For example, the Jamestown loan the Commission just approved will be repaid with assessments for just a portion of the city. So even if you had the data for other communities you wouldn't have information for just a portion of a community. In some communities you have improvement bonds for the entire community and you have improvements bonds for just a portion of a community. She stated that the Authority would like that information but to the best of her knowledge she is not aware of it being collected.

Governor Burgum indicated that Department of Commerce staff that is working on the Main Street Initiative may contact her regarding any information she may have. They are trying to develop some rubric on the cost efficiency of cities and one of the things driving that cost is per service connection which he believes is based on linear feet. He believes it would be helpful information to have for local communities. Communities can choose to do what they want to do locally but it would be good for them to be able to do a comparison to see if their costs are in the bottom quartile of communities in North Dakota based on costs or based on the design decisions they are making.

Attorney General Stenehjem said some of these are issues of current infrastructure wearing out and for some there are water quality issues which leave the community without any choice but to have to upgrade the infrastructure to meet state and federal standards.

Ms. Ament noted that it was unusual for the Authority to be presenting loans that have improvement bonds as a repayment source. The majority (80 to 85%) of the Authority loans are repaid from revenue bonds. Improvement bonds for new water, sewer and roads within communities are not eligible under the State Revolving Loan Fund Program so the Authority does not have data on those financings.

Governor Burgum said that if cities have to reassess an area of a community for replacement costs then fundamentally either they were not collecting enough tax for repair and maintenance or the tax that they were collecting in that area was actually subsidizing growth someplace else.

In response to a question, Ms. Ament indicated that the loan analysis she prepares does include any other source of payment for the project. In the loans for Jamestown and Horace the State Revolving Loan Fund was the only source for financing the project.

On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

Ms. Ament presented a Drinking Water SRF loan request from the City of Ross to increase the amount of loan previously approved by the Advisory Committee for a total of \$1,008,000 (the Advisory Committee had previously approved a loan in the amount of \$785,000) -- this would be an increase of \$223,000 which brings it

over the \$1,000,000 threshold for Commission consideration. The City is looking to finance water main improvements which will allow them to connect 10 new users. She noted that the project qualifies for loan forgiveness so the net loan will be \$252,000 and they have asked for it to be financed over a thirty-year term. The repayment of the loan will come from the issuance of improvement bonds and in addition the City is pledging their gross production tax revenues. The Advisory Committee recommended approval of the loan.

In response to a question, Ms. Ament stated that the City has been out of compliance on the 120% net operating coverage requirement on their current Drinking Water Loan but have agreed to increase their water rates and are in the process of implementing that increase. In addition they are pledging their Gross Production Tax revenues.

In response to a question, Ms. Ament stated that the population is 97 for the city with 50 residential connections and 14 commercial connections. It is a very small population. With the energy growth in that area the City has substantial RV's at various times of the year. In 2014 they had about 200 people in Ross.

In response to a question, Ms. Ament stated that the City has not pledged their gross production tax revenues for anything else. In regards to their current SRF loan, they are covering about 50% of the debt with their water rates -- with the rate increase they are implementing they will be at approximately 75%. She noted that the gross production tax revenues have fluctuated from \$22,000 in 2012 to \$155,000 in 2017 so the city knows that they have to monitor their water rates to make sure they have sufficient revenues to make their debt payments.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the following resolution be approved:

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 Ross (the "Political Subdivision") has requested a loan in the amount of \$1,008,000 from the Program to finance watermain 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 and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

Ms. Ament presented a Drinking Water State Revolving Loan Fund request from the City of Mercer in the amount of \$1,693,000. She said this project would connect the City to McLean-Sheridan Rural Water, update their water storage facility and add new water distribution system and meters. This loan qualifies for \$1,280,000 of loan forgiveness so their net borrowing would be \$413,000. The City was also receiving funding from the State Water Commission for this project in the amount of \$166,000.

In response to a question regarding loan forgiveness, Ms. Ament said each year the State Revolving Fund Program receives capitalization grants from EPA. The EPA with those grant awards states how those dollars can be utilized. On the Drinking Water side they have stated that 10 to 30% of the capitalization grant must be used to provide additional subsidization which we call loan forgiveness. North Dakota's grant on the Drinking Water side is about \$8 million so \$800,000 each year is to be used for loan forgiveness. It is not a lot but there is a formal ranking process for all projects that use the program and only the highest ranked projects are eligible for loan forgiveness. Each year EPA can decide what that percentage is -- generally it has been you have to provide a minimum of 10% up to 30%. In response to a question, she stated that the Department of Health determines the criteria for the ranking of the projects--two of the criteria are median income of the household in the political subdivision and affordability of the water rates.

On the Clean Water side EPA has generally done the same thing. In response to a question she did not believe that the quality of the water was one of the criteria for determining loan forgiveness. There are different criteria between the two parts of the program but she did not have that information with her.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the following resolution be approved:

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 Mercer (the "Political Subdivision") has requested a loan in the amount of \$1,693,000 from the Program to finance connecting to McLean-Sheridan Rural Water, updating water storage facility and new water distribution and meters; 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.

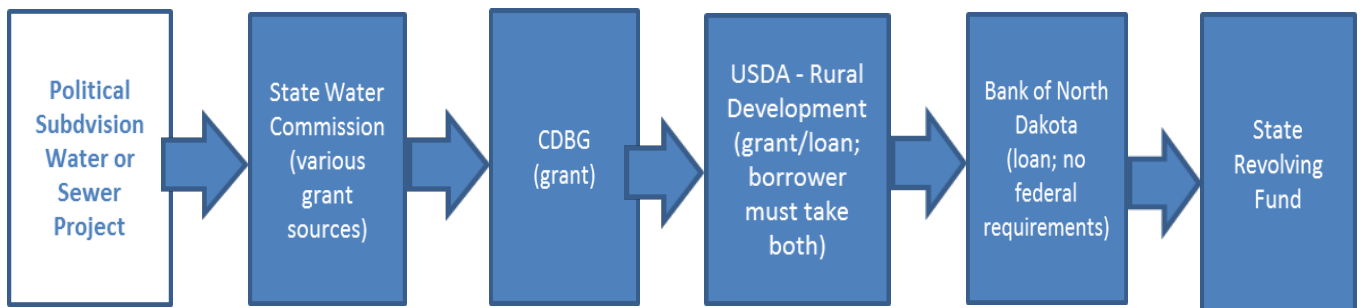
Ms. Ament said this one does have State Water Commission money – the Mercer project. The total project is \$1,859,000 and the State Water Commission is providing \$166,000.

On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

Because the State Auditor and staff was present to present the State Mill audit, Governor Burgum recessed the Public Finance Authority portion of the meeting at 10:56 a.m. and the Commission took up State Mill business.

Governor Burgum reconvened the Public Finance Authority portion of the Industrial Commission meeting at 11:11 a.m. following completion of the presentation on the State Mill audit.

Ms. Ament provided background information on the Public Finance Authority as it related to water financing. She provided the following chart which depicted how political subdivisions generally seek out funding for their projects:



Ms. Ament said:

- The first choice for most political subdivisions is federal money so they go to USDA Rural Development where there is an opportunity for grant involvement as well as loans. If they are able to get a grant they must take the loan portion offered by Rural Development. Generally if a political subdivision gets Rural Development funding they do not seek any financing from the Public Finance Authority.

- A smaller funding source for water and sewer projects would be CDBG. CDBG requires a local match and political subdivisions do come to the Public Finance Authority to finance the local match.
- The next source of funding for non-sewer projects is the State Water Commission who is the keeper of state grant funds. The State Water Commission does have a loan program but those loan dollars have all been committed. The Public Finance Authority frequently partners with the State Water Commission on water projects – this past year there has been a number of water tower projects and the State Water Commission provided funding along with the Public Finance Authority.
- The next source of funding for water projects will be BND. The Bank administers the Infrastructure Revolving Loan Fund (\$150 million) which is similar to the State Revolving Loan Fund but it has no federal requirements.
- The State Revolving Loan Fund is the lender of last resort on water projects.
- If the political subdivision doesn't like that option, they can always go out and issue bonds on their own as a municipality. The Public Finance Authority does have the Capital Financing Program as an option but it is at market rates so it is rarely utilized.

In response to a question regarding information on water towers, Ms. Ament suggested that the Department of Health may have information on how many water towers are in the State, how old they are and how many in the next five years are going to need a new one. The Department of Health is in charge of reviewing the environmental quality of water.

Ms. Ament provided a detailed flow chart (SRF Project Flowchart - a copy of the chart is available in the Commission files) that showed the process that is followed for a project to be approved under the State Revolving Loan Fund -- whether it is Drinking Water or Clean Water. The process starts with the applicant completing a questionnaire which is submitted to the North Dakota Department of Health. Any project that uses the SRF Program has to be on the Intended Use Plan. That is where the ranking of projects is done for funding including the consideration for loan forgiveness. Once the project is placed on the list the chart shows each step of the process that the application must go through with the Department of Health and the Public Finance Authority.

Ms. Ament provided a map that shows the projects that have been approved in 2017. (The map is available in the Commission files.) The blue represents the Drinking Water Program, the green represents the Clean Water Program and red are communities that have both the Drinking Water and Clean Water loans with our Agency. In addition she provided a list of each of the communities, which program they used and a brief description of their project requirement and the amount of money that they are approved to borrow (a total of \$128,942,450).

Ms. Ament handed out a flyer that is prepared each year highlighting the different facets of the SRF Program (a copy of the flyer is available in the Commission files.) It shows that in 2016 the Clean Water Program financed primarily secondary treatment and sewer system rehab; on the Drinking Water side the majority of the financing was for treatment, transmission and distribution. The backside of the flyer highlights a Clean and Drinking Water project and gives a few financial highlights for 2016.

In response to a question regarding the Bank's Infrastructure Revolving Loan Fund, it was indicated that it is not limited to just water projects.

In response to a question regarding the SRF being for water and sewer only, Ms. Ament said correct and mainly repair and replacement of water and sewer. It has been around so long that it doesn't have a more descriptive title because when it started it was the only state revolving fund. The Clean Water Program made its first loan in 1990 and the Drinking Water Program started in 1998. The question was asked if the Century Code needed to be amended to give it a more descriptive title. She noted that the name is based on what is in the federal law.

In response to a question, she stated that there is no cap for the State Revolving Loan Fund program because of

the ability to leverage the dollars in the program. She reviewed the history of the program, the amount of capitalization grants that are received each year from the federal government -- it can fluctuate from year to year (recently it has been \$8 million for Drinking Water and \$6 million for the Clean Water but in prior years it has been as high as \$20 million) and the amount of loan repayments each year -- because the program has been in place since 1990 the Program receives repayments of approximately \$10 million per year on the Clean Water side and \$7 million on the Drinking Water side. With those funding sources the program has been able to leverage the federal funds and loan repayments--over the life of the program they have issued \$554 million of bonds and currently have \$249 million of bonds outstanding. The first bond issue was in 1990.

The Commission thanked Ms. Ament for the background information she had presented today.

Being no further Public Finance Authority business, Governor Burgum adjourned the meeting at 11:24 a.m. and took up State Mill business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

A handwritten signature in blue ink, appearing to read "Karlene Fine".

Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on September 29, 2017 beginning at 9:00 a.m.
Governor's Conference Room
State Capitol

Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem

Also

Present: Leslie Oliver, Governor's Office
Melanie Gaebe, Agriculture Department
Vance Taylor, State Mill
Ed Barchenger, State Mill
Joshua C. Gallion, State Auditor
Ed Nagel, State Auditor's Office
Other attendees are listed on the attendance sheet available in the Commission files
Members of the Press

Governor Burgum called the State Mill portion of the Industrial Commission meeting to order at 10:56 a.m. following completion of a portion of Public Finance Authority business.

Mr. Ed Nagel, State Auditor's Office, presented the North Dakota Mill Audit for FY 2017. (A copy of the audit is available in the Commission files.) He said the State Auditor's Office had issued a clean opinion on the financial statements in the 2017 North Dakota Mill audit. He reviewed the financial statements and noted that the North Dakota Mill's net ending position is \$92.8 million which is about \$4.6 million more than the prior fiscal year.

Mr. Nagel, State Auditor Gallion, Mill management and the Commission discussed specific items in the financial statements including the patronage capital credits, compensated absences included in non-current liabilities, hedging derivatives, and bad debt receivables.

Mr. Nagel concluded by stating that there were also no findings or exceptions in regards to internal controls and compliance. The responses to the six Legislative Audit and Fiscal Review (LAFR) audit questions were all favorable.

The Commission then returned to Public Finance Authority business at 11:11 a.m.

Governor Burgum reconvened the State Mill portion of the Industrial Commission meeting to order at 11:24 a.m. following completion of Public Finance Authority business.

Mr. Taylor and the Commission discussed grain availability, quality and pricing based on protein levels. He also reviewed the current status of the truck unloading process with the wait times being reduced by approximately 50%.

Mr. Taylor provided a report on FY 2017 Capital Spending and discussed the status of the various projects. A copy of the report is available in the Commission files.

NORTH DAKOTA MILL
Capital Expenditures for FY 2017
September 29, 2017

<u>Capital Expense Item</u>	<u>Approved / Remaining Budget</u>	<u>Net Capital Cost</u>	<u>Under / (Over)</u>	<u>Completed Project Cost</u>
Plant				
G Mill Expansion Project	5,800,358	5,784,363	15,995	34,354,005
Flour Tank Expansion	3,060,628	3,055,753	4,874	4,385,126
* High Speed Rail/Truck Wht Unloading System	9,084,132	9,029,683	54,449	

* Pellet Mill		70,573	30,270	40,303	
Rail Cleaning Shed Extension & Doors		360,000	350,941	9,059	350,941
Rail Track Refurbishment		166,148	142,049	24,099	250,901
* Old Warehouse Roof Upgrade		325,000	271,319	53,681	
* Grain Inspection Building Canopy		315,000	152,339	162,661	
* K Mill Patent Flour Infestroyer		125,000		125,000	
* Grain Separator Replacement		425,000	140,744	284,256	
Storm Sewer/Drainage Upgrade		450,000	447,896	2,104	447,896
* Two Way Radio Communication Upgrade		170,000	84,118	85,882	
* Lab Equipment		220,000	142,732	77,268	
* CompuWeigh System		565,000	293,751	271,249	
* Automated Flour Packing System		1,950,000	7,143	1,942,858	
* Grain Receiving Land & Engineering		2,450,000		2,450,000	
<u>Computers/Technology</u>					
Systems Improvements, Replacements, and Upgrades		25,000	24,308	692	24,308
Fiber Optic Cable Run	24,308				
<u>Other</u>					
Air Compressor	19,495				19,495
Office Copier	6,284				6,284
Test Weights	74,610				74,610
Main Office Transformers	47,180				47,180
Fire Alarm Pull System	63,167				63,167
Sprinklers New Flour Tanks	28,900				28,900
Train Shed Lighting	91,143				91,143
Forklift	24,967				24,967
Rail Unloading Lighting	38,220				38,220

Total Capital Expenditures

\$25,961,838 \$20,351,375 \$5,610,464 \$40,207,143

* Carried over to Fiscal Year 2018

Mr. Taylor discussed the FY 2018 Capital Plan as follows:

Capital Projects for Consideration FY 2018

1. Transfer Conveyors and Grain Cleaner - \$490,000

This project involves the installation of a third rotary cleaner and 2 drag conveyors in the terminal elevator to provide an additional grain mixing system. This system will transfer grain to the G Mill simultaneously with the operation of current grain mixing and truck/rail unloading systems. The addition of this system will reduce daily overtime in the elevator, saving approximately \$40,000 per year and will give us the flexibility to rebuild our three garner scales that are severely worn out.

2. Yield Management Systems Upgrade Phase 1 - \$325,000

Upgrade the current yield management systems (scales) on the B, C and D mills that use outdated electronics and are worn out to the point where they are unreliable. The new systems would interface with the systems recently installed on the G and K mills.

3. Catalytic Converter - \$75,000

Add a catalytic converter to the exhaust of our large Cummins backup electrical generator to comply with EPA air quality standards. This will allow us to remain as a Minor Source entity for emissions.

4. Shrink Wrapping Equipment - \$100,000

The existing shrink wrapper on the small packaging line is worn out to the point where replacement is required. A second portable shrink wrapper located in the warehouse will speed up truck and railcar loading.

5. Roll Corrugation Equipment - \$350,000

The purchase and installation of an automated roll corrugation machine will allow us to re-corrugate grinding rolls onsite. This will lessen our reliance on outside vendors and will result in a savings on roll machining costs of approximately \$110,000 per year. Re-corrugating onsite will also result in more-timely grinding roll replacement, which will increase milling yields. An increase in milling yield of 0.1% currently valued at \$190,000 per year.

6. Spare Pellet Mill Gearbox – \$105,000

The purchase of a spare pellet mill gearbox will insure the continuous operation of our two pellet mills in the event of a gearbox failure.

7. Rail Track Upgrades and Drainage Improvement - \$350,000

Several upgrades are needed to existing onsite rail switches, turnouts, rail and ties to prevent rail car derailments and insure reliable operations. Drainage improvements are necessary around tracks 5 and 6 to stabilize the area and prevent derailments.

8. Rail Leg Conveyor – \$120,000

This drag conveyor will be installed on the 4th floor of the grain terminal to replace a large exposed elevated steel spout that is worn out to the point where replacement is necessary.

9. Computers / Technology - \$150,000

Several systems improvements, replacements and upgrades are required on our management information system.

10. Other Capital – \$400,000

Individual capital expenditures of \$200,000 or more will be submitted in writing to the Industrial Commission for approval.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission approves the North Dakota Mill FY 2018 Capital Plan as follows:

**NORTH DAKOTA MILL
 Capital Plan for FY 2018
 September 29, 2017**

Capital Expense Item	
Carryover from FY 2017	Remaining Budget
Plant	
High Speed Rail/Truck Wheat Unloading System	\$ 54,449
Pellet Mill	40,303
Old Warehouse Roof Upgrade	53,681
Grain Inspection Building Canopy	162,661
K Mill Patent Flour Infestroyer	125,000
Grain Separator Replacement	284,256
Two Way Radio Communication Upgrade	85,882
Lab Equipment	77,268
CompuWeigh System	271,249
Automated Flour Packing System	1,942,858
Grain Receiving Land & Engineering	2,450,000
Total Carryover Capital Expenditures	\$ 5,547,607

FY 2018 Capital Expense Item	Plan
Plant	
Transfer Conveyors and Grain Cleaner	490,000
Yield Management Systems Upgrade - Phase I	325,000
Catalytic Converter	75,000
Shrink Wrapping Equipment	100,000
Roll Corrugation Equipment	350,000
Spare Pellet Mill Gearbox	105,000
Rail Track Upgrades and Drainage Improvement	350,000
Rail Leg Conveyor	120,000
Computers/Technology	
Systems Improvements, replacements, and upgrades	150,000
Other	400,000

Total New Capital Expenditures	\$ 2,465,000
Total Capital Expenditures	\$ 8,012,607

On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

Mr. Taylor gave an update on the Gain Sharing Study that is to be presented to Legislative Management before June 30, 2018. They have been working with Eide Bailly on a salary survey for all salaried and hourly employees to use as a base for the Gain Sharing Study and that should be completed very soon. They have asked Eide Bailly for an estimated cost to do the Gain Sharing Study. Part of the study will be determining if a gain sharing program is a best management practice that results in higher productivity and efficiency.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that under the provisions of N.D.C.C. § 44-04-18.4 the Industrial Commission proceed into executive session to discuss commercial information including marketing strategies and sales plans at the North Dakota State Mill. On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission close the meeting pursuant to N.D.C.C. §44-04-18.4 to discuss the Bank of North Dakota's commercial and financial information. On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

Governor Burgum said at this time we will convene in executive session. The executive session will be recorded and the Commission members and those present are reminded to limit their discussion during the executive session to the announced topic. The executive session is anticipated to last 30 minutes. Following that executive session the Committee will reconvene in open session. Commission members and employees of the North Dakota Mill will remain but the public is asked to leave the room. The executive session began at 11:40 a.m.

EXECUTIVE SESSION

Members Present:

Governor Doug Burgum
Attorney General Wayne Stenehjem

North Dakota Mill Personnel Present:

Vance Taylor North Dakota Mill
Ed Barchenger North Dakota Mill

Others in Attendance:

Leslie Oliver Governor's Office
Melanie Gaebe Agriculture Department

The Commission meeting is reconvened at 12:41 p.m. and the public has been invited to return to the meeting room.

Mr. Taylor presented the FY 2018 North Dakota Mill Strategic Plan.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission approve the following North Dakota Mill FY2018 Strategic Plan:

**North Dakota Mill & Elevator
Strategic Plan FY 2018**

Strategic Issue 1

Promote and Support North Dakota Agriculture, Commerce and Industry

- A. Increase State Mill Demand for Conventional and Organic Spring Wheat and Durum**
- B. Develop and Market New Agricultural Products**
- C. Work with the Dakota Pride Cooperative, NCI, & Other Agricultural Organizations**
- D. Identify and Target New Export Opportunities**

Strategic Issue 2

Identify and Respond to Emerging Issues in the Flour Milling Industry

- A. Respond to Changing Grain Market Conditions and Volatility**
- B. Respond to Competitive Threats from Other Flour Milling Companies**
- C. Develop a Strategy to Meet Grain Purchasing Needs with Our Increased Milling Capacity**
- D. Manage Transportation Costs to Maintain Competitiveness**
- E. Address Customer Issues**
- F. Focus and Rapidly React to Current Critical Issues**

Strategic Issue 3

Increase Profitability

- A. Increase Gross Margins**
- B. Minimize Plant Costs**
- C. Minimize Freight Costs**
- D. Upgrade Technology**
- E. Improve Infrastructure**
- F. Explore Expansion Opportunities**

Strategic Issue 4

Grow our Customer Base

- A. Maintain a Consistent High Quality Product**
- B. Continue to Improve our High Level of Customer Service**
- C. Identify and Target New Customers & Markets**
- D. Maintain and Leverage our FSSC 22000 Certification**
- E. Review and Revise Marketing Strategies as Necessary**

Strategic Issue 5

Invest in our Employees

- A. Promote Workplace Safety**
- B. Improve the Retention of our Workforce**
- C. Recruit Quality People**
- D. Enhance Workplace Communications**
- E. Improve Job Performance Through Training**

On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

Being no further State Mill business, Governor Burgum adjourned the meeting at 12:41 p.m. and took up Bank of North Dakota business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on September 29, 2017 beginning at 9:00 a.m.
Governor's Conference Room
State Capitol

Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem

Also

Present: Leslie Oliver, Governor's Office
Melanie Gaebe, Agriculture Department

Governor Burgum closed the meeting at 11:40 a.m. pursuant to North Dakota Century Code 6-09-35 to discuss the following item listed on the agenda under Bank of North Dakota confidential business:

- Consideration of Bank of North Dakota Loan Applications

Individuals present during the confidential session in addition to the Industrial Commission members were:

Leslie Oliver, Governor's Office
Melanie Gaebe, Agriculture Department
Eric Hardmeyer, Bank of North Dakota
Kelvin Hullet, Bank of North Dakota

Governor Burgum reconvened the Bank of North Dakota non-confidential portion of the Industrial Commission meeting to order at 12:42 p.m. following completion of State Mill business.

It was noted that during the Bank of North Dakota confidential portion of the meeting, it had been moved and seconded that the Bank of North Dakota be authorized to participate in three loans identified as Attachments 21, 22 and 23. In non-confidential session, on a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

Being no further Bank of North Dakota business, Governor Burgum adjourned this portion of the meeting at 12:43 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 September 29, 2017 beginning at 9:00 a.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
Melanie Gaebe, Agriculture Department
Other attendees are listed on the attendance sheet available in the Commission files
Members of the Press

Governor Burgum called the Renewable Energy Program portion of the Industrial Commission meeting to order at 12:42 p.m. following completion of Bank of North Dakota business.

Ms. Karlene Fine, Industrial Commission Executive Director/Secretary presented a request for confidentiality of a portion of the Integrated Carbon Capture and Storage for North Dakota Ethanol Production final report - Contract R-028-039 as follows:

RE: Confidentiality determination

The Renewable Energy Program statute - Chapter 54-63 - allows the Industrial Commission to determine if certain information is confidential.

Paul Arnason with the Energy and Environmental Research Center (EERC) has requested confidentiality for Appendix K of the final report on the "Integrated Carbon Capture and Storage for North Dakota Ethanol Production" project. Mr. Arnason has provided the information that is required in the statute to make the determination of confidentiality. Therefore it is my recommendation that the Industrial Commission grant the EERC's request and determine that the following information is confidential:

Appendix K of the final report on the "Integrated Carbon Capture and Storage for North Dakota Ethanol Production" project.

If you have any questions about this recommendation or the information that they are requesting be determined confidential, please give me a call.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission accepts the recommendation of the Industrial Commission Executive Director/Secretary that the following item be determined confidential:

Appendix K of the final report on the "Integrated Carbon Capture and Storage for North Dakota Ethanol Production" project

On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring absent and not voting. The motion carried.

Being no further Renewable Energy Program business, Governor Burgum adjourned this portion of the meeting at 12:44 p.m. and the Commission took up Administrative business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on September 29, 2017 beginning at 9:00 a.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
Melanie Gaebe, Agriculture Department
Other attendees are listed on the attendance sheet available in the Commission files
Members of the Press

Governor Burgum called the Administrative portion of the Industrial Commission meeting to order at 12:44 p.m. following completion of Renewable Energy Program business.

Ms. Karlene Fine, Industrial Commission Executive Director/Secretary presented non-confidential meeting minutes through July for the Commission's consideration. She said she has received a request for all the minutes and she and Ms. Campbell have been working to get them caught up. She indicated that Ms. Oliver has also assisted by doing a final review of the draft minutes.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission approve the non-confidential minutes as presented. On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.

Ms. Fine gave an update on the work she has been doing regarding the hiring of a Deputy Executive Director/Secretary. She thanked Ms. Oliver for her assistance in this process. The posting of the job announcement will happen in the next couple of weeks.

Being no further Industrial Commission business, Governor Burgum adjourned the meeting at 12:48 p.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary