

Minutes of a Meeting of the Industrial Commission of North Dakota  
Held on May 17, 2018 beginning at 1:00 p.m.  
Governor's Conference Room  
State Capitol

Present: Governor Doug Burgum, Chairman  
Attorney General Wayne Stenehjem

Also Present: Lt. Governor Brent Sanford  
Leslie Oliver, Governor's Office  
Jessie Pfaff, Agriculture Department  
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 1:00 p.m. and the Commission took up Industrial Commission administrative business.

**INDUSTRIAL COMMISSION ADMINISTRATION**

**It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission August 22, 2017 through April 17, 2018 non-confidential meeting minutes be approved 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.**

**HOUSING FINANCE AGENCY (HFA)**

Ms. Jolene Kline, HFA Executive Director, presented a recommendation for a Supplemental General Authorization Resolution North Dakota Housing Finance Agency Housing Finance Program Bonds 2018 Series A - \$100,000,000, 2018 Series B - \$15,645,000 and 2018 Series C \$9,355,000.

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

STATE OF NORTH DAKOTA  
NORTH DAKOTA HOUSING FINANCE AGENCY  
HOUSING FINANCE PROGRAM BONDS  
HOME MORTGAGE FINANCE PROGRAM  
2018 SERIES A - \$100,000,000  
2018 SERIES B - \$15,645,000  
2018 SERIES C - \$9,355,000

**SUPPLEMENTAL  
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**”) under which Wilmington Trust, National Association, Minneapolis, Minnesota, was appointed successor trustee (the “**Trustee**”), which General Resolution was accepted by the Trustee, and which General Resolution is hereby ratified and confirmed; and

WHEREAS, the General Resolution authorizes the issuance and sale of the captioned 2018 Series A Bonds (the “2018 Series A Bonds”), 2018 Series B Bonds (the “2018 Series B Bonds” and, together with the 2018 Series A Bonds, the “Fixed Rate Bonds”) and 2018 Series C Bonds, (the “2018 Series C Bonds” and, together with the 2018 Series A Bonds and the 2018 Series B Bonds, the “**Bonds**”) pursuant to the Act, the application of the proceeds of which will provide funding for the captioned Home Mortgage Finance Program, including the North Dakota Roots Program (the “**Program**”), contemplated by the Act in furtherance of the Program for the providing of decent, safe, and sanitary housing for persons and families of low or moderate income; and

WHEREAS, the Commission acting as the Agency, pursuant to that 2017 Supplemental General Authorization Resolution adopted by the Commission on December 14, 2017 (the “**General Authorization Resolution**”), regarding the authorization of and the negotiation and sale of the Bonds, appointed as its agents the Executive Director, the Director of Homeownership Programs, and the Chief Financial Officer of the Agency (the “**Authorized Officers**”) for the purpose of negotiation of the terms of sale of the Bonds, subject to the limitations set out in the General Authorization Resolution, and to sign such agreements as are required for the issuance of the Bonds on behalf of the Commission after such terms of sale had been negotiated and to sign 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 (as hereinafter defined, and which are so designated by an Authorized Officer); and

WHEREAS, the Authorized Officers did negotiate the sale of the Fixed Rate Bonds on May 10, 2018, within the limitations set out in the General Authorization Resolution as to maximum principal amount, final maturity and maximum interest rate; and

WHEREAS, the Authorized Officers intend to formally negotiate the initial interest rate on, and sale of, the 2018 Series C Bonds on or about June 13, 2018 within the limitations set out in the General Authorization Resolution (as hereby supplemented and amended) as to, final maturity and maximum interest rate, with a variable interest rate, subject to tender by bondholders; and

WHEREAS, the Agency expects to enter into a Standby Bond Purchase Agreement (the “Standby Bond Purchase Agreement”) with Royal Bank of Canada, acting through its WFC, New York, Branch, to provide liquidity for any 2018 Series C Bond tenders; and

WHEREAS, the Agency negotiated and executed an ISDA Master Agreement dated as of July 30, 2009, between Royal Bank of Canada and the Agency (the “ISDA Master Agreement”), and pursuant thereto entered into a Confirmation in conjunction with the sale of the 2018 Series C Bonds to effectively result in a fixed interest rate on the 2018 Series C Bonds; and

WHEREAS, in furtherance of the above stated objectives, the Commission, the Agency and RBC Capital Markets, LLC, J.P. Morgan Securities LLC, Piper Jaffray & Co. and Wells Fargo Bank, National Association as the purchasers of the Fixed Rate Bonds (the “**Underwriters**”) have caused to be prepared and presented to the Commission for adoption after the sale of the Fixed Rate Bonds pursuant to the terms of the 2018 Series A/B Purchase Contract described below, but prior to delivery of the Fixed Rate Bonds,

the following documents in final form (unless otherwise indicated) (collectively, the “Fixed Rate **Closing Financing Documents**”):

- A. 2018 Series A/B Bond Resolution, in substantially final form, attached hereto as Attachment A;
- B. 2018 Series A/B Purchase Contract, dated May 10, 2018 by and between the Commission and the Underwriters, attached hereto as Attachment B;
- C. Preliminary Official Statement, with respect to the Bonds, dated May 3, 2018, attached hereto as Attachment C; and
- D. Official Statement, in substantially final form with respect to the Bonds, dated May 10, 2018, attached hereto as Attachment D; and

WHEREAS, in furtherance of the above stated objectives, the Commission, the Agency and RBC Capital Markets, LLC, as the purchaser of all of the 2018 Series C Bonds (“RBCCM”), have caused to be prepared and presented to the Commission for adoption in connection with the sale and delivery of the 2018 Series C Bonds, the following documents in substantially final form (collectively, the “2018 Series C **Closing Financing Documents**” and, together with the Fixed Rate Closing Financing Documents, the “Closing Financing Documents”):

- A. 2018 Series C Bond Resolution, attached hereto as Attachment E;
- B. 2018 Series C Purchase Contract, attached hereto as Attachment F, by and between the Commission and RBCCM;
- C. Remarketing Agreement, attached hereto as Attachment G, by and among the Commission, RBCCM and Wilmington Trust, National Association, as tender agent;
- D. Confirmation to ISDA Master Agreement, attached hereto as Attachment H; and
- E. Standby Bond Purchase Agreement, attached hereto as Attachment I; and

WHEREAS, it appears that each of the Closing Financing Documents is in the appropriate and final form (or substantially final form, subject to determination of the final terms of the Bonds in accordance with this Supplemental General Authorization Resolution) and is an appropriate document to be approved or executed and delivered by the Commission or the Agency, as may be necessary for the purpose intended; and

WHEREAS, in the judgment of the Commission, it is advisable that the Agency by its Executive Director, its Director of Homeownership Programs, or its Chief Financial Officer, jointly or severally, be authorized, and are hereby so authorized, to do all things necessary to complete the transaction described herein, and in the Closing Financing Documents.

NOW BE IT HEREWITH RESOLVED:

1. The execution and delivery of the Closing Financing Documents and the sale of the Bonds to the Underwriters and RBCCM, as specified in and in accordance with the terms set out in each of the 2018 Series A/B Purchase Contract and the 2018 Series C Purchase Contract, 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 the transactions contemplated therein and to finalize the terms of and execute any instruments (including any continuing disclosure agreement and tax certificates or forms) 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. All prior acts of the officers, agents and employees of the Commission and the Agency which are in conformity with the purpose and intent of the General Resolution, the General Authorization Resolution and this Supplemental General Authorization Resolution in furtherance of the sale of the Bonds shall be and the same hereby are in all respects approved, ratified and confirmed.

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

### **BANK OF NORTH DAKOTA**

Mr. Eric Hardmeyer, BND President, presented the non-confidential Bank of North Dakota Advisory Board March 15 & April 3, 2018 meeting minutes.

Governor Burgum closed the meeting at 1:12 p.m. pursuant to N.D.C.C. 6-09-35 to discuss the following items:

- Presentation of the Department of Financial Institutions (DFI) Report of Examination - *Ryan Spah, Lise Kruse*
- **Consideration of a Bank of North Dakota loan application**
- Problem Loan Update
- Presentation of confidential Bank of North Dakota Advisory Board March 15 & April 3, 2018 meeting minutes

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### **EXECUTIVE SESSION**

#### **Members Present:**

Governor Doug Burgum  
Attorney General Wayne Stenehjem

#### **Bank of North Dakota Personnel Present:**

Eric Hardmeyer	Bank of North Dakota
Tim Porter	Bank of North Dakota
Kirby Evanger	Bank of North Dakota
Todd Steinwand	Bank of North Dakota

#### **Others in Attendance:**

Lt. Governor Sanford	Governor's Office
Leslie Oliver	Governor's Office
Jessie Pfaff	Agriculture Department
Lise Kruse	Department of Financial Institutions (for a portion of the meeting)
Ryan Spah	Department of Financial Institutions (for a portion of the meeting)
Andrea Pfennig	Industrial Commission Office
Karlene Fine	Industrial Commission Office

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The meeting reconvened in open session at 2:03 p.m.

**It was moved by Attorney General Stenehjem and seconded by Governor Burgum to approve the Bank of North Dakota's participation in a line of credit to Oppidan Incorporated in the amount of \$8,000,000. On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.**

## **DEPARTMENT OF MINERAL RESOURCES**

Mr. Lynn Helms, Department of Mineral Resources Director, presented proposed Order 29124 for Case 26325. (Order 29124 is available in the Commission files.)

Case 26325, Order 29124 – This involves a petition for enlargement of the Red Wing Creek-Madison Unit and amendment of the plan of unitization. (Handout available in Commission files.) This is a really interesting project. The current unit is straight south of Arnegard and the request is to add tracts 2-5 to the unit. The operator has been injecting ethane into the field to increase oil recovery. If they inject it into the existing unit there could be leakage because of the complex geography. The overall project is to increase oil recovery by 1.3 million barrels and increase the natural gas recovery by 6.1 mmcf from the unit.

This field was discovered in 1972. It is a meteor impact crater. The surface expression of the meteor crater can be seen 6 miles away by satellite photo. This meteor impact is linked to 5 other impacts that happened at approximately the same time. If ethane is injected into core, it could leak into surrounding rock. This is the most complex oil reservoir in ND. The major faults are leakage pathways.

The unit is currently 640 acres. With the additional detail that is available the operator now knows that it is larger and that faults exist and extend to the Kibbey Lime. The unitized formation is really the only issue--the area appears to be good, the formula appears to be good and satisfactory to staff. But the unitized formation needs to incorporate all the rocks that encloses these faults and fractures so that any ethane leakage would actually be in the unit and could be recaptured and reproduced. It also needs a competent confining zone which in this unit is the Reardon with the base being the base of the Lodgepole. The proposed order would modify the unitized interval and modify the description so that it is easy to understand which well logs to look for. The additional tracts, 2, 3 4 and 5 were previously produced as primary recovery wells from the Charles and Kibbey formations so those minerals will be put into the enhanced recovery unit; they will be removed from their primary recovery spacing unit and put into this enhanced oil recovery unit just from the base of the Reardon to the base of the Lodgepole. There could be a 1280 acre spacing unit below this spacing unit that could belong to other mineral owners. No one objected at the hearing.

**Case 26325: It was moved by Attorney General Stenehjem and seconded by Governor Burgum that Order 29124 issued in Case 26325 approving the enlargement of the Red Wing Creek-Madison Unit located in McKenzie County and the amended Plan of Unitization for the Unit, be approved this 17th day of May, 2018. 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. Helms requested authority to sign Order 29125 when 55% of royalty owners and 55% of working owners submit their ratifications to enlarge the Red Wing Creek-Madison Unit. At this time the 55% ratification threshold has not yet been reached.

**Case 26326: It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Department of Mineral Resources Director be authorized to sign Order**

**29125 for Case 26326 regarding the enlargement of the Red Wing Creek-Madison Unit and amended Plan of Unitization upon receipt of an amended Unit Agreement and when sufficient ratifications are submitted. 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 under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2 the Industrial Commission close the meeting to the public and enter executive session for the purpose of attorney consultation. The purpose of the executive session will be to consult with the Commission's attorney(s) regarding adversarial proceedings in the following matter: Case No. 09-2018-CV-00089, Sorum, et al v. State of North Dakota, et al. 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 reminded the Commission members and those present in the executive session that the discussion during executive session must be limited to the announced purpose for entering into executive session which is anticipated to last between 15 and 30 minutes.

Governor Burgum stated that the Commission was meeting in executive session to consult with the Commission's attorney(s) regarding Case No. 09-2018-CV-00089 and noted that any formal action by the Commission would occur after it reconvened in open session.

Commission members, their staff, DMR staff, and Special Assistant Attorney General(s) and their staff remained but the public was asked to leave the room. The executive session began at 2:18 p.m.

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#### EXECUTIVE SESSION

**Members Present:**

Governor Doug Burgum  
Attorney General Wayne Stenehjem

**Others in Attendance:**

Brent Sanford	Lt. Governor
Leslie Oliver	Governor's Office
Kathryn Fletcher	Governor's Office (part of the meeting)
Jessie Pfaff	Agriculture Department
Lynn Helms	Department of Mineral Resources
Bruce Hicks	Department of Mineral Resources
Katie Haarsager	Department of Mineral Resources
Daniel Gaustad	Pearson Christensen Law Firm
Dave Gordon	Pearson Christensen Law Firm
Andrea Pfennig	Industrial Commission Office
Karlene Fine	Industrial Commission Office

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The Industrial Commission reconvened in open session at 2:56 p.m. and the public was invited to return to the meeting room. Governor Burgum noted that during its executive session the Commission consulted with its attorney regarding Case No. 09-2018-CV-00089.

**OIL & GAS RESEARCH PROGRAM (OGRP)**

Ms. Karlene Fine, Industrial Commission Executive Director/Secretary, presented the Oil and Gas Research Program Financial Report. (A copy is available in the Commission files.)

Ms. Fine presented the Oil and Gas Research Council's recommendation for the allocation of revenues for the 2017-2019 biennium and to transfer \$225,000 from the Oil and Gas Research Fund to the Pipeline Authority Fund. The funds will come from the 2017-2019 Oil and Gas Research Program budget.

**It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission accepts the recommendation of the Oil and Gas Research Council and approves the following allocation of the 2017-2019 Oil and Gas Research Program budget and further approves the transfer of \$225,000 from the Oil and Gas Research Fund to the Pipeline Authority Fund noting that \$100,000 has already been transferred to the Pipeline Authority Fund during the 2017-2019 biennium:**

Research	78.25%	\$ 7,825,000
Education	13.5%	\$ 1,350,000
Pipeline Authority	3.25%	\$ 325,000
Legislative Directive	5.0%	<u>\$ 500,000</u>
		<b>\$10,000,000</b>

**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. Brent Brannan, Director of the Oil & Gas Research Program, presented the Oil and Gas Research Council's recommendation regarding a funding reallocation of Contract G-028-058 and additional OGRP funding of \$405,000 for proposed research projects to be conducted by UND Ph.D students.

**It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission accepts the recommendation of the Oil and Gas Research Council and reallocate the remaining unencumbered balance in G-028-058 of \$195,000 and award up to \$405,000 of Oil and Gas Research Fund dollars for Department of Petroleum Engineering Research Opportunities as follows:**

Faculty Oversight of PhD Students	\$ 90,000.00
PhD Student Research	<u>\$510,000.00</u>
Total	<b>\$600,000.00</b>

**With the following conditions:**

- **Total award and reallocation of funds for Ph. D. students and Faculty Oversight for research areas and research topics approved by the Council staff not to exceed \$600,000 over the course of 18 months.**
- **Require University of North Dakota Petroleum Engineering Program to provide detail of all industry in-kind match funding.**

In response to a question, Mr. Brannan stated that the Council was comfortable that there were enough research projects to utilize the funds.

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

Next, Mr. Brannan discussed the Oil & Gas Research Council's recommendations on the following grant round 45 and 46 applications:

045-01 - Conceptual Design for Chlor-Alkali and Valuable Materials Production from Oilfield Brine; Submitted by Barr Engineering Co.; Total Project Cost \$220,000; Amount Requested \$110,000. (A copy of the application is available in the Commission files.) This project will develop a preliminary base plant design, products list, and economic assessment for a near-term commercial facility that produces at least 1 million gallons per week of 35% hydrochloric acid solution along with a corresponding amount of caustic soda. The process will be designed in a modular way such that its capacity can be scaled up later to produce additional materials from brine. Finally, this project will also evaluate the feasibility of recovering other high-value materials, such as lithium, magnesium, rare earth elements, iodine, potassium, and bromine from the brines. The University of North Dakota Institute for Energy Studies (UND IES) will provide process modeling and laboratory analysis. Triple 8 LLC will provide matching funds and in-kind support.

In response to a question, Mr. Helms stated that there is enough demand for hydrochloric acid in the hydraulic fracturing process to consume all hydrochloric acid that would be generated. Sodium hydroxide is used for soaps, surfactants, etc. Most of it would have to be shipped out of state, but it would be a value added process and may open the door to manufacturing opportunities.

In response to a question, Mr. Brannan stated that the timeline for this project is 12 months.

**It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission accepts the Oil and Gas Research Council's recommendation to fund the grant application "Conceptual Design for Chlor-Alkali and Valuable Materials Production From Oilfield Brine" and to authorize the Industrial Commission Executive Director and Secretary to execute a contract with Barr Engineering to provide a total of not to exceed \$110,000 in funding. On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.**

045-03 - Unitized Legacy Oil Fields: Prototypes for Revitalizing Conventional Oil Field in North Dakota; Submitted by Eagle Energy Partners, LLC/EERC; Total Project Cost \$6,000,000; Amount Requested: \$3,000,000. (A copy of the application is available in the Commission files.) The objective is to investigate waterflood optimization as a precursor for CO<sub>2</sub> EOR and development pathways for the revitalization of conventional oil fields in North Dakota. Objectives to be accomplished to meet the stated goal are 1) evaluate waterflood optimization and CO<sub>2</sub> EOR potential and implementation approaches; 2) develop cost-effective operational strategies that address key technical challenges, optimize current facilities, and systematically consider necessary new facilities; and 3) frame the results and experiences from this project as a prototype for revitalizing Tyler and Madison conventional oil fields in North Dakota.

In response to a question, Ms. Fine stated payment will be based on receipts showing that the work has been done over the period of the grant.

In response to a question, Mr. Helms stated that there are a lot of synergies between this project and projects that have been previously approved. This would be focused on conventional vertical oil reservoirs that have been unitized and waterflooded. The work that was done through PCOR and at Bell Creek has shown that there are a number of steps for preparation of CO<sub>2</sub> flooding in the waterflooding



process--infield drilling, facility upgrades, etc. This project will provide a best practices manual of how to transition waterflood property to be CO<sub>2</sub> flood-ready.

**It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission accepts the Oil and Gas Research Council's recommendation to fund the grant application "Unitized Legacy Oil Fields; Prototypes for Revitalizing Conventional Oil Field in North Dakota" and to authorize the Industrial Commission Executive Director and Secretary to execute a contract with Eagle Energy Partners, LLC to provide a total of not to exceed \$3,000,000 with the condition that the selected oil field(s) be a conventional North Dakota oil field. On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.**

045-08 - Solar Powered Electrokinetic Soil Desalinization; Submitted by Terran Corporation/Oasis Petroleum; Total Project Cost \$346,120; Amount Requested \$149,960. (A copy of the application is available in the Commission files.) The objective of this project is to demonstrate the viability and cost effectiveness of using direct current (DC) power to reduce the sodium and chloride mass contamination in soil and groundwater from brine releases. A secondary objective is to integrate an electrokinetic (EK) remediation system with solar power. Since the EK process relies on DC power to induce migration of chloride and sodium ions (as well as other soluble ions) to emplaced electrode wells, solar panel arrays that generally provide 24-48 volts, could prove to be the ideal power source at remote sites, or eventually any site. This project will include the design, installation and operation of solar powered EK soil desalinization system along with soil monitoring and reports showing the efficacy of the process and comparison to previous traditional remediation efforts. The goal is to remove as much chloride and sodium mass as practical.

**It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission accepts the Oil and Gas Research Council's recommendation to fund the grant application "Solar Powered Electrokinetic Soil Desalinization" and to authorize the Industrial Commission Executive Director and Secretary to execute a contract with the Terran/Oasis Petroleum to provide a total of not to exceed \$149,960 in funding. On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.**

046-01 - intelligent Pipeline Integrity Program (iPIPE); Submitted by Hess Corporation, Statoil Pipelines LLC, Oasis Midstream Partners; Total Project Cost \$3,714,000; Amount Requested \$1,600,000 (A copy of the application is available in the Commission files.) A core group of pipeline operators proposes an R&D program focused on advancement of emerging technology to prevent and detect pipeline leaks. Multiple field demonstrations of emerging technologies on working pipelines will simultaneously assist technology providers in refining designs, pave a path toward full commercialization in the market, prepare pipeline operators for adoption of the new tools, and decrease the number and volume of spills experienced in North Dakota.

Attorney General Stenehjem stated that this is important technology and aligns well with the purpose of the program. Governor Burgum stated that this is a critical project and it is great to see the private sector stepping up to do this research.

**It was moved by Attorney General Stenehjem and seconded by Governor Burgum that the Industrial Commission accepts the Oil and Gas Research Council's recommendation to fund the grant application "intelligent Pipeline Integrity Program (iPIPE)" and to authorize the Industrial Commission Executive Director and Secretary to execute a contract with Hess Corporation, Statoil Pipelines LLC, Oasis Midstream Partners to provide a total of not to exceed \$1,600,000 in funding.**

**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 asked for a report at a future meeting on the balance of the Oil and Gas Research Fund and how the dollars will be allocated as these projects are funded.

#### **PUBLIC FINANCE AUTHORITY (PFA)**

Ms. DeAnn Ament, PFA Executive Director, presented a Clean Water State Revolving Fund Program loan application for the City of Arnegard in the amount of \$2,298,000. The total project is \$2,500,000. They will use \$250,000 of funds on hand. This project also qualifies for loan forgiveness of approximately \$548,000 so the net loan would be \$1,749,000. The loan term will be 30 years, and the city plans to use sewer revenues and gross production tax collections as a source of repayment. There are sufficient revenues to meet the debt service requirement. The PFA Advisory Committee recommended approval of the loan.

In response to a question, Ms. Ament stated that the 2010 population was 115 but this community also has a transient population at the trailer parks. In the loan application the City has indicated a population number of 154 which is probably low.

In response to a question, Ms. Ament stated that the project has 3 blocks of sewer main, but the storm sewer across the entire town will also be worked on. It is more than a 3 block project.

In response to a question, Ms. Ament stated that the monthly fees from 150 people wouldn't cover this debt service. The gross production tax is enabling the project. The City has not pledged their gross production tax revenues to any other expense. Ms. Ament stated the City has provided the requested financial statements.

**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 Arnegard (the "Political Subdivision") has requested a loan in the amount of \$2,298,000 from the Program to finance reconstruction of 3 blocks of sewer main as well as construction of new storm sewer; and

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

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

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

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

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

Ms. Ament presented the following Drinking Water State Revolving Fund Program loan applications:

City of Arnegard - \$1,753,000. This is for Phase II of a water system. The City did not have a water system prior to Phase I. WAWS/McKenzie County Water Resource District will be providing the water. The water storage will be shared with Watford City. Lt. Governor Sanford noted that collaboration between the cities created efficiencies. Ms. Ament noted that the total project costs are \$2.2 million. Community Development Block Grant (CDBG) is providing a \$370,000 grant. Approximately \$100,000 of cash on hand will also be used. Repayment source will include the gross production tax income. The PFA Advisory Committee recommended approval of the loan.

In response to a question, Ms. Ament stated that there is not a prepayment penalty. The City previously paid off a project within 6 months. Previously, everyone had their own wells and water quality was an issue.

**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 Arnegard (the "Political Subdivision") has requested a loan in the amount of \$1,753,000 from the Program to finance construction of Phase 2 of the water system improvements which will include 6,100 lineal feet of water main and 9 fire hydrants which will result in 71 new connections; 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.**

Cass Rural Water Users District - \$1,700,000. The total project cost is \$4,000,000. They are receiving a \$2.3 million federal MRI grant. The project qualified for \$740,000 of loan forgiveness so the net debt will be \$959,000. The District is projecting 500 new connections in Leonard area. The base rate for most of the customers is \$27 which is one of the lower rates in the state. Coverage on existing debt has been 131%-177%. The PFA Advisory Committee recommended approval of the loan.

In response to a question, Ms. Ament noted that she believes the growth in the region will mirror other rural communities outside of Fargo.

**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 Cass Rural Water Users District (the "Political Subdivision") has requested a loan in the amount of \$1,700,000 from the Program to finance the infrastructure in and around the city of Leonard.; 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 Capital Financing Program loan application for the Jamestown Regional Airport Authority in the amount of \$700,000 for a parking project. It was noted that this is contingent upon approval from the FAA for a \$4.50 facility passenger fee. It is anticipated that approval will be received in June. Airport boardings have jumped from 3,428 in 2014 to 12,865 in 2017. Based on that information, they would be able to meet the coverage requirements. The PFA Advisory Committee recommended approval of the loan. In response to a question, Ms. Ament noted that this is dependent on essential air services maintaining federal support and should that change the city and county mill levies have been pledged.

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

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

WHEREAS, the Jamestown Regional Airport Authority (the "Political Subdivision") has requested a loan in the amount of \$700,000 (the "Loan") from the North Dakota Public Finance Authority (the "NDPFA") to finance a passenger parking lot mill and overlay project; and

Whereas, the Political Subdivision will issue revenue bonds payable with passenger facility charge revenues and city and county mill levies to repay the loan;

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

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

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

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

Ms. Ament presented a memorandum on loans approved by the Advisory Committee for the following entities: (A copy is available in the Commission files.)

1. Beulah, Clean Water State Revolving Fund - \$345,000
2. Cavalier, Clean Water State Revolving Fund - \$92,000 increase bringing total loan amount to \$998,000
3. Fessenden, Drinking Water State Revolving Fund - \$932,000
4. Lincoln, Drinking Water Revolving Fund - \$836,000 (local match for the Water Commission funding)
5. Towner, Drinking Water Revolving Fund - \$225,000
6. Walsh Rural Water District, Drinking Water Revolving Fund - \$565,000
7. Davenport, Capital Financing Program - \$33,000

Governor Burgum thanked Ms. Ament for the new charts showing the funding sources for each of the projects and asked that she continue to provide them.

### **RENEWABLE ENERGY PROGRAM**

Ms. Fine presented a request for a special grant round for the Renewable Energy Program as follows:

RE: Additional Renewable Energy Program Grant Round

The Industrial Commission is in receipt of a request from Jeff Zueger with Midwest Ag Energy for the establishment of an additional grant round (Round 37). The Renewable Energy Program policies allow for the establishment of additional grant rounds by the Industrial Commission.

Mr. Zueger indicated it is their desire, if all the predesign work is completed, to begin construction this year. Waiting for the regular August submission deadline would delay construction on this project into next year.

To accommodate this request I have asked Andrea Pfennig to fill in for the Department of Commerce and facilitate the technical review process.

I am recommending the establishment of an additional grant round with a deadline submission date of May 31, 2018.

**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 and approve an additional grant round for the Renewable Energy Program**

**with an application submission deadline of May 31, 2018. On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye and Commissioner Goehring was absent and not voting. The motion carried.**

#### INDUSTRIAL COMMISSION ADMINISTRATION

Attorney General Stenehjem stated that he is aware that the Pembina Gorge Foundation presented an application for funding from the Outdoor Heritage Fund that received a vote of 6-6 which meant that the project would not be coming to the Commission for consideration. While it is not a reflection on the judgement of the board, he asked that the issue of who breaks a tie should be discussed at the next Industrial Commission meeting.

Ms. Fine noted that the Western Area Water Supply (WAWS) has an opportunity to proceed with selling reuse water from Watford City, but will need to act quickly. Options include giving Ms. Fine the authority to approve an increased reimbursement rate or to retroactively approve an increased rate at the meeting on June 5<sup>th</sup>. Attorney General Stenehjem stated that he was more comfortable with a retroactive approval than with delegating the authority. Since this is a special circumstance that is reflective of long term goals, the Commission directed that this issue be presented at the next Industrial Commission meeting for retroactive consideration.

With no further Industrial Commission business, Governor Burgum adjourned the meeting at 3:33 p.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary