

Minutes of a Meeting of the Industrial Commission of North Dakota

Held on January 28th, 2025 beginning at 12:30 p.m.

Governor's Conference Room – State Capitol

Present: Governor Kelly Armstrong, Chairman

Attorney General Drew H. Wrigley

Agriculture Commissioner Doug Goehring

Also Present: This meeting was open through Microsoft Teams so not all attendees are known.

Agency representatives joined various portions of the meeting.

Governor Armstrong called the meeting of the Industrial Commission to order at approximately 12:35 p.m.

Ms. Karen Tyler took roll call, and Governor Armstrong, Commissioner Goehring, and Attorney General Wrigley were present.

Governor Armstrong invited the room to stand and join the Commission in saying the Pledge of Allegiance.

**STATE ENERGY RESEARCH CENTER
OFFICE OF THE STATE TAX COMMISSIONER
BANK OF NORTH DAKOTA**

Senator Dale Patten gave opening remarks with regard to the CO₂ Enhanced Oil Recovery Forecast and Financial Analysis to be presented.

Mr. Charlie Gorecki presented an update on the CO₂ Enhanced Oil Recovery Forecast prepared under Contract SERC-2019 Task 2. The goal is to Forecast plausible CO₂ EOR development scenarios in North Dakota's unconventional and conventional reservoirs over 20 years.

Bakken

- Incremental oil recoveries ranged from 337 million barrels (MMbbl) to 1 billion barrels (Bbbl) under low- and high-CO₂-availability scenarios, with an average of 694 MMbbl under the baseline CO₂ scenario of 10 million tonnes (MMt) CO₂/year.
- CO₂ supply demands ranged from 93 to 294 MMt, depending on the scenario.
- If EOR were operated to maintain higher CO₂-utilization rates or we achieved greater increased oil recovery (IOR) ratios, greater than 15 MMt CO₂/year would be needed (CO₂ supply constrained).

Conventional Reservoirs

- Incremental oil recoveries were 105 MMbbl, and CO₂ supply demand was 88 MMt.

Bakken CO₂ EOR Developments Assumptions

- Baseline case: CO2 was limited to 10 MMt of CO2/year. The baseline case assumed 6 thousand cubic feet (Mcf)/bbl (0.3 tonnes/bbl) and an IOR ratio of 1.3.
- Low-/high-CO2-availability cases: Two additional sensitivity cases were considered using 50% less (5 MMt CO2/year) and 50% more (15 MMt CO2/year).
- High-CO2-utilization case: The high-CO2-utilization case used 3x more CO2 per incremental barrel than the baseline case (17.3 Mcf/bbl, or 0.9 tonnes/bbl) to explore a scenario where operators were incentivized to store CO2.
- High-IOR case: The high-IOR case increased the IOR from 1.3 to 1.6, and CO2 utilization was 9.6 Mcf/bbl (0.5 tonnes/bbl).

Mr. Brian Kroshus, North Dakota Tax Commissioner, presented a CO2-EOR Financial Analysis Report.

CO2 EOR Incentives and Infrastructure by State

Effectively competing for investment dollars targeted for carbon capture and transportation, whether from existing industry reserves or venture capital groups, will be paramount in determining the level of success experienced in North Dakota.

In many respects, North Dakota already heavily incentivizes utilizing CO2 for EOR development.

Numerous tax incentives currently exist to support CO2-EOR, including as specified in NDCC § 57-51.1-02:

- Incremental production from a qualifying tertiary recovery project is exempt for a period of 10 years.
- Incremental production from a qualifying tertiary recovery project located outside the Bakken or Three Forks formations and that injects more than fifty percent carbon dioxide produced from coal, is exempt for twenty years from the date incremental production begins.
- Incremental production from a qualifying tertiary recovery project located within the Bakken or Three Forks formations and that injects more than fifty percent carbon dioxide produced from coal, is exempt for ten years from the date incremental production begins.

Other states, like Wyoming, continue to actively pursue new legislation to support CO2-EOR development, to effectively compete for regional supplies of CO2.

Active CO2-EOR projects in North Dakota include the Denbury CO2 pipeline, stretching 105 miles from Wyoming to Southeast Montana and Southwest North Dakota, targeting the Cedar Creek Anticline.

Economic Analysis – Current Oil and Gas Collections

Economic estimates are often constructed from a direct or linear, incremental gains' perspective, with limited focus placed on opportunity cost. In evaluating the application and potential economic benefit of CO2-EOR in North Dakota, it not only has the potential to provide incremental benefits to the state as referenced, but equally important, help preserve existing production levels and associated revenue streams.

That latter aspect or preservation will be particularly evident during periods of oil price declines, whether cyclical or due to unanticipated market conditions, unfavorable supply and demand dynamics, or consequential geopolitical events.

The North Dakota Legislature, recognizing the finite nature of oil resources in the state, has established various reserve funds, most notably the Legacy Fund, intended to benefit future generations by protecting revenue streams should production levels drop below the current range.

Until that time, however, oil production and associated revenue collections in the state can be better optimized through strategic initiatives intended to improve recovery rates in western North Dakota, including CO2-EOR.

As an energy producing state, North Dakota relies heavily on oil-related revenue to fund state and local government both within and beyond oil producing counties. Oil production and extraction tax collections alone are substantial, most recently exceeding \$3 billion in FY2023 and FY2024 respectively, as illustrated in Figure 1. Beyond those collections, associated economic activity plays a vital role in supporting the state's economy, covered later in this document.

CO2-EOR Fiscal Impact

Future commodity pricing combined with input costs including the cost of CO2 itself, will significantly influence the degree of opportunity producers have to pursue CO2-EOR. Modeling details used to forecast fiscal impact can be found in the full report.

Models are formulated using the same, single well production estimates over the first 10 years following initiation of CO2-EOR. Twenty-year and low producing, or stripper well models, are not calculated due to relatively immaterial, residual oil output and respective collections beyond the 10-year mark, resulting from rapid depletion rates associated with and prevalent in shale plays.

Associated Fiscal Impact – Oil Producing Counties in North Dakota

Beyond direct benefits resulting from incremental oil production, associated economic impacts for CO2-EOR extend exponentially beyond revenues generated from production and oil extraction tax levied on oil produced in North Dakota.

Target energy sectors including oil and coal, support state and local economies through employment opportunities, sales and use tax collections, property tax or equivalent of, and a plethora of other economic benefits.

Over the most recent five-year period roughly \$10 billion in purchases, with associated state sales tax collections totaling approximately \$500 million, can be attributed to oil-induced economic activity in the state's four largest oil and gas producing counties comprised of McKenzie, Dunn, Mountrail and Williams.

Summary

CO2-EOR presents a significant opportunity to monetize existing resources, create new synergies among critical energy sectors in the state, and act as a catalyst to effectively enhance and extend the life of the Bakken for decades to come.

The full North Dakota CO2-EOR Financial Analysis report is available on the Commission's website.

ND HOUSING FINANCE

Mr. Dave Flohr presented for consideration of approval a Resolution Authorizing Volume Cap Carry Forward Procedures for NDHFA.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve the following resolution authorizing the Executive Director and Governor to carry out procedures for the use of bond volume cap carry forward by the North Dakota Housing Finance Agency.

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

A RESOLUTION WAS MADE

RESOLUTION AUTHORIZING CARRY FORWARD PROCEDURES FOR THE NORTH DAKOTA HOUSING FINANCE AGENCY

PRELIMINARY STATEMENT:

The Industrial Commission of North Dakota (the "Commission") is authorized to issue North Dakota Housing Finance Agency Mortgage Revenue Bonds (the "Bonds") pursuant to Section 54-17-07.4 of the North Dakota Century Code; and

The Bonds are private activity bonds which are "qualified bonds" on which the interest income earned is not included as gross income for federal income tax purposes under Section 103 of the Internal Revenue Code for 1986, as amended (the "Code"), when an "allocation" is obtained and, if necessary, "carried forward" pursuant to Section 146 of the Code; and

Executive Order 1988-13 (the "Order") Section 2(c) requires the submission of certain documents by an issuer in order to receive a carryforward allocation.

BE IT RESOLVED by the Commission as follows:

1. The Commission authorizes the Industrial Commission Executive Director's submission on behalf of the Commission in its capacity acting as the North Dakota Housing Finance Agency (the "Agency") of the application and additional information which are or may be required and requested pursuant to the Order to obtain a 2024 "carryforward allocation", as the term is described by the Code and the Order, in an amount not to exceed \$362,730,000.
2. The Commission authorizes the Governor on behalf of the Agency upon the advice of counsel to the Commission, as the authorized public official and representative of the Agency, in executing and submitting to the Internal Revenue Service the appropriate forms pursuant to and in compliance with all necessary (i) requirements of Section 146 of the Code, and (ii) requirements of the Order.

Approved this 28th day of January 2025

Mr. Flohr presented a report on Authorizing Declaration of Intent to Issue Multifamily Revenue Bonds for Pleasant Valley TC Apartments in Dickinson.

On December 20, 2024, NDHFA issued a Declaration of “Official Intent” to issue Multifamily Revenue Bonds in the amount not to exceed \$9,500,000. The proceeds of the bonds will be used for the acquisition and rehabilitation of Pleasant Valley TC Apartments, a 60-unit affordable housing rental project located in Dickinson, North Dakota. A copy of the declarations is attached.

The issuance of tax-exempt bonds is required for a project to qualify for a non-competitive 4% tax credit allocation. The authority to issue the intent declaration was given by a Resolution Authorizing Declarations of Intent adopted by the Commission on March 24, 2015.

Pleasant Valley Apartments includes thirty (30) two-bedroom apartments, twenty (20) three-bedroom apartments, eight (8) four-bedroom apartments designated as affordable units and three (3) additional market rate units. Originally constructed between 1978 and 1981, this property has not undergone any significant renovations since. The property has been owned and managed by California Commercial Investment Companies (CCI) since 2018.

The property currently has a full-time onsite property manager and maintenance technician and provide 24/7 emergency services, and 58 units are covered by a Section 8 HAP contract, ensuring that most Pleasant Valley families never pay more than 30% of their income toward rent.

Rehabilitation scope includes \$30,000 per unit to replace kitchens, appliances, and flooring, in addition to ensuring compliance with current ADA guidelines. Another \$2,600,000 will be devoted to replacing or modernizing all building systems, upgrading the exterior doors and siding, and adding insulation. Finally, over \$400,000 will be allocated to improving the grounds including the parking areas, walkways, fencing, landscaping, and adding new resident amenities.

The issuance of an official intent memo declares the intention to issue multifamily bonds, however, does not obligate the Agency to give final approval for the issuance of the bonds. Final approval for issuance of the bonds can only be authorized by independent action of the Industrial Commission. Prior to final bond issuance, the application must meet underwriting conditions and receive an approval for 4% tax credits. Once underwriting conditions are met, the project will then be presented to the Commission with a request to approve the issuance of a Resolution Authorizing Revenue Bonds and approve the substantially drafted bond documents.

Mr. Flohr gave a legislative update. The following bills are being tracked by the NDHFA: HB1362, HB1378, HB1524, SB2014, SB2018, SB2030, and SB2225.

ND PUBLIC FINANCE AUTHORITY

Ms. Ament presented for consideration of approval the following loans:

- i. **City of Galesburg – Clean Water - \$3,000,000** – The purpose of this project is to replace faulty components of the lagoon system, update the lift station and replace portions of the sewer collection system. The requested loan term is 30-years, and the City will issue improvement bonds payable with special assessments. The average annual payment will be \$31,743.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve the Clean Water State Revolving Fund Loan request of \$3,000,000 for the City of Galesburg.

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

A RESOLUTION WAS MADE

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 Galesburg (the "Political Subdivision") has requested a loan in the amount of \$3,000,000 from the Program to replace faulty components of the lagoon system, update the lift station and replace portions of the sewer collection system.; 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.

Adopted: January 28, 2024

- ii. **City of Grand Forks – Clean Water - \$4,352,000** – The purpose of this project is for the installation of a regional storm water detention pond and associated outfall to serve the storm water needs of the newly annexed area. The requested loan term is 30-years and the

City will issue improvement bonds payable with special assessments. The average annual payment will be approximately \$315,408.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve the Clean Water State Revolving Fund Loan request of \$4,352,000 for the City of Grand Forks.

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

A RESOLUTION WAS MADE

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 Grand Forks (the "Political Subdivision") has requested a \$4,352,000 increase to a previously approved \$3,167,000 loan (total \$7,519,000) from the Program for installation of a regional storm water detention pond and associated outfall to serve the storm water needs of the newly annexed area; 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.

Adopted: January 28, 2024

- iii. **City of Beach – Drinking Water - \$2,819,000** – The purpose of this project is for water main, sewer main, and street improvements including the replacement of aged cast iron water mains with new PVC pipe to increase water quality, redundancy, and decrease operating and maintenance costs due to flushing, leaks, and breaks. The requested loan term is 30-years and the City will issue \$2,819,000 improvement bonds payable with special assessments. The average annual payment will be \$118,124.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve the Drinking Water State Revolving Fund Loan request of \$2,819,000 for the City of Beach.

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

A RESOLUTION WAS MADE

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 Beach (the "Political Subdivision") has requested a loan in the amount of \$2,819,000 from the Program for water main, sewer main, and street improvements including replacement of aged cast iron water mains with new PVC pipe to increase water quality, redundancy, and decrease operating and maintenance costs due to flushing, leaks, and breaks; 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.

Adopted: January 28, 202

- iv. **City of Fargo – Drinking Water - \$12,050,000** increase to the previously approved \$23,950,000 loan – The purpose of this project is for improvements to the raw water supply and drinking water treatment process. The requested loan term is 30-years, and the City will issue revenue bonds payable with sales tax and water fund revenues. The average annual payment will be \$1,482,020.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve the Drinking Water State Revolving Fund Loan request of a \$12,050,000 increase to the previously approved \$23,950,000 loan for the City of Fargo.

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

A RESOLUTION WAS MADE

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 Fargo (the "Political Subdivision") has requested a \$12,050,000 increase to a previously approved \$23,950,000 loan (total \$36,000,000) from the Program for improvements to the raw water supply and drinking water treatment processes; 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.

Adopted: January 28, 2025

Ms. Ament presented a Memo of the State Revolving Fund Loans Approved by the PFA Advisory Committee:

- i. City of Grafton – Clean Water - \$750,000 – The purpose of this project is to replace the control panel and two pumps at the lift station and make improvements to the aeration cell of the lagoon. The requested loan term is 15-years, and the City will issue revenue bonds payable with wastewater fee revenue. The average annual payment will be \$57,066.
- ii. City of Rhame – Drinking Water - \$615,000 increase to the previously approved \$1,199,000 loan – The purpose of this project is to replace aging asbestos cement pipe water main which has needed extensive repairs over the years with PVC water main on the north side of the railroad tracks. The requested loan term is 30-years, and the City will issue special assessments. The average annual payment will be \$76,564.

Ms. Ament gave a legislative update. The following bills are being tracked by the PFA: SB2014, HB1537, HB1577, HB1176, HB1435, SB2151, and SB2372.

DEPARTMENT OF MINERAL RESOURCES

Mr. Mark Bohrer presented for consideration of approval Orders in the Following Cases:

- i. **Order 34025 in Case 31325** – Application of Phoenix Operating LLC to amend order for Big Stone-Bakken Pool for overlapping 5120-acre spacing unit as described, authorize 1 horizontal well, and grant other relief as appropriate.

It was moved by Commissioner Goehring and seconded by Attorney General that the Industrial Commission approve Order 34025 issued in Case 31325 denying the application of Phoenix Operating LLC to amend the field rules for the Big Stone-Bakken Pool, Williams County, ND, to establish an overlapping 5120-acre spacing unit comprised of Sections 5, 6, 7, 8, 17, 18, 19, and 20, T.159N., R.98W., authorizing one horizontal well to be drill on such unit and granting such other relief as may be appropriate, and alternatively approving Kraken Operating, LLC's counter proposal to establish two standup lease-line 3840-acre spacing units comprised of Sections 5, 6, 7, 8, 17, and 18, T.159N., R98W.; and Sections 19, 20, 29, 30, 31, and 32, T.159N., R98W., Williams County, ND, authorizing one lease-line well to be drilled on each such unit, and granting such other relief as may be appropriate.

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

- ii. **Order 34223 in Case 31502** – Related to approval of transfer of Red Trail Richardton Ethanol Broom Creek Storage Facility #1 authorized and created by Order 31453 and transfer of RTE #10 well and RTE #10.2 well from Red Trail Energy LLC to Richardton CCS.

It was moved by Attorney General Wrigley and seconded by Governor Armstrong that the Industrial Commission approve Order 34223 issued in Case 31502 approving the transfer of the Red Trail Richardton Ethanol Broom Creek Storage Facility #1 (Facility No. 90000317) from Red Trail Energy, LLC to Richardton CCS, LLC.

On a roll call vote, Governor Armstrong and Attorney General Wrigley, voted aye and Commissioner Goehring abstained. The motion carried.

Mr. Nathan Anderson gave a legislative update. DMR is currently tracking 54 bills, but the following 17 are of highest priority: SB2014, HB1210, HB1292, HB1295, HB1306, HB1414, HB1429, HB1434, HB1573, SB2285, SB2313, SB2320, SB2322, HB1089, HB1459, HB1483, HB1574.

Under other business, Ms. Karen Tyler presented for consideration of approval a change to the current list of Hearing Officers. There are three changes being requested: the addition of Zachary Heier from the Attorney General's Office, the removal of Lynn Helms and addition of Nathan Anderson, DMR Executive Director, and a name change for Ashleigh Thiel.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve the proposed change requests to the current list of Hearing Officers.

On a roll call vote, Governor Armstrong and Attorney General Wrigley, voted aye and Commissioner Goehring abstained. The motion carried.

ND PIPELINE AUTHORITY

Mr. Justin Kringstad gave an overview of the WBI Energy Transmission Bakken East Pipeline Non-Binding Open Season.

Project Overview

The Project will create new firm transportation capacity which will be primarily utilized to transport increasing volumes of natural gas, from the prolific Bakken producing region in western North Dakota, to serve new power generation, industrial and local distribution company demand in central and eastern North Dakota. The Project may also interconnect with existing third-party interstate pipeline systems located along the proposed Project route including Northern Border Pipeline and Alliance Pipeline L.P. Deliveries to Viking Gas Transmission Company may also be possible through the utilization of existing WBI Energy pipeline facilities in combination with the Project.

Capacity

The initial design of the Project includes approximately 375 miles of new 30-inch and 24-inch diameter high pressure steel pipeline, compression and various measurement and interconnection facilities. Based on this initial design, the Project will have a capacity of up to 760,000 equivalent dekatherms per day (dkt/day). The final design of the Project will ultimately depend on the results of this Open Season and any subsequent binding open season(s). It is anticipated that the Project will be constructed over two construction seasons and will be placed into service in two phases. The first phase of the Project has

a targeted in-service date of November 1, 2028, and the second phase has a targeted in-service date of November 1, 2029. The first phase of the Project is expected to commence in western North Dakota and terminate in central North Dakota.

Length of Open Season

The Open Season will commence on December 16, 2024, and conclude at 4:00 PM Central Time on January 31, 2025. The Open Season is available to any party.

Rates

Service on the Project will be provided pursuant to WBI Energy's Rate Schedule FT-1 as more fully described in WBI Energy's Tariff.

Based on the initial project design contemplated in this Open Season, WBI Energy estimates a, cost-of-service based, project recourse rate of \$0.85 to \$0.90 per dkt may be necessary to support this Project. The estimated project recourse rate is subject to change based on the outcome of this Open Season. A revised project recourse rate will be made available at the time of any future binding open season. WBI Energy may also negotiate a reservation rate for firm transportation service under the Project with shippers.

In addition to the reservation rate, shippers will also be responsible for fuel use, lost and unaccounted for gas, electric power charges, commodity charges and all applicable surcharges as approved by the FERC, for firm transportation service under the Project, as such may be in effect from time to time.

Term

The contract term is negotiable, however, WBI Energy estimates that a minimum term of twenty (20) years may be necessary to support the Project as proposed.

Foundation Shipper and Anchor Shipper Status

WBI Energy may consider negotiating foundation shipper and/or anchor shipper status for shippers that submit Interest Sheets during this Open Season that meet the minimum volume thresholds detailed below:

- Foundation Shipper - Commit to a Maximum Daily Delivery Quantity ("MDDQ") of at least 250,000 equivalent dkt/day.
- Anchor Shipper – Commit to a MDDQ of at least 100,000 equivalent dkt/day.

Additionally, WBI Energy may negotiate a Precedent Agreement with any shipper satisfying the initial requirements for a foundation shipper or an anchor shipper, as defined in this Open Season, prior to or concurrent with WBI Energy's commencement of the first Binding Open Season for the Project.

Shippers that qualify for foundation shipper or anchor shipper status may be entitled to certain incentives related to rate, term or priority related to the awarding of Project capacity. Qualifying foundation shippers and anchor shippers may request additional incentives or benefits.

Mr. Kringstad presented for consideration of approval a Letter of Support.

The letter reads as follows:

“Dear Ms. Kivisto:

The North Dakota Industrial Commission strongly supports the Bakken East Pipeline Project as a vital investment to address critical infrastructure needs, bridging the gap between natural gas supply in western North Dakota and growing demand in eastern North Dakota. Its completion will support Bakken development, drive economic growth in underserved areas, and enhance regional energy security by interconnecting with existing pipelines and facilitating access to Midwestern markets.

Western North Dakota, home to the prolific Bakken producing region, continues to experience increasing natural gas production. However, the region’s existing infrastructure will struggle to keep pace with continued production growth, resulting in inefficiencies and constraints on future energy development. Expanding pipeline capacity through the Bakken East Pipeline Project will provide a much-needed solution by ensuring that natural gas resources are efficiently transported to markets where they are most needed.

Meanwhile, eastern North Dakota faces significant limitations in access to adequate natural gas supplies. This lack of infrastructure has constrained economic growth, restricted industrial development, and limited the expansion of natural gas use for power generation and local distribution. The Bakken East Pipeline Project will address this imbalance by creating a direct link between supply and demand, opening new opportunities for industries and communities throughout central and eastern North Dakota.

The Commission, in its role as the Pipeline Authority, strongly encourages private sector participation in this transformative investment in North Dakota’s energy future. If sufficient private sector support is not secured during the open season process, please contact the Commission and Pipeline Authority staff promptly to explore formal options for incremental project support.”

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission, in its role as the North Dakota Pipeline Authority, provide a letter of support strongly encouraging private sector participation in the WBI Bakken East Pipeline project, a transformative investment in North Dakota’s energy future, and also offering assistance in the exploration of other formal options for incremental project support if needed.

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

Mr. Kringstad gave a legislative update.

INDUSTRIAL COMMISSION OIL AND GAS RESEARCH PROGRAM

Mr. Jordan Kannianen gave a presentation of the Oil and Gas Research Program Project Management and Financial Report. There have been 117 cumulative projects that been awarded funding through this program and currently 13 projects are active. There has been a total of \$93.75 million granted through the Oil and Gas Research program and \$531.52 million in project value to the State. The current cash balance of the fund is \$25,402,724.69 and there is \$7,379,322.75 available for funding.

Mr. Brent Brannan presented for consideration of approval the Grant Round 61 projects approved by the Oil and Gas Research Council:

- i. **G-061-A:** Breaking New Ground in Flaring Reduction – University of North Dakota Energy & Environmental Research Center; Total Project Cost: \$5,132,682; Request for: \$2,566,341.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission accept the recommendation of the Oil and Gas Research Council and approve funding in the amount of \$2,566,341 for Application G-061-A Titled “Breaking New Ground in Flaring Reduction” under the Clean Natural Gas Capture and Emissions Reduction program which is a part of the Oil and Gas Research Program, and recognizes the \$1,824,500 contribution from Advanced Flow Solutions and \$741,841 contribution from Steffes as private match toward this project.

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

- ii. **G-061-B:** Maximizing Lateral Oil Well Production from Conventional Carbonate Mission Canyon Reservoirs in North Dakota – Cobra Oil & Gas Corporation; Total Project Cost: \$2,000,000; Request for: \$1,000,000
- iii. **G-061-C:** North Dakota Petroleum Foundation Outreach and Education Program – North Dakota Petroleum Foundation; Total Project Cost: \$2,126,415; Request for: \$930,245.
- iv. **G-061-D:** Injection Testing with Propane to Inform Future Bakken CO₂ EOR Pilot – University of North Dakota Energy & Environmental Research Center; Total Project Cost: 4,000,000; Request for: \$1,800,000.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission accept the recommendation of the Oil and Gas Research Council, approve the funding of the following projects in the amounts recommended, and authorize the Office of the Industrial Commission to enter into contracts for the projects:

G-060-B: Cobra Oil & Gas Corporation: “Maximizing Lateral Well Oil Production from Conventional Carbonate Mission Canyon Reservoirs in North Dakota”, \$1,000,000.00

G-060-C: North Dakota Petroleum Foundation: “North Dakota Petroleum Foundation Outreach and Education Program”, \$930,245.00

G-060-D: EERC: “Injection Testing with Propane to Inform Future Bakken CO₂ EOR Pilot”, \$1,800,000.00

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

LEGAL UPDATE

- A. Challenges to State Law:
 - i. NW Landowners v. State
 - ii. Summit Carbon Storage Appeal
- B. Challenges to Federal Rules:
 - i. EPA Mercury and Air Toxics Rule (DC Cir)

- ii. EPA Carbon Rule (DC Cir)
 - iii. EPA Methane Tax Rule (DC Cir)
 - iv. EPA Methane OOOO Rule (DC Cir)
 - v. EPA PM2.5 Rule (DC Cir)
 - vi. EPA Legacy CCR Rule (DC Cir)
 - vii. EPA WOTUS Rule (DND)
 - viii. EPA/DOT Vehicle Mandan Rules (DC Cir; CA6)
 - ix. BLM Venting and Flaring Rule (CA8)
 - x. BLM Conservation Rule (DND)
 - xi. CEQ NEPA Phase 2 Rule (DND)
 - xii. OSM 10-Day Notice Rule (DDC)
 - xiii. SEC GHG Disclosure Rule (CA8)
- C. Interventions to Defend Against Federal Actions:
- i. DAPL Operations (DDC)
- D. Other Federal Actions of Concern:
- i. BLM Resource Management Plan
 - ii. EPA Inaction on State CCR Application
- E. Other States' Actions of Concern:
- i. Minnesota Clean Power Plan
 - ii. State Tort Lawsuits Targeting Fossil Fuel Use

BANK OF NORTH DAKOTA

Mr. Rob Pfennig presented for consideration of approval the 2025 BND Annual Budget.

Year-end 2024 deposits were at \$8.6 billion, which was \$575 million higher than we anticipated in our 2024 budget. This increase was due to higher tax collection and higher than anticipated state fund balances. The projection for 2025 is for deposits to reduce to \$7.91 billion, as the state continues to spend its ARPA Funding and state fund buckets fill leading up to the end of the biennium, leading to a lower balance of oil tax deposits remaining at the bank.

Loan growth was very similar to projections in 2024, coming in \$32 million, or 0.56% over budget. Looking forward, we continue to forecast modest growth in our loan portfolio overall. We project growth in the Commercial Portfolio due to program and CSEA loans, a slightly down Ag Portfolio, with a minor decline in Student Loans. Residential Loan volume will be down as no new volume is projected. Total loan portfolio is projected to be just over \$6.16 billion by year end 2025. The investment portfolio showed some growth in 2024, ending the year at \$4.23 billion. In 2025, this portfolio will see significant run-off, off-set by re-investment. Overall, the portfolio is expected to decline slightly to \$4.16 billion by year end.

The Bank's equity (capital) position is projected to increase during 2025 to \$1.29 billion. The projected net income number of \$209.5 million will be partially offset by the general fund dividend and contributions to the Pace loans and other legislatively directed requests. Rates are expected to be moderately lower in 2025; with the yield curve becoming steeper. Overall asset yields are projected to be higher than 2024, resulting in net interest income of \$268 million, up 11.6% from 2024.

Regarding non-interest income and expense, three items are noteworthy: (a) Budgeted salaries

and benefits show an increase year-over-year, due to legislative increases (+4%) and additional FTE's (13 open positions for full year and 9 new FTEs). (b) Budgeted data IT expense for 2025 is slated to increase approximately \$3.7 million. This is due to several technology initiatives and enhancements scheduled for 2025 (NDIT pass-thru charges increased \$405k). (c) Other operating expenses are budgeted to increase \$1.1 million.

The volatility of 2024 brings uncertainty to 2025. Continued inflationary pressures, low commodity prices and elevated interest rates add to the need to be prudent and cautious with our projections and decisions. With excess liquidity no longer existing, deposit balances and funding costs will be monitored closely and of utmost importance to the overall performance of the bank. As such, we need to ensure that our balance sheet is structured properly, which will enable us to act responsibly as economic events play out. We are also mindful of our unique mission and must be willing to provide our services where needed and as appropriate. BND's continued vigilance in providing competitive products and pricing, improving efficiencies, and controlling costs will play a significant role in determining our success in meeting our objectives for 2025.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission accept the recommendation of the Bank of North Dakota Advisory Board and approve the Bank's 2025 annual budget as proposed.

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

Mr. Pfennig presented for consideration of approval Amendments to the BND Funds Management Policy related to the Bank's financial plan, liquidity stress testing, investment portfolio securities naming conventions, Tier 1 capital on Mortgage Backed Securities, approved securities dealer list name change, and position title change.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve the recommended changes to the Bank of North Dakota's Fund Management Policy as presented.

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

Mr. Pfennig presented the Fourth Quarter 2024 Performance Highlights.

BND ended 2024 with assets of \$10.8 billion. The \$4.2 billion securities portfolio is primarily a source of liquidity. As the Bank identifies excess funds and the portfolio runs off, maturities can be reinvested, utilized to fund new loans, or reduce short and long-term borrowings. The loan portfolio grew to over \$6.1 billion. The timing of funding in the state institution loans did not meet budget expectations in the commercial loan category. This was partially offset by increased volumes from budget in commercial participation and Flex Pace programs. Activity in the Farm and Ranch program led the ag portfolio. Residential loan runoff continues to slow in 2024 due to the interest rate environment. The student loan portfolio continues to focus on state-sponsored DEAL loans. Changes in the Bank's Equity position are a result of net income, changes in unrealized gain/loss positions, allocations of capital to various legislative programs, and distributions to the State's General Fund. For the twelve months ended December 2024, the Bank transferred \$20.0 million to the Statewide Interoperable Radio Network,

\$26.5 million to buydown programs and \$3.1 million to other state programs. During 2023, the Bank transferred \$140.0 million to the General Fund, \$30.5 million to buydown programs, \$52.0 million to the Infrastructure Revolving Loan Fund and \$5.7 million to other state programs.

BND reported strong earnings of \$200.4 million for 2024 with a total return to the state of 3.44% which includes interest paid to certain state agencies of \$172.6 million. Interest income exceeded budget by \$31.3 million primarily due to higher rates and balances on securities as well as rates and volumes in the commercial participation program offset by lower than budgeted balances at the Federal Reserve. Interest expense reported higher than budget by \$49.6 million. Higher average deposit balances, rates and larger short-term borrowings as well as Federal funds purchased led to the increase. Non-Interest Expense is \$3.4 million under budget. This consists of several operating components largely due to timing of incurrences, specifically with IT projects, loan servicing expenses, legal and other service-related expenses and hiring of approved FTEs.

Mr. Craig Hanson presented for consideration of approval the 2024 Ag Disaster Relief Loan Program. The program would provide relief for North Dakota farmers and ranchers negatively impacted by extreme weather events, inflationary input costs, and volatility in commodity prices, utilizing up to \$200 million.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve the Bank of North Dakota's 2024 Ag Disaster Relief Program to provide relief for North Dakota farmers and ranchers negatively impacted by extreme weather events, inflationary input costs, and volatility in commodity prices, and to be executed within the credit qualification parameters proposed, utilizing up to \$200 million that has been set aside for this program.

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

Mr. Don Morgan gave a legislative update. The categories of bills that BND is tracking varies from Fintech/Crypto, Revolving Loan Funds, Carbon Capture, Energy, Agriculture, Pipelines, and Property Tax.

Mr. Morgan presented the Non-Confidential Committee and Advisory Board Minutes for November 2024 meetings for the Commission member's review.

It was moved by Attorney General Wrigley and seconded by Commissioner Goehring that under the authority of North Dakota Century Code Sections 6-09-35 and 44-04-19.2, the Industrial Commission enter into executive session for the purpose of Bank of North Dakota confidential business.

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

The Commission is meeting in executive session regarding Bank of North Dakota confidential business pursuant to N.D.C.C. 6-09-35 and 44-04-19.2 to consider those items listed on the agenda under Bank of North Dakota confidential business. Only Commission members, their staff, Commission staff, and BND staff will participate in that executive session.

Any formal action taken by the Commission will occur after it reconvenes in open session.

Governor Armstrong reminded the Commission members and those present in the executive session that the discussions must be limited to the announced purposes which is anticipated to last approximately 1 hour.

The executive session began at approximately 3:25 p.m.

Meeting Closed to the Public for Executive Session Pursuant to NDCC 6-09-35 and 44-04-19.2.

BANK OF NORTH DAKOTA EXECUTIVE SESSION

Industrial Commission Members Present

Governor Kelly Armstrong
Attorney General Drew H. Wrigley
Agriculture Commissioner Doug Goehring

BND Members Present

Don Morgan
Kirby Evanger
Craig Hanson
Rob Pfennig
Kaylen Hausauer
Joel Erickson
Rick Geloff

Others in attendance

Jacy Schafer	Governor's Office
Chris Joseph	Governor's Office
Karen Tyler	Industrial Commission Office
Jordan Kannianen	Industrial Commission Office
Brenna Jessen	Industrial Commission Office
Erin Stieg	Industrial Commission Office

The executive session ended at 4:08 p.m. and the Commission reconvened in open session.

During the Bank of North Dakota executive session, the Commission discussed those items listed on the agenda under Bank of North Dakota confidential business and made the following motions:

There was a motion and a second to approve two bank loans.

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

There was a motion and a second related to Loan Charge Offs and Recoveries for FY 2024.

Loan Charge-Offs Deemed Uncollectible in 2024

Name of Borrower		Uncollectible Amount
81Designs, Inc.	\$	7,775.30
Epic Management, LLC	\$	50,956.64
Mobile Recon Systems L.L.C.	\$	245,813.62
Baumgartner LLC	\$	23,778.84
Bev Naps, Inc.	\$	122,112.52
Drumconrath Brewing Company LLC	\$	93,909.11
Red River Barks & Recreation, LLC	\$	13,752.81
CuraNexus Inc.	\$	100,000.00
Jason Kalgard	\$	4,272.90
	\$	<u>662,371.74</u>

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

There was a motion and a second related to the Determination of Uncollectable Loans.

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

OFFICE OF THE INDUSTRIAL COMMISSION

Ms. Karen Tyler presented for consideration of approval the December 12, 2024, and January 8, 2025 Industrial Commission meeting minutes.

It was moved by Commissioner Goehring and seconded by Attorney General Wrigley that the Industrial Commission approve the December 12, 2024, and January 8, 2025, Industrial Commission meeting minutes.

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

Mr. Jordan Kannianen gave a legislative update. The main bills being tracked by the Office of the Industrial Commission are as follows: SB2014, SB2188, HB1554, HB1592, SB2285, and SB2180.

With no further business, Governor Armstrong adjourned the meeting of the Industrial Commission at 4:32 p.m.

North Dakota Industrial Commission



Brenna Jessen, Recording Secretary



Jordan Kannianen, Deputy Executive Director



Karen Tyler, Interim Executive Director