

Minutes of the
EMPOWER NORTH DAKOTA COMMISSION

December 11th, 2013
MDU
400 N 4th Street
Bismarck, ND 58503

Members present:

Al Anderson, Jason Bohrer, Ron Ness, Mark Nisbet, Ron Day, Mike Rud, Andrea Stomberg

Ex Officio Members:

Julie Voeck, proxy for John DiDonanto
Mark Helland, proxy for Chuck MacFarlane
Sandi Tabor
Margaret Hodnik

Others present:

John Mittleider, Department of Commerce
Justin Dever, Department of Commerce
Sherri Frieze, Department of Commerce
Karlene Fine, Industrial Commission
Todd Kranda, Kelsch, Kelsch, Ruff & Kranda Law Firm
Emily McKay, Bismarck State College
Mike Jones, Lignite Energy Council
John Olson, NextEra
Alexis Brinkman, ND Petroleum Council
Carlee McLeod, USND

CALL TO ORDER/WELCOME

Chairman Anderson called the meeting to order at 10:30 a.m. and welcomed Commission members and guests.

APPROVAL OF MINUTES

A motion was made by Stomberg and seconded by Nisbet to approve the minutes of September 25th and October 14th 2013. Motion carried unanimously.

**4th & 8th Grade Education Model Update
Emily McKay**

Emily McKay, Director, Great Plains Energy Corridor at Bismarck State College gave an update on the Lignite Research Energy Council Grant and the ND Petroleum Council Grant. The Grants have received match support as well as in-kind support from ten different companies.

Agency MABU will be doing the web development for the 8th grade studies and working on the printed material. Emily is working with the Department of Public Instruction for the 4th grade studies with a completion date by March 2014.

McKay mentioned a grant application that has been filed with ND Studies and the ND State Historical Society, for the use of checking out trunks filled with energy materials that are a hands-on experience for all learners. These trunks will be placed at eight teacher's centers across ND.

In response to a question, McKay mentioned that the text books would not be text heavy; they would focus on every energy sector and would contain more maps, graphs and pictures.

It was discussed to possibly have the Education Model ready during the Teacher Professional Development timeframe of October 16th & 17th at the Heritage Center.

**Energy Conference Update
Emily McKay**

McKay gave an update on the Great Plains & EmPower ND Energy Conference 2013. There were 212 attendees; 250 the previous year.

Public survey response was 33 percent with requests for topics included: renewables, clean coal projects, energy corridor development, natural and pipeline infrastructure, nuclear energy, and more of the environmental perspective.

**Lewis and Clark Power Plant
Sidney, Montana**

Andrea Stomberg, MDU mentioned that the 50 year old plant is in the process of receiving \$30 million in repairs to comply with the EPA.

**Heskett Natural Gas Fired Generator
Mandan, ND**

Andrea Stomberg discussed the construction of the natural gas –fired 88 megawatt generator being built next to the Heskett coal-fired facility north of Mandan. She mentioned that part of the project is a 24-mile pipeline that will connect with Northern Border Pipeline Company's natural gas line. Project to be complete in 2015.

CHS Fertilizer Plant

John Mittleider, Commerce Department discussed the shortage of anhydrous in the US and in ND. With natural gas prices falling, he mentioned the resurgence to build fertilizer plants

in the US. Two companies are considering construction of plants in ND; CHS and Northern Plains Nitrogen.

CHS, has selected a site near Great River Energy's power plant near Spiritwood, ND. Mittleider mentioned that they will utilize 3,000 gallons of water per hour, will need 2,000 workers during peak construction, and will need 150-175 employees during the operational phase.

The company is currently working on it's FEED (Front End Engineering and Design) study and construction is anticipated to be completed by 2017. Mittleider updated members on the other company; Northern Plains Nitrogen. It selected a site near Grand Forks, ND near the sewage lagoons. It will need 2,000 workers during peak construction and 135 employees during operational phase.

The company has not started to work on their FEED study, would like to have farmer investment and construction is to be begin the spring of 2015.

CapX2020 Update

Mark Nisbet gave an update on the Monticello to St. Cloud 345 kilovolt transmission line. He mentioned that the Bison substation is in and it has had minimal opposition from the public. Completion of the transmission line should be done in 2015.

Wind SWOT Analysis

Nisbet discussed the updates to the Wind SWOT Analysis. [Appendix A](#)

Discussion was held regarding various tax issues. Nisbet mentioned that he would like to have representation from the Tax Department at the next meeting. Commissioner Anderson proposed that the Public Service Commission be invited also.

OIL SWOT Analysis

Ness discussed the updates to the Oil SWOT Analysis. [Appendix B](#)

Refining SWOT Analysis

Day discussed the updates to the Refining SWOT Analysis. [Appendix C](#)

Petroleum Marketer's SWOT Analysis

Rud discussed the updates to the Petroleum Marketers SWOT Analysis [Appendix D](#)

FUTURE MEETINGS

Members proposed to meet the second Thursday of the month from January through May 2014.

ADJOURNMENT

The Chairman adjourned the meeting at 2:30 p.m. The meeting was adjourned unanimously.

Al Anderson
Chairman

Date

Sherri Frieze
Recording Secretary

Date

Wind SWOT

November 2013

Strengths

- ✓ Abundant, renewable resource – statewide
- ✓ Clean
- ✓ Doesn't consume water
- ✓ Land availability
- ✓ Receptive landowners / public
- ✓ Income for landowners
- ✓ Synergies when combined with other Resources
- ✓ Contributes to other energy opportunities (e.g. hydrogen)
- ✓ Economic development / job opportunities
- ✓ Manufacturers and experienced, capable contractors in state
- ✓ Friendly regulatory climate
- ✓ Progressive utilities
- ✓ Federal interest in renewable energy
- ✓ Industry experts located in N.D.
- ✓ Incentives
- ✓ Expansion of the local tax base

Weaknesses

- ✓ Price concerns – reliance on subsidies
- ✓ Industry depends on subsidies and Renewable Portfolio Standards for growth
- ✓ Inconsistent incentives – affects demand and development rate
- ✓ State incentives are limited to businesses, not individuals
- ✓ Lack of incentives for locally-owned projects
- ✓ Remote market
- ✓ No coordinated export strategy
- ✓ High voltage transmission – investments ≠ capacity
- ✓ Ability to dispatch is limited
- ✓ Limited ability to store energy

Weaknesses (cont.)

- ✓ Need to look more holistically at energy costs and impact on consumers
- ✓ Environmental impact (i.e. possible loss of native prairies, effect on wildlife)
- ✓ Potential for poorly sited wind farms to impact public perception

Threats

- ✓ Continued economic viability of wind (reliance on Federal Production Tax Credit extension)
- ✓ Federal Production Tax Credit requires corporate ownership – limits local opportunities
- ✓ Lack of transmission development threatens growth
- ✓ No forum to drive large scale transmission development
- ✓ Not viewing potential in broad enough manner – decisions now are limiting future potential
- ✓ Siting:
 - Aesthetic
 - Environmental
 - Equity (siting issues among landowners)
 - Cultural (e.g. historical artifacts, tribal burial grounds)
 - Migratory bird flyway
 - Air strips, public and private
- ✓ “NIMBY – Not In My Backyard” attitude
- ✓ Many wind project owners are not local – wealth is leaving the state
- ✓ So focused on wind energy for electric distribution, we’ve limited vision for wind for other purposes

Opportunities

- ✓ Growing demand
- ✓ Economic development growth/opportunities in many industries
- ✓ Recruitment opportunities – utilize an industrial

recruitment strike team

Opportunities (cont.)

- ✓ Opportunity to form diverse coalitions
- ✓ Consider what has worked in other areas (Europe and other more mature markets)
- ✓ Can learn from others -- avoid mistakes
- ✓ Many local opportunities to manufacture components
- ✓ Local ownership
- ✓ Synergies possible with other state resources
- ✓ Research local complements to wind
- ✓ Extend current incentives
- ✓ Can distinguish ourselves from other states through incentives
- ✓ Does not emit carbon (“No carbon when no carbon is cool”)
- ✓ Value-added opportunities versus exporting the power
- ✓ Development of a siting process that is consistent and predictable for developers

Oil S.W.O.T.

STRENGTHS

- Statewide economic activity generated by 1,000,000 barrels per day (\$50 million/day)
- Long term and significant revenue source to state, counties, and rural areas
 - 42% of all state revenues in 2012
- Provides challenging, high paying jobs and careers
 - Career growth potential for young people
 - 65,000 jobs in 2011
- Provides an economic engine for North Dakota Tribes
 - 23% of production
 - \$495 million this biennium
- Industry is competitive and responds to tax incentives
- Supports national domestic energy supply and energy security
 - U.S. foreign imports reduced by 18.25% since 2006
 - North Dakota represents 12% of America's oil production

WEAKNESSES

- Tax environment much higher than competing states
 - 11.5% of gross production, 3rd highest in the nation
- Impacts to infrastructure in rural communities
- Lack of major capacity export pipelines
- Gas infrastructure lagging
- Lack of proper in-state disposal option for oilfield waste
 - Public, state and political subdivision reluctance to permit landfills
- Adequate and reliable electricity delivery to rural areas
- Process to develop federal land and minerals in North Dakota is slow and bureaucratic
- Large gap in experience levels of workforce

OPPORTUNITIES

- Invest growing revenues into key short term needs like infrastructure, value-added and research opportunities, and natural resources, while developing a long-term spending plan.
- Production tax incentives for new technologies, infrastructure and environmental practices that:
 - Reduce flaring
 - Reduce environmental impacts like water usage, dust and waste disposal
 - Help western North Dakota communities build and repair essential infrastructure
- Ensure state and federal permitting processes are timely and not duplicative
- Significant growth opportunities
 - Additional research dollars targeted towards enhanced oil recovery
 - Development of other formations
- Develop additional skilled professionals and labor force in North Dakota
- Statewide business growth due to spin-off industries and increase in entrepreneurs
- Value-added energy

THREATS

- Excessive state laws and regulations that restrict or slow exploration and development activities
 - 47 new administrative rules in 2013
 - 26 new administrative rules in 2012
 - 80 oil bills in 2013 session
- Punitive federal laws and regulations that restrict or slow development
 - Hydraulic fracturing regulations
 - Endangered species
 - Federal tax law changes to deductions for well completion expenses and declining production
- Difficulty in gaining easements
- Production restrictions due to flaring levels
- Limited or restricted surface access to mineral resources
 - Places of significant interest
 - Unmanageable endangered species listings
 - Large split estate ownership creates potential for complex legal ownership issues
- High crude prices are required for Bakken and Three Forks formations to be economically viable

Refining S.W.O.T.

STRENGTHS

- Crude supply
- Quality operators
- Supplier & trade partners
- Strong state regulatory structure
- Business friendly state
- Significant local tax provider
- Sales tax exemption
- Air permitting process through the state
Department of Health
- Diesel demand growth
- BND low interest loans
- JSND job training program
- Ability to construct new assets

WEAKNESSES

- Industry's negative public perception
- Asset configuration limits
- Lack of technical talent
- Seasonal market
- Low cost expansion limitations
- Disadvantageous cost structure (Sm vs. L)
- Limited gasoline demand growth potential
- Product pipeline infrastructure
- Availability of water for industrial development
- Difficulty in obtaining easements

OPPORTUNITIES

- Favorable business growth outlook
- Additional refining infrastructure
- Policy/incentives to expand all energy industries
 - Sales tax exemption
 - Low interest loans
- Synergy with other entities
- Increasing oil production
- Alternative markets
- Utilizing NGLs as feedstock into the refining process
- State-developed pathway to critical water development
- Expansion into value-added energy streams utilizing NGLs

THREATS

- Crude Price
- People (retirements)
- Future Federal regulations
- Water resource demands
- Competitor expansions
- Feedstock variability
- Difficulty in gaining easements and lack of consistency in process
- "NIMBY" syndrome
- Federal Renewable Standards
 - RIN market uncertainty

Petroleum Marketing

STRENGTHS

- Established industry
- Proven source of safe retail energy distribution
- Honest, integrity based family owned businesses
- Local ownership
- Civic minded professionals
- Provide good steady employment for thousands in ND
- Provide strong community/state tax support
- Sound environmental track record

WEAKNESSES

- Public perception
- Lack of consistent fuel supply?
- Older ownership
- Poor return on investment vs. risk on investment
- shrinking rural population
- Shrinking employment base
- Quality of North Dakota retail services workforce declining

OPPORTUNITIES

- Diversifying rural North Dakota economy
- Oil patch
- Energy plants: fossil and renewable fuels
- Growing economy may increase North Dakota retail gas and diesel sales
- Growing population leading to more potential business expansion
- Continued strong crop prices
- Tourism industry (year round)

THREATS

- RFS limiting product choices
- Fuel blends greater than E10 and B20 potentially putting petroleum marketer infrastructure and real estate at risk.
- Increasing product demand pressuring supply capabilities
- Government mandates
- Increasing government regulations
- Aging ownership
- Rising cost of doing business
- Lack of consistent profitability
- Shrinking workforce