

GOVERNOR'S AGRIMUM TASK FORCE
Meeting Minutes
March 29, 2005
Kenai Peninsula Borough Conference Room B

The second meeting of the Governor's Agrium Task Force began at 9:00 a.m., Chaired by Co-Chairs: Bill Popp and Bob Favretto.

Attendees: Pat Cowan, Wells Fargo Board; George Ford; Past manager, Agrium plant; Bill Popp, KPB Oil & Gas Liaison, Task Force Co-chair; Rick Ross, Kenai City Councilman; Gary Superman, KPB Assembly President; Roy Wells, President Kenai Chamber of Commerce; Jim Sean, designee of Lisa Parker, Agrium; John Coston, Agrium Employee representative; Bob Favretto, Task Force Co-chair; Judene Van Cleave, Director-Nikiski chamber of commerce; William Nebesky, DNR. Absent: Dave Carey, Soldotna Mayor; William Noll, Communications Director, Office of the Governor; Jim Carter; Lisa Parker, Agrium Government Relations.

Kenai Staff: Susan Davis, Office of the Governor

Members of the Public: Mark Quiner, reporter from the Peninsula Clarion.

Attendees by Teleconference:

Senator Tom Wagoner staff Amy Seitz; Konrad Jackson, staff to Rep. Kurt Olson; Pascale Dilley, Corine Geldhof and Shawna Harper, DOL

The minutes of the last meeting were read and accepted as amended.

Action Items:

1. Follow up discussion of letters to Governor from Agrium, Unocal & others (If available)
 - a. No other letters were submitted.
 - b. Should the borough offer incentives on real estate tax?
 - c. Incentives on commodity price: Should a sliding scale incentive be addressed to share the risk?
 - d. Cook Inlet Basin Reserves of 2 tcf are essentially committed.
 - e. Deliverability issues of produced gas: availability of pipeline is challenged.
 - f. Can we reallocate our Royalty share to Royalty in Kind (RIK) versus cash, to get Agrium back upon its feet and maintain their value-added industry?
 - i. State would be a risk taker, and also share in the wealth when/if nitrogen prices rise.
 - ii. Mr. Nebesky, DNR, stated there is no formal position on RIK. We would need legislation for RIK sole-sourcing.
2. Discussion of Task Force progress on stated goals to date:
 - a. Identified RIK as a possible solution for meeting Agrium's need for gas supply.
 - b. Requested letter from DNR Commissioner, per Mr. Nebesky, on the position of the department on RIK.

- c. Requested that Mr. Nebesky provide us with current legislation pertinent to incentives and tax credits for exploration and development.
- d. Identified that usage and production capabilities are out of balance. Loss of Agrium will bring a decrease in incentive to drill and produce.
- e. Identified need to explore the RCA rulings on common carrier pipeline.
- f. Spur line is driven by economies of scale. Without industrial users, it may not be economic to bring a spur line down here
- g. We need to know what the Governor and Legislature are working on relating to gas production.

3. Task Force Goals:

- Are there any clearly identified options to keep plant open that the State of Alaska should pursue?
- What should be done by the State of Alaska to preserve, protect & help transition the existing Agrium workforce?
- What new initiatives should the State of Alaska pursue to bring new oil & gas exploration in the Cook Inlet Basin?

4. Co-chairs to meet with Governor, they will present the task force's goals and recommendations.

- Short Term:
 - Royalty in Kind: sale of royalty gas to Agrium
 - Protecting value-added industry
- Mid-term:
 - Jack up Rig purchase and deployment.
 - Incentives for kick-starting Cook Inlet exploration of natural gas and oil.
 - Establishing sliding scale incentives, based on urea/nitrogen prices.
- Long term:
 - Get North Slope gas to Cook Inlet.
 - If we lose industry on the Kenai, the gas spur or bullet line would be in jeopardy:
 - There needs to be an industry base to make the gas line to Cook Inlet feasible.
 - The spur line is vital to supply local energy for homes and businesses:
 - Current peak energy loads in the winter months put us near, and could go over capacity.
 - Pebble mine would require additional energy.

5. Next Meeting date set: Friday, April 15th, 9:00 am, at the Kenai Job Center: Forget-me-not Room.