

**GOVERNOR'S AGRIMUM TASK FORCE
MEETING MINUTES
April 15, 2005
Kenai Job Center**

The Governor's Agrimum Task Force was called to order at 9:05 a.m. by Co-Chair Bill Popp.

Attendees: Governor Frank Murkowski; Bill Noll, Director of Communications, office of the Governor; Lisa Parker, Agrimum Government Relations; Dave Carey, Soldotna Mayor; Judene Van Cleave, Director, Nikiski Chamber; Pat Cowan; George Ford; Bill Popp, KPB Oil & Gas Liaison; Rick Ross, Kenai City Councilman; Gary Superman, KPB Assembly President; Roy Wells, Kenai Chamber of Commerce President; McHugh Pierre, Communications Staff, Office of the Governor; Sue Wright, for Representative Mike Chenault.

Kenai Staff: Susan Davis, Office of the Governor; Pascale Dilley, DOLWD, Rapid Response staff

Members of the Public: John Parker, and Casey Reynolds: KPB-EDD; Joe Nicks, KSRM Radio; Joseph Roberto, Peninsula Clarion.

Attendees by Teleconference:

DOL staff: Corine Geldhof and Shawna Harper

CO-Chair Bill Popp suspended the agenda to introduce Governor Frank Murkowski.

Governor Murkowski stated that he was here today to receive an update. His interest is in insuring viability of two petrochemical facilities here. He told us that the State is willing to do anything that is legal and constitutional to help ensure these facilities stay viable. Saw the effects of loss of industry in Ketchikan with the closure of the pulp mill, and doesn't want that to happen here.

He asked the task force to reflect on the fact that the legislature will be out first of May, hopefully, and if there is anything to get through the legislature please don't hesitate to send it in and the Governor will do what he can to support the task force initiatives.

Bill Popp opened the floor for any comments and questions from the task force for the Governor.

Governor's comments regarding royalty gas: Do we have an accurate figure, 20 bcf, all under contract? Does anybody have a copy of the contracts? No. The Governor asked Bill to obtain one. Lisa has a DNR

one. Although the leases have a stipulation of six months advance notice the producers are asking for a year notice before the state would reacquire RIK.

Lisa Parker requested legislation of corporate tax credit for those producers who would sell gas to value added manufacturers. This would give the ability to give a tax credit for selling gas in state, not at Henry Hub price, but below so the tax credit would bring it up to normal price.

Natural Gas producers requested an extension of Agrium's RFP for gas to prepare their proposals. May 13th is the new deadline date for response.

Delivery of royalty gas: A large portion of the gas is on the west side of the inlet.

Pat Cowan pointed out that electric users are also a value added user of the gas.

Roy Wells has two issues he wishes the Governor to address: First, concept of gas storage in the Swanson River field and the impact the state can have. Second, with the impending purchase of Unocal by Chevron, what bearing will this acquisition have on the issue and what efforts will the state have in trying to keep the availability of Cook Inlet gas at the forefront with the impending Texaco purchase?

Regarding gas storage at Swanson River field: The Governor stated that we have commitments from the Dept of the Interior. There used to be a policy with the Dept of the Interior that we can utilize the reserves as long as they don't have a negative impact on the refuge, now changed that it must have a positive impact on the refuge. This is a significant need and they want to ensure that we are not setting precedence. Mike Menge is working with the refuge managers and they don't see any problems at this point. Mr. Menge states that this issue is transitioning from Fish & Wildlife to BLM.

Regarding the role of government with the Unocal-Chevron acquisition: The Governor said this will be reviewed and the state of Alaska will take a part in reviewing the anti-trust aspect of this issue.

Rick Ross stated that at the last meeting he asked DNR to share the analysis and recommendations on the use of royalty gas in short and mid-long term, and that if royalty gas comes into play we need to know their results of this analysis. He asked if we have had any response back on the request of the information in the analysis. Bill Popp has not received any information. He indicated he has made a verbal request, but not followed up in writing. The Governor requested that the task force

follow up with a letter and to send a copy to the Governor. Bob Faveretto stated that ten people have verbally requested that information and none have received any information. Governor strongly urges follow up in writing; he can urge the state entities but cannot force private companies to disclose. Mike Menge is working with the commissioner on obtaining this information. Bill Popp states that this is a very complex issue and is surprised the report isn't here yet, but feels strongly it will be here soon. Rail belt: 65-67% of the cost of the gas grid is borne by two Companies: Agrium and the L & G plant. With Agrium closure, the cost is going to need to be covered by someone and it will be by the rate payers. This was not addressed by the DNR analysis and should be addressed. Rick Ross said we may be able to come up with.

The task force wants to know the state's position with regards to royalty and in-kind sale of gas. We need to evaluate, and if indicated, Agrium would need to request sale of royalty gas from the state.

Governor Murkowski pointed out that if we are in short supply, and take gas from some to give to Agrium, we are still short of gas. We can look at giving incentives, but it takes time. We know that Agrium is already planning on closing, we can look at jack up rig but it takes time and is Agrium willing to wait. There is more gas, undiscovered, and the state would like the private sector to initiate exploration and development, and be willing to take part of the risk. If we give royalty gas to Agrium, it would amount to an emergency state subsidy, because will have other users of gas willing to pay more. The Governor asked what incentives is the borough willing to offer Agrium, and what is the community willing to do. Is the community willing to pay more for gas to allow Agrium to stay a little longer, is the community willing to do this? Is Agrium willing to reduce their operating costs in order to be more competitive? These are business decisions. We have to have the commitment of the other producers and we will have to wait until May 13 to find out what they are willing to do.

Dave Carey reported there have already been 20 Agrium employees laid off and TAA is pushing to obtain benefits for these employees. Wants to ensure there is support to assist the employees in finding new work and support at all levels of the state. Appreciates the support that has been demonstrated and thanks the Governor for their support

Gary Superman asked what can be done to expedite the resolutions; conversations with producers at the south end, KKPL, and can the administration expedite that process? He feels this would help in getting more gas on-line within the basin. The Governor said he is trying to help but is not sure on how significant this will be in helping with the issue of

shortage of gas. Mike Menge is focusing on the fact there is a shortage of gas and no carrier to get it here.

Bill Popp stated that Ben Shauffman with Marathon Oil has testified that there is an issue with the delays of tariffs from the RCA. Governor will speak with Marathon Oil as they have not mentioned it in the past.

Pat Cowan stated that the RCA is a stumbling block in this process. Governor suggested that we set up a meeting. Bill Popp will work with Mike Menge to set up a meeting for the task force with the RCA ASAP.

Roy Wells stated that a timeline would be very helpful to let us know what needs to be done. RCA, common carriers, gas storage, state stand point, local stand point, issue with incentives, and what can conceivably be done within this short period of time that will keep Agrium doors open?

Governor Murkowski asked Lisa, how much time is there? If someone came up with a discovery in a large field by October, they would probably consider staying open. What time frame would they be willing to work with, restructure of gas supply?

Lisa's response: The optimum is a minimum of 60 - 80 mcf to operate a train for a while. The critical time for this amount is in the winter months.

The Governor discussed getting the Healy Coal plant back on line, but stated it would take real support from this area in order to do that. There needs to be some pressure to do this. We would need a resolution from borough and city promptly in order to move forward. This would also stimulate coal mining in the area.

Roy Wells asked if air quality permits been obtained. Governor stated they are done.

Rick Ross requested talking points on the Healy coal project. Bill Noll with facilitate getting a white paper, and resolution language supporting the re-firing of the plant.

Bill Popp said bringing the power plant on line would bring 10 mcf on line toward the 60 mcf per day for the Agrium plant.

Dave Carey stated that the operation of the coal mine is more economical than gas for utilities. We have 25 years of coal supply in the ground in the state, and it will continue to get more economical to run coal.

Bob Favretto said that, having sat on the ANGA board for 2 years and meeting with people from all over the state, people throughout the state are not aware of the economic dilemma we suffer on the peninsula, unemployment rate, wages, jobs, and that it's time for us to become vocal to the other areas in the state to make them aware. There is going to be a time workers are going to be fleeing this area to pursue jobs elsewhere in the state and outside. He believes people throughout the state are really not aware but would be empathic and will try to help as they can.

Pat Cowan states he serves on statewide bank boards and peninsula bank boards, agrees with Bob that a lot of people don't know about our situation down here but feels he doesn't think they care. They have a fear that if this task force comes up with a solution how is it going to affect their gas bill. The best way we can solve this problem is to get more gas. Many people don't want to see a precedence set because of this situation. Incentives aside from royalty information if we get these reports.

Bob Favretto asked us to identify any and all gas owners within the basin, whether big or small, and to find all the pieces of the puzzle. Bill Popp will keep tabs on the daily availability of gas. He will work with Mike Menge on this.

Governor states he will contact the DNR on royalty gas, structure of contracts, and rules regarding royalty gas issues, and will be looking at gas availability. He outlined a list of projects that should be completed as soon as possible:

Governor's Agrium Task Force

Projects List

<u>Project</u>	<u>Responsible Party</u>	<u>Follow-up</u>	<u>Date</u>
Obtain white paper on Healy Coal Plant and resolution language for the cities and borough to send resolutions to Governor to re-fire up the Healy Coal Plant	Bill Noll	Give resolution language to Dave Carey, Rick Ross, Gary Superman, Roy Wells, Judene Van Cleave for cities, borough and chambers of commerce.	
Request RCA to attend Agrium Task Force meeting	Governor, Mike Menge, Bill Popp		
Request to DNR: Analysis and recommendation on the use of royalty gas in short and long term	Bill Popp	Send copy of letter to Governor	
Request to DNR: Royalty Gas contract renewal dates schedule	Mike Menge, Bill Popp		
Status of jack-up rig	Mike Menge		
Check on Marathon Oil issues with lack of final tariff on KKPL pipeline	Governor		
Check on available relief (gas supply) from the Unocal-Chevron acquisition	Governor		
Evaluate prospects for common carrier status for CIGGS Pipeline	Governor		
Look for borough relief for Agrium to support value-added business (taxes?) This is a community issue.	Gary Superman, Dave Carey		
Create a time table for issues/projects	All: Outline at next meeting		
Request RIK gas from state	Agrium		
Keep an account of available gas in Cook Inlet	Bill Popp, Mike Menge	Report to Lisa Parker & Task Force	
Report on status of gas storage in Swanson river field	Mike Menge		

Agenda readdressed:

Minutes of the last meeting were approved as read.

Agenda Items:

1. Introduced state legislation:
 - a. Senate bill 163 was reviewed. This will give us more opportunities, horizontal reach in addition to the platform. SB 163 has a good potential of passing.
 - b. Resolutions introduced by House and Senate: DR&R, transfer of ownership of platforms: there are no standards currently in place. Original owner is responsible for take down of oil rigs if removal is not done by new owner. Standards are needed in order to establish what the procedures should be. Sellers are building the price of dismantle into the sale price because of this problem and makes the rigs cost prohibitive for purchase by another oil company.
 - c. Reviewed the remaining resolutions, wants all task force to review and digest before the next meeting. We will then take the resolutions back to local businesses for support.

2. Report on Agrium employee status:
 - a. Lisa Parker stated that there are 190 employees right now at Agrium. 150 positions would remain if one train stays on line.
 - b. RIF: 12 employees, terminated, but volunteered, no additional RIF anticipated but do anticipate people will actually be leaving for other reasons. Agrium will hire retirees back as they are needed. Will continue to make sure the plant continues to operate safely for plant and community.
 - c. John Coston stated that at the rate people are leaving right now they will probably only have that number left. People are leaving the state; some are going to Unalaska, Fairbanks, North Slope, and Unocal folks are on hold. Retirees coming back IM guy, moved to Anchorage and brought back a retiree to replace his position until no longer needed. Have three temporary retirees back at this time. May have to recall some more as others leave and they are folks that are still within the community. Employees who have left the state are going to: the slope, APC, Unalaska, 2 to Texas, Oklahoma, Seattle, and Nevada.
 - d. Bill Popp received a copy of the letter of support from the congressional delegation will be put on the web site. Also a

couple of letters that are TAA support letters to be posted to web site. Letters of support have also come from, Mayor Carey, Mayor Bagley, Nikiski Chamber, and City of Kenai was mailed last week.

- e. Corrine Geldhoff, DOL, said the TAA investigation has been concluded in Washington and there is no need for additional letters.
- f. Shawna Harper, DOL, said the TAA investigator concluded Tuesday of this week, then forwarded to certifying officer with recommendation of approval or denial. Bill Popp asked that Agrium be notified first and foremost and then Susie at the Governor's office so she can distribute and get the word out.
- g. John Coston will submit agendas of employee meetings. R&A analysis of peninsula economy will be presented, April 27, 6:30 pm at Challenger Center, DOLWD. Upcoming employee meetings in May will be 3-4 per day during regular business hours. Local contractors will be invited.
- h. John Costen stated that insurance meetings are being held by Wilson insurance agency. Employees are being given alternatives to COBRA, financial planning seminars are being conducted. More meetings scheduled for April 22 & 29 at Challenger Center. On May 6 & May 7, Alaska housing wants to present for people who become distressed financially resulting from the layoff. There will be notices in the newspaper of these public meetings, and will update us as to the meeting schedule at each task force meeting.
- i. DILWD is doing a skills inventory analysis in July. They also provide a transition center for resume writing and job skills training.

Bill Popp asked: If Agrium approved for TAA, will contractors also get benefits?

Shawna Harper replied: Contractors would have to file their own application for TAA if Agrium TAA is approved.

3. JONES ACT: Congressman Young announced looking into JA exemption for Agrium. Bill asked Lisa if there is any news to report. Lisa will be meeting in Washington with transportation committee staff on the 29th to see what is going on with it. She has found that typically there is opposition to these types of requests. Is it a good fit for ammonia and urea plants? Will it help short term, No. But if they can find a way to stay open it may be a good thing. Ammonia can't be shipped by barge. There is a stronger market for ammonia in the US. Ships and barges are contracted

and are different for urea and ammonia. Problem is they need to be on US ships.

Bill Popp addressed the requests for information to various agencies and stated that the description of the state of the peninsula warrants that we should have factual information if we need to approach the public to help with supporting rate changes.

Dave Carey emphasized that we need to make sure the information the co-chairs receive is complete so they can move forward knowledgeably so members don't make public statements without all the information.

4. Public comments: No public comments

5. Next meeting will be held next week, Friday April 23, 9:00 am