

**GOVERNOR'S AGRIMUM TASK FORCE
MEETING MINUTES
July 27th, 2005
Kenai Peninsula Job Center**

The Governor's Agrimum Task Force was called to order at 9:00 a.m. by Co-Chair Bill Popp.

Attendees:

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| Bill Popp-KPB Oil & Gas Liaison | Judene Van Cleave-Dir. Nikiski Chamber |
| Pat Cowan-Wells Fargo Board | Representative Kurt Olson |
| Bob Favretto-Co-chair | Konrad Jackson-staff to Rep.Olson |
| Jim Carter-Consultant | Lisa Parker-Agrimum |
| Dave Carey-Mayor City of Soldotna | John Coston-Agrimum Employee Rep. |
| Rick Ross-City of Kenai | Roy Wells-Pres. Kenai Chamber |
| Dan Chay-KP Borough Assembly | Pascale Dilley-DOLWD, Rapid Response |
| Susan Davis-Office of the Governor | |
| Diana Spann-Reg.Manager DOLWD | Mark Quiner, Reporter, Penn.Clarion |

Attendees by Teleconference:

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| Mr. John Barnes-Marathon AK | Ms. Lois Epstein-Cook Inlet Keeper |
| Mr. Brian Havelock-DNR | |

Approval of the agenda:

- Roy Wells suggested we add 'Safety at the Agrimum Plant' based on Bill Boycott's recent comment about public concerns.

Addition made to the agenda. No other changes, Agenda was approved.

Minutes from the last meeting were reviewed and approved.

Presentations:

No Presentations

Bill Popp requested that members/attendees introduce themselves for the benefit of participants on teleconference.

Updates:

Agrimum: Lisa Parker – States all is going well at the Agrimum Plant. They are running 2 ammonia and 1 urea plant at present.

Dave Carey asked Lisa – is it correct that in the next year the plant will be operating at half capacity, and does this mean that only half the number of employees are needed?

Lisa's response – Yes, after October, 50% of the plant will be running. Agrium is in the process of evaluating the number of employees needed to run at half capacity: one urea and one ammonia plant. Working the plant at 50% doesn't mean that half the employees will be laid off due to still needing support staff, and reduction may not be needed as a result of attrition.

Dave Carey asked if employees will lose TAA status now that the plant will operate for one more year.

Pascale Dilley response - Employees that are currently on RIF and any laid off prior to 4/12/07 will be eligible for TAA benefits.

Agrium: John Coston – Reports that the 14 member peer group continues to meet and work, based on the assumption of closure next year. Pascale Dilley and Carolyn Vanzant of the Kenai DOLWD office continue to meet with employees and explain available services.

Regarding loss of employees, John states that some people who were planning on leaving are staying, some are still planning to resign, and some who left have come back to the company. Workforce is currently at 180 employees.

Judene Van Cleave asked what the employee attitude is like at the plant. John Coston's – There is a sigh of relief...most employees are happy that work continues and that they have another year to evaluate alternative employment.

Roy Wells asked Lisa Parker if the contract work force is ramping back up now that closure is postponed for a year. Lisa responds that she is not sure on the specifics but can get that information.

New Business:

Bill Popp asked for specific comments/changes to the recommendations one item at a time:

Item 1 – The State of Alaska and Federal government should continue to follow through and support the Agrium workforce to prepare workers to transition into new jobs if the nitrogen plant closes. This follow through should include implementation of the provisions of the Trade Adjustment Assistance Act and any other appropriate Federal or State programs or grants that will protect the interests of Agrium workers to the greatest degree possible.

Item 2 – The Agrium Task Force requests that the State of Alaska immediately commission a study that evaluates the long-term economic effects and impacts on the Cook Inlet gas distribution system and the communities served by that system if some or all of the existing industrial and utility users shut down. This study should examine.

Item 3 – The Agrium Task Force recommends that Alaska North Slope (ANS) natural gas should be made available to the Cook Inlet to meet the long-term energy needs of the region.

- Bob Favretto offered an ANGDA update: Studies are moving forward on a pipeline from Palmer to Canada. They are looking at potential opportunities for either a bullet or a spur line to the Cook Inlet region. Their hands are tied until the Stranded Gas negotiations are finalized. We may hear something more firm by September/October. The governor continues to emphasize the need for industrial base in the Cook Inlet to support a gas line to CIB.
- Lisa commented on the wording: ‘identify new industrial users’, and asked, “What about current industrial users such as L & G and Agrium”.
 - Wording changed to new bullet as third bullet above “new users” “ANS should be made available on a competitive basis to current industrial users in Cook Inlet” no objections to adding the bullet and to the placement of the bullet.
- Discussion took place regarding the pricing of gas and royalty gas. Lisa Parker stated that the price that is paid to the state has four mechanisms. Two years ago, it was changed so the royalty price can be set anywhere from the contract price and the established prevailing royalty gas price. She said that gas producers may not know the actual price for years.

Item 4 – The State of Alaska should actively promote and facilitate the mobilization of an offshore jackup exploration drilling rig to the Cook Inlet to promote increased exploration of the still substantial oil and natural gas resources of the Basin.

- Pat Cowan stated that there was no interest in this the last time by the oil companies, is there any reason to believe there is interest now.
- Rep. Kurt Olson said there is no interest.
- Rick Ross asked if the interest level high is high enough to warrant this item.
- Bob Favretto responded that there is an interest and the state continues to support this measure. He said the house and senate have both made it very clear they have no problem approving funding for a jack up rig, but do want to see some contracts come forward.
- Bill Popp stated that Item #4 was worded very generally to demonstrate that we believe the state should continue to pursue this concept.
- Susie Davis suggested Item #4 be changed to follow Item #8 for logical order.

Item 5 – New oil and gas leasing and exploration should be allowed within previous undeveloped areas east of the existing Swanson River oil & gas fields within the Kenai National Wildlife Refuge.

- Roy Wells asked what approval is needed.
- Lisa Parker responded: Congressional approval and approval by the Secretary of the Interior. She stated that if there is consistency with the Wildlife refuge plan, congressional approval would not be needed.

Item 6 - New oil and gas leasing and exploration within the Federal Outer Continental Shelf waters of the lower Cook Inlet should be aggressively promoted facilitated by both the Federal and State governments.

Item 7 – The State of Alaska, the Federal government and industry should both actively support and promote the establishment of new natural gas storage facilities within the Cook Inlet Basin to address the issue of natural gas deliverability shortfalls in winter.

- Pat Cowan stated that he read that storage is available only where there is active production, not for impending sales. He asked for validation of this information. The state is developing standards for gas storage.
- Lisa Parker asked that the sentence, “unable to currently meet peak demands in the winter” be changed as she disagrees in that there has not been a case where the demand has not been met. Change to: “The natural gas system may be challenged to meet future peak demand periods in winter” was approved.

Item 8 – The State of Alaska and the Federal government should promote and facilitate new onshore and offshore 3-D seismic surveys to spur new oil and natural gas exploration within the Cook Inlet Basin.

Item 9 - The State of Alaska and the natural gas utilities should examine and promote diversification of the current sources of energy used to generate electricity in order to provide a more stable and robust long-term mix of energy sources such as coal, hydro and renewable energy including tidal and wind.

- Change requested, and accepted, to replace “natural gas utilities”, with “railbelt” utilities.

Bill Popp asked for any other changes, additions to this list.

- Dave Carey recommends changing: “The Agrium Task Force requests”, to “recommends the State of Alaska”, to be consistent throughout the recommendation document.

Bill Popp asked for recommendations on the order of the recommendations.

- Item #4 is moved to follow item #8 as recommended.

Pat Cowan moved that the Task Force send the recommendations, as amended, to the Governor. Roy Wells seconded the motion. So moved.

Rick Ross requested that the revisions to the recommendations be posted on the web site for members to review, with the goal to have the document sent to the Governor by Friday.

Agrium Plant Safety:

- Roy Wells suggested that the task force to tour Agrium plant because Bill Boycott mentioned that there is a perception in the community that safety is an issue at the plant.
- Lisa stated that they have tried to arrange meetings out there so folks could see the plant.
- Bill Popp asked if it was amenable to have the next meeting at the plant, the issue before was conflict of interest at that time. No objections to having a meeting out there.
- Jim Carter stated that a tour is appropriate but we should not involve ourselves in safety issues. Based on our charge from the Governor, the task force is not responsible for the internal aspects of the Agrium plant operations. Roy Wells states that this is just a way for the task force to communicate with the public that they have toured and feel it is safe.
- Lisa Parker stated that the safety of our employees, neighbors, and our communities is of the utmost importance and we take that job seriously. She said that John Coston works in safety and he does a good job.
- Judene Van Cleave asked how Agrium would react if the task force says they see something unsafe.
- John Coston said they would be happy to hear any comments.
- Roy Wells said he did not have any intention of the Task Force performing a safety inspection, but that he was just responding to the concerns that Bill Boycott stated at the Governor's reception.
- Bill Popp said we did intend to tour the plant and lost sight of that. He said we should try to schedule our next meeting there. Many of us have been to the plant individually, but not as a group. He stated that our purpose is not to tour the plant under the auspice of a safety inspection. We should all go to our respective groups and see if our memberships are interested in touring the plant within limits of what Lisa and the plant operators deem as appropriate.
- Lisa Parker asked that we identify a date and time and let her know who and how many would be interested for logistics so they can make plans.

Public Comments:

- Mr. John Barnes, Production Manager, Marathon AK Assets:
 - Mr. Barnes complimented the task force for their work in addressing the specific Agrium issues as well as the overall broader issues of the Cook Inlet. He states that the task force has clearly recognized the need for an industry focused task force. Mr. Barnes said he hopes the task force will keep their momentum and continue to address the broad issues. Mr. Barnes said that Marathon operates 7 gas fields and plans on adding 2 more. He said Marathon provides half of the local gas

utility supply. The Kasilof field will be in production next fall. Regarding the Kasilof pipeline, he said they are still working through the RCA process, but we can expect gas to flow in December 2006.

- Ms. Lois Epstein – Cook Inlet Keeper: Ms. Epstein stated, regarding Task Force recommendations:
 - Item 5 – “Does the Refuge’s protected status mean nothing to the Task Force?”
 - Item 6 – she is concerned with the high risk of oil spills and feels this item is unreasonable.
 - Item 7 – Ms. Epstein states the Task Force should look at other ways to address peak demand for gas during the winter.
 - Item 9 – Ms. Epstein recommends that the Task Force de-link expansion of renewable energy resources within the Cook Inlet region from coal production.

Bill asked both public participants to fax their comments to Susie Davis. Fax number was provided.

Other Discussion:

Dave Carey asked of Bill Popp - what is your sense with regards to the task force functioning for another year.

Bill Popp response – the Gov is waiting for recommendations before he provides any specifics for other issues to be addressed. As soon as the recommendations are submitted to the Governor, we will request his further direction.

Rick Ross states that he feels that as soon as the public gas contract issues are open for public comment, the task force should review them.

Lisa Parker thanked the task force, community, and people throughout the state for their help and support.

Bill Popp congratulated Agrium and the producers for successful negotiations and thereby providing means to keep the Agrium plant open for another year.

Dan Chay – says he is interested in having conversation regarding long term global peak oil production. He provided handout of web site, www.simmonsco-intl.com

Next Meeting Time and Place:

Bill Popp suggested we work toward a next meeting date, with a tour of the Agrium plant of the 3rd or 4th week in August. Any parties interested in taking the tour should contact Bill by August 16. This tour will be a bus tour and no personal protective equipment will be necessary.

Meeting adjourned, 11 am. Next meeting date will be announced.