

**GOVERNOR'S AGRIMUM TASK FORCE
MEETING MINUTES
May 13, 2005
Kenai Job Center Forget me Not Room**

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

Attendees: Pat Cowan-Wells Fargo Board; George Ford-Past manager, Agrium plant; Bill Popp-KPB Oil & Gas Liaison, Task Force Co-chair; Jim Carter; Dan Chay-KPB Assembly; Roy Wells-President Kenai Chamber of Commerce; Rick Ross-Kenai City Council; Lisa Parker-Agrium; John Coston-Agrium Employee representative; Judene Van Cleave-Director of Nikiski chamber of commerce.

Kenai Staff: Susan Davis-Office of the Governor; Shawna Harper and Sandy Burgess-DOLWD, Rapid Response; Pascale Dilley-DOLWD, Rapid Response staff.

Attendees by Teleconference:

Corine Geldhof-DOLWD; Sue Wright, staff to Rep. Chenault

Minutes from the last meeting were reviewed and amended.

No Presentations were made.

New Business:

New task force member: Gary Superman has resigned and designated Dan Chay to take his place.

Bill Popp and Bob Favretto gave a recap of their meeting with the Governor in Juneau on May 9, 2005. Others present at the meeting were Mark Meyers and Will Nebesky of DNR; Senator Tom Wagoner, Representatives Mike Chenault and Kurt Olson; Representatives from Agrium, Marathon, ConocoPhillips, Unocal, AOGCC, Aurora Gas, and Forest Oil.

Issues addressed:

- Agrium requirements for gas supply to maintain operations.
- Status of gas supply/reserves in the Cook Inlet Basin
- Issues related to royalty in kind sale of gas
- Common Carrier pipeline.

The Co-chairs said they were unable to go into great detail about the meeting as disclosure at this time would likely affect other related issues.

They reported that there was a lot of dialogue and that the group will meet again June 27, 2005.

Bill Popp reviewed a PowerPoint presentation from DNR: "Cook Inlet Gas Supply and Demand", dated May 9, 2005.

- Unocal contract is based on a trailing 3 year average of Henry Hub commodity indicator, adjusted for half the rate of inflation.
- Royalty in kind gas is not a solution to the Agrium problem right now due to several unintended consequences including increased utility gas costs to consumers.

Rick Ross asked if we will be shipping royalty gas out of state to Chicago or keep it here where it can be used for local and value added industry.

Pat Cowan suggested that Enstar doesn't care about the rate. He said we have a market that does care about the rate.

Lisa Parker commented that North Slope gas should be used for value added industry. She said the state should issue an expression of interest and see who wants to buy the gas and who will use it in state. She suggested that an instate gas needs study be done with discussions from DNR and the House and Senate resources committees.

Jim Carter stated he would like to see the RCA and DNR attend our next meeting.

Bill Popp said that the RCA is cautious about attending the task force meetings because they could be violating the rules of the RCA related to ex parte contact related to the pending CIGGS case before the RCA.

Lisa Parker said that the RCA ruled that the CIGGS will be a regulated pipeline. It is not known yet whether this will be a utility or common carrier regulation. There was notice there was an initial ruling to allow Aurora Gas temporary access to the CIGGS pipeline, but that this would be a short term fix for Agrium & Aurora Gas.

Jim Carter said that what we were asking is can they reduce the time element they are taking to get it done. We just want to try to do things in a timely fashion because we have been tasked with that and we want them to hurry up with their decision making. He said they should prioritize and make a decision on the CIGGS pipeline.

Bill Popp said this was expressed in the meeting with the Governor last Monday.

Bill Popp said short term issues should be the discussion for Task Force at this meeting and forego the long term discussion until the next meeting.

Bill Popp said there is a recommendation in the capital budget for a 50% credit, capped at \$6,000,000, for assistance with purchasing a jack up rig.

Dan Chay has some concerns with a Jack up rig, stating that it might delay things for a while, but doesn't see it as resolving the problem. He would like to focus on the long term fix.

Pat Cowan asked about the Swanson river reserve status. Bill Popp said gas storage has received provisional approval at this point. However, the field used for storage must also be in production. Once it ceases production it is no longer available for use for storage. This means a short time frame for using the Swanson River Field for storage purposes.

Lisa Parker asked if the gas storage rules applies to native holdings, refuge, or both. Bill Popp said we have no clarity on this issue at this time

Lisa Parker said that the results of Agrium's RFP for gas were due today, and that they will then begin the process of analyzing these proposals to determine if they will in fact meet their needs and will it be sufficient gas to keep the plant operating. It will depend on how many proposals they get and what is offered. She doesn't want to state any dates on when she anticipates this task to be completed. But, they will be meeting with the producers as part of the process. If their requirements aren't met, they will notify the task force. She stated that the FRP results would need to be firm and allow an uninterrupted gas supply. Agrium currently has only enough gas to operate until October 31, 2005

John Coston gave an update on Agrium employee situations. They just completed the first round of four meetings on: UI, ES, VC, WIA, TAA. There were 95 employees and spouses in attendance. The meetings lasted longer than anticipated: 2.5 hours. There were lots of questions which were documented and will be posted on the Agrium employee resource web page. He said Agrium has 184 employees, and they have brought back some retirees since the last meeting as a result of some employees leaving for new jobs. The majority of employees leaving Agrium are still in state, with possible two or three employees that have gone out of state in search of work. There will be a Job Fair at Agrium, scheduled in Aug or September. The meetings next week will be on healthcare insurance needs. John said they will have intense peer training sessions upcoming.

Shawna Harper said they have identified 43 secondarily affected companies that are vendors with Agrium at this time and that they have been contacted and informed on how to apply for TAA. She said the companies would have to have associated layoffs before they could start the TAA application process. Contractor TAA would give the same benefits to affected employees.

Judene Van Cleave asked that the chambers of commerce and borough be notified if there is need of letters of recommendation for TAA for vendors. Ms. Harper assured the Task Force that notice would be forthcoming if needed.

Roy Wells stated that as a result of being laid off there are non-penalty issues they need to be aware of with IRAs. There is some leeway on penalties if they are unemployed during the year they are making withdrawals. He will discuss this further in a separate meeting with Shawna Harper.

Pat Cowan stated that Lynden Transport has a shortage and is in need of truck drivers and equipment operators.

Pat Cowan asked if there was a decision on the Marathon 4 mile pipeline, and asked how much gas is coming out of Ninilchik?

Bill Popp stated that the 4 mile extension is not moving forward at this time. Marathon Oil Company is seeking clarity from the RCA as to whether this line will be treated as a gathering line or transmission line and will construct the line until this clarity is achieved.

Bill Popp stated that we have addressed all the short term issues, and asked if there is anything else to be brought up at this time. In summary, the short term issues are:

- Awaiting the responses to the Agrium RFP.
- What are some of the options to Cook Inlet gas shortage:
 - Watch for news on the Nenana gas field and others.
- Explore how the State's royalty gas from North Slope will be distributed for instate use.
- The CIGGS pipeline issues and related pipeline issues in Cook Inlet.

Anyone who has thoughts on long term issues needs to think about them, send them to Bill so they can be put on the next meeting agenda.

Bob Favretto said we should ask the RCA to give us a list of their top five issues to see where the Cook Inlet pipeline issue falls on their list.

Roy Wells asked what Agrium needed for leveraging to obtain needed gas supply. Lisa Parker responded that they need good responses to their RFP and storage to help with high volume usage times.

Susie Davis reported that the administration will not be responding with a white paper on the Healy Coal Plant re-opening because we have the HEA white paper which is adequate.

Pat Cowan moved that the task force submit a resolution for the re-opening of the plant. It has been decided to produce and send a resolution to the Governor. Bill Popp will initiate a draft of the resolution and will pass it along to the task force for feedback/input. It will be strictly the opinion of the people on the task force, not the companies or entities they represent.

Bill Popp said that the general opinion is that September seems to be the date for the stranded gas act outcome.

Rick Ross stated that this group represents the Cook Inlet use of gas. He feels that the task force should have some input on reviewing any contracts that are being presented by the state. He said he feels that once the proposed contracts are in it would be beneficial for MAG, North Slope, Valdez, Haines, all who would be affected by tax suspension for communities involved indirectly or directly by the construction to discuss. Once contract documents come out he feels it would be beneficial to this group.

Public Comment: Casey Reynolds, KPEDD, announced the Economic outlook forum on May 20-21. Representatives from Oil and Gas have been invited to speak at the forum. He asked that if there are any comments and questions the task force would like addressed, please let him know and he will add them to the agenda.

Of note: Bill Popp announced that the IOGCC has a delegation of 75 people coming to the peninsula, by trains planes and automobiles, accompanied by the Governor. They will be taking a tour of the local oil and gas industry, and the Governor, as chairman, will be with them through half of the day.

Next meeting: Friday, June 3, 2005, will at the Agrium plant. 9:00 am. It is anticipated that this will be a several hour meeting.