

HB

100

<TARGET><BILL>HB 100</BILL><SUBJECT>HB
100</SUBJECT><COMM>SFIN29</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/23/16

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 100(FIN)

HB 100-UREA/AMMONIA/GAS-LIQ FACILITY; TAX CREDIT

"An Act establishing a credit against the net income tax for an in-state processing facility that manufactures urea, ammonia, or gas-to-liquid products; relating to establishing the value of the state's royalty share of gas production based on contracts with certain in-state processing facilities that manufacture urea, ammonia, or gas-to-liquid products; and providing for an effective date."

and recommends:

- be replaced with SCS CS HB 100 (FIN) Same Title Technical Title Change
 New Title/SCR No. _____
- adopt previous SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV		✓		2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	MICCICHE	✓			
	BISHOP	✓			
	Dunne			✓	
	ORSON			✓	
CO-CHAIR:	Kelly	✓			
CO-CHAIR:	MacKinnon	✓			

Alaska State Legislature

State Capitol, Room 208
Juneau, Alaska 99801-1182
Phone: 907-465-3779
Fax: 907-465-2833
Toll Free: 800-469-3779



145 Main St. Loop
Second Floor
Kenai, Alaska 99611
Phone: 907-283-7223
Fax: 907-283-7184

REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE ALASKA STATE HOUSE SPONSOR STATEMENT

COMMITTEE SUBSTITUTE for HOUSE BILL 100 (FIN): "An Act establishing a credit against the net income tax for an in-state processing facility that manufactures urea, ammonia, or gas-to-liquid products; relating to establishing the value of the state's royalty share of gas production based on contracts with certain in-state processing facilities that manufacture urea, ammonia, or gas-to- liquid products; and providing for an effective date."

House Bill 100 seeks to incentivize the production of certain value-added products that use as their feed stock natural gas from state leases.

CSHB 100 (FIN) allows a company that produces urea or ammonia or gas to liquid products to credit their taxes under AS43.20 if they purchase gas from a state lease. The credit is only available for a limited time, cannot be carried forward from one year to the next and the value of the credit cannot exceed the amount the state receives for royalty.

It is my belief that this credit will be viewed favorably by the market and will act as an incentive for capital to flow to the Kenai Peninsula and Alaska.

Alaska State Legislature

State Capitol, Room 505
Juneau, AK 99801-1182
Phone: 465-3779
Fax: 465-2833
Toll Free (800) 465-3779
Representative_Mike_Chenault@legis.state.ak.us



145 Main St. Loop
Second Floor
Kenai, Alaska 99611
Phone: 907-283-7223
Fax: 907-283-7184

REPRESENTATIVE Mike Chenault District 34

Sectional Summary for CSHB 100(FIN)

An act establishing a credit against income tax for an in-state processing facility that manufactures urea, ammonia, or gas-to-liquids products; relating to establishing the value of the state's royalty share of gas production based on contracts with certain in-state processing facilities that manufacture urea, ammonia, or gas-liquids products; and providing for an effective date.

Section 1. Adds a new subsection to AS 38.05.180, the oil and gas leasing statute. Provides for the use of the price established in a contract between a lessee and an in-state processing facility whose primary function is the manufacture and sale of urea, ammonia, or gas to liquids products to be the value of the gas for royalty purposes. Requires the commissioner of natural resources to make a written finding that accepting the contract price is in the best interest of the state and that the price is not unreasonably low. Requires that the lessee is not affiliated with the owner of the processing facility or with a purchaser of more than 10 percent of the products of the plant. Provides a definition for "gas-to-liquid product."

Section 2. Adds AS 43.20.052 to AS 43.20 (Alaska Net Income Tax Act) to provide an income tax credit to an in-state processing facility that produces urea, ammonia, or gas to liquids products for sale to third parties. Provides that the credit is equal to the amount of royalty paid on natural gas produced from state leases and delivered to the processing facility. Limits the taking of the credit to an amount that will not reduce the taxpayer's income tax below zero. Prevents any unused credit from applying to a tax in a subsequent taxable year. Requires reporting to the state by the taxpayer of the leases supplying the gas, the names of the lessees, the quantities purchased, price paid, and ownership of the processing facility.

Section 3. Repeals AS 43.20.052, the credit provision. Section 6 makes the repeal effective January 1, 2024.

Section 4. Makes the credit applicable to gas from state leases that is delivered for use at the processing plant during the period on or after July 1, 2017 and before January 1, 2024.

Section 5. Makes sections 1, 2, and 4 take effect on July 1, 2017.

Section 6. Repeals the tax credit January 1, 2024.

SENATE CS FOR CS FOR HOUSE BILL NO. 100(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES CHENAULT, Olson, Neuman, Wilson, Saddler, Tilton, Johnson

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing a credit against the net income tax for an in-state processing
2 facility that manufactures urea, ammonia, or gas-to-liquid products; relating to
3 establishing the value of the state's royalty share of gas production based on contracts
4 with certain in-state processing facilities that manufacture urea, ammonia, or gas-to-
5 liquid products; and providing for an effective date."

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

7 * Section 1. AS 38.05.180 is amended by adding a new subsection to read:

8 (ll) For a contract that is entered into on or after the effective date of this
9 subsection, within 90 days after the written request of a lessee of a lease issued under
10 this section, in order to establish the value of the state's royalty share of gas production
11 sold by the lessee under the contract, the commissioner may enter into an agreement
12 with the lessee to use or accept as a price for the gas an amount that is not less than the
13 price established in the contract between the lessee and an in-state processing facility

1 whose primary function is the manufacturing and sale of urea, ammonia, or gas-to-
 2 liquid products to third parties in arm's length transactions, not to exceed the amount
 3 that would otherwise be due under the lease. The commissioner may enter into an
 4 agreement under this subsection if

5 (1) the commissioner makes a written finding that

6 (A) it is in the best interest of the state; and

7 (B) based on clear and convincing evidence, the contract price
 8 is not unreasonably low;

9 (2) the primary function of the in-state processing facility is to engage
 10 in the production of urea, ammonia, or gas-to-liquid products, and the lessee is not
 11 affiliated with either an owner of the in-state processing facility or with a subsequent
 12 purchaser of more than 10 percent of the urea, ammonia, or gas-to-liquid products
 13 produced by the processing facility; for purposes of this paragraph, the parties are
 14 affiliated if, in the judgment of the commissioner, one of the parties exercises
 15 substantial influence over the policies and actions of the other as evidenced by a
 16 relationship based on common ownership or family interest or by action taken in
 17 concert without regard to whether that influence is based on stockholdings,
 18 stockholders, officers, or directors; in this subsection, "gas-to-liquid product" means a
 19 liquid produced by a processing facility that combines, breaks up, or rearranges atoms
 20 present in natural gas, but does not include liquefied natural gas; and.

21 (3) the agreement requires, to the maximum extent permitted by law,
 22 the lessee to

23 (A) hire qualified residents from throughout the state for the
 24 management, engineering, construction, operation, and maintenance of, and
 25 other positions for, a natural gas pipeline project;

26 (B) establish hiring facilities in the state or use existing hiring
 27 facilities in the state; and

28 (C) use, as far as practicable, the job centers and associated
 29 services operated by the Department of Labor and Workforce Development
 30 and an Internet-based labor exchange system operated by the state.

31 * **Sec. 2.** AS 43.20 is amended by adding a new section to read:

1 **Sec. 43.20.052. Credit for the in-state manufacture of urea, ammonia, or**
2 **gas-to-liquid products.** (a) A taxpayer that owns an interest, either directly or through
3 a partnership or limited liability company, in an in-state processing facility whose
4 primary function is the manufacturing and sale of urea, ammonia, or gas-to-liquid
5 products to third parties in arm's length transactions is entitled to receive a credit under
6 this section against the tax due under this chapter. The credit under this section is
7 equal to the percentage of the amount of royalty paid under AS 38.05.135 on natural
8 gas from a state lease that is delivered in the taxable year of the taxpayer for use at the
9 in-state processing facility equal to the percentage of the ownership interest held by
10 the taxpayer in the in-state processing facility.

11 (b) A tax credit or portion of a tax credit under this section may not be used to
12 reduce a taxpayer's tax liability under this chapter below zero. An unused tax credit or
13 portion of a tax credit received under this section may not be carried forward for use in
14 a taxable year of the taxpayer after the taxable year in which the credit is earned.

15 (c) To claim a credit under this section, the taxpayer shall

16 (1) report to the department the name of each lessee delivering natural
17 gas for use at the in-state processing facility, the identification and quantity of natural
18 gas from each state lease that is the source of the natural gas, the ownership
19 percentage of the taxpayer in the in-state processing facility, and the price for the
20 natural gas established in a contract between the in-state processing facility and the
21 lessee delivering the natural gas; and

22 (2) demonstrate to the department that the taxpayer, to the maximum
23 extent possible,

24 (A) hires qualified residents from throughout the state for the
25 management, engineering, construction, operation, and maintenance of, and
26 other positions for, a natural gas pipeline project;

27 (B) establishes hiring facilities in the state or uses existing
28 hiring facilities in the state; and

29 (C) uses, as far as practicable, the job centers and associated
30 services operated by the Department of Labor and Workforce Development or
31 an Internet-based labor exchange system operated by the state.

1 (d) In this section, "gas-to-liquid product" has the meaning given in
2 AS 38.05.180(*l*).

3 * **Sec. 3.** AS 43.20.052 is repealed.

4 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 **APPLICABILITY.** AS 43.20.052, added by sec. 2 of this Act, applies to the amount of
7 royalty paid under AS 38.05.135 on natural gas from a state lease that is delivered for use at
8 an in-state processing facility whose primary function is the manufacturing and sale of urea,
9 ammonia, or gas-to-liquid products to third parties in arm's length transactions on or after
10 July 1, 2017, and before January 1, 2024.

11 * **Sec. 5.** Sections 1, 2, and 4 of this Act take effect July 1, 2017.

12 * **Sec. 6.** Section 3 of this Act takes effect January 1, 2024.

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	CSHB 100(FIN)
Fiscal Note Number:	2
(S) Publish Date:	3/23/2016

Identifier: HB100-DOR-TAX-2-26-16
 Title: UREA/AMMONIA/GAS-LIQ FACILITY; TAX CREDIT
 Sponsor: CHENAULT
 Requester: Senate Resources Committee

Department: Department of Revenue
 Appropriation: Taxation and Treasury
 Allocation: Tax Division
 OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues						***	***
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Estimated SUPPLEMENTAL (FY2016) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed? n/a

Why this fiscal note differs from previous version:

Revised based on House amendments

Prepared By:	Ken Alper, Director	Phone:	(907)465-8221
Division:	Tax	Date:	02/26/2016 06:00 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	02/27/16
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION**Analysis**

The bill adds a section to DOR's corporate income tax statutes, creating a new corporate income tax credit for owners of facilities used in the manufacture and sale of urea and ammonia. This analysis is limited to the tax credit created in this bill and does not consider the broader economic activity that would result from the business development that it may incentivize.

Urea and ammonia are typically manufactured by harvesting nitrogen from the atmosphere. This process is highly energy intensive and in Alaska has historically used large amounts of natural gas as "feedstock." The tax credit envisioned in this bill is limited to the amount of state royalty paid on natural gas that would be delivered to the manufacturing facility. As written, the tax credit could not be used to reduce a taxpayer's liability below zero, and cannot be carried forward to a subsequent tax year.

Although the owner of the facility is not expected to be the gas producer who is responsible to pay the state royalty, it is expected that the owner would be able obtain that information and provide it to the Department of Revenue for the purpose of claiming the credit.

Although available statewide to any facility engaged in the manufacture of urea and ammonia, this legislation is widely understood to be for the purpose of assisting the Agrium fertilizer plant in Nikiski to retool and reopen. The sponsor has provided the Department of Revenue with a recent study by the McDowell group entitled "Potential Impacts of Agrium's Operations on State of Alaska Revenues." This study has been used as a source document for this fiscal note. If passed, it is not expected that there will be any other facilities in Alaska who use this tax credit.

According to the McDowell study, a reopened Agrium plant utilizing a single production train would consume 28 BCF / year of gas with 21 BCF coming from state leases. Assuming a wellhead value of \$5.70 / mcf the total royalty payment to the state would be \$14.96 million / year. This is the maximum annual tax credit liability envisioned by this legislation. Assuming two years to get the plant ready for reopening, we assume no revenue impact prior to FY19. Unlike other tax credit programs, there would be no tax benefit for the facility owner during the time they are under construction. The tax benefit would not begin accruing until they began actually purchasing gas for the purpose of manufacturing.

Assuming a corporate income tax rate of 9.4%, it would require taxable profits of \$159 million per year to generate a tax liability equal to the maximum credit available under this bill. A recent article in the Peninsula Clarion estimated a corporate income tax liability for Agrium at \$3 to \$4 million per year. Since the actual anticipated profits are unknown, this fiscal note is an indeterminate revenue impact beginning in FY19, with an actual amount of foregone revenue between zero and \$14.96 million per year, and with a likely figure in the \$3 to \$4 million range. If both production trains at the Agrium facility were reopened, the cost could potentially be double these figures. If the plant did not reopen and begin actually purchasing gas, the state's obligation would be zero.

This tax credit sunsets after calendar year 2026.

Expenditures:

The department can implement the provisions of this bill with existing resources.

Regulations:

The department does not anticipate that it will need to adopt additional regulations to implement this bill.

adopted 4/16/16

29-LS0423\S.4
Nauman
4/12/16

AMENDMENT #1

OFFERED IN THE SENATE
TO: CSHB 100(FIN)

BY SENATOR BISHOP
Senator Hoffman
Senator Micciche

1 Page 2, line 8:

2 Delete "and"

3

4 Page 2, line 20, following the second occurrence of "gas":

5 Insert "; and

6 (3) the agreement requires, to the maximum extent permitted by law,
7 the lessee to

8 (A) hire qualified residents from throughout the state for the
9 management, engineering, construction, operation, and maintenance of, and
10 other positions for, a natural gas pipeline project;

11 (B) establish hiring facilities in the state or use existing hiring
12 facilities in the state; and

13 (C) use, as far as practicable, the job centers and associated
14 services operated by the Department of Labor and Workforce Development
15 and an Internet-based labor exchange system operated by the state"

16

17 Page 3, line 5, following "shall":

18 Insert "(1)"

19

20 Page 3, line 10, following "gas":

21 Insert "; and

22 (2) demonstrate to the department that the taxpayer, to the maximum
23 extent possible,

1 (A) hires qualified residents from throughout the state for the
2 management, engineering, construction, operation, and maintenance of, and
3 other positions for, a natural gas pipeline project;

4 (B) establishes hiring facilities in the state or uses existing
5 hiring facilities in the state; and

6 (C) uses, as far as practicable, the job centers and associated
7 services operated by the Department of Labor and Workforce Development or
8 an Internet-based labor exchange system operated by the state"

April 13, 2016

Senate Finance Committee

RE: HB100 – Urea/Ammonia Facility Tax Credit

Dear Senate Finance Committee:

We operate a feed mill, a commercial distribution business for horticultural and revegetation products, a retail operation, and a fertilizer blending plant. We built our fertilizer plant thirty plus years ago to take advantage of the urea produced on the Kenai Peninsula. As you know, urea is a source of nitrogen and the plant provided us with a very price competitive nitrogen source.

Although we now import urea from Canada, our products are still competitive, but our margins have shrunk and the additional transportation costs, which are substantial, are passed on to our customers. Alaskans pay more for everything because of transportation and because there are very few manufacturing facilities in the State. The Agrium plant in Kenai was the rare exception and it made a significant difference from a supply and a cost stand point.

Our customer base is much larger and more diverse than you might imagine. We supply the State DOT with urea from the West Coast for deicing for smaller, rural airports throughout Alaska. Before the Agrium Plant closed, the Kenai urea was used at the airports. Our retail packages of fertilizer are sold in all the major chain stores and independent retail outlets under the Arctic Gro brand. We also supply commercial contractors, landscapers, government agencies, municipalities, and farmers with fertilizer.

If State leaders are serious about diversifying our economy, encouraging additional exploration, promoting well paying job growth, encouraging local manufacturing, and lowering costs to the residents of Alaska, they need to encourage Agrium to open the urea plant in Kenai.

I support HB 100 and I encourage you to support the bill also.

Sincerely,



Ken Sherwood
C.E.O.

Doniece Gott

From: Sen. Anna MacKinnon
Sent: Wednesday, April 13, 2016 4:23 PM
To: Senate Finance Committee
Subject: FW: HB 100

From: Dale Bagley [mailto:dale@redoubtrealty.com]
Sent: Wednesday, April 13, 2016 4:20 PM
To: Rep. Mike Chenault <Rep.Mike.Chenault@akleg.gov>; Sen. Pete Kelly <Sen.Pete.Kelly@akleg.gov>; Sen. Anna MacKinnon <Sen.Anna.MacKinnon@akleg.gov>; Sen. Peter Micciche <Sen.Peter.Micciche@akleg.gov>
Subject: HB 100

Dear Representative Chenault and Senator Kelly, Senator Mackinnon and Senator Micciche

I would really like to see Agrium reopen and support HB100 in making that happen. During a time that we are seeing oil and gas layoffs having a company hiring lots of skilled employees is important for the Kenai Peninsula and Alaska's' future. I would appreciate your support.

Dale Bagley

325 Endicott

Soldotna, AK 99669

Dale Bagley

Redoubt Realty

Associate Broker

907 262-8855 ext 24

Doniece Gott

From: Sen. Anna MacKinnon
Sent: Tuesday, April 05, 2016 5:19 PM
To: Senate Finance Committee
Subject: FW: Support for HB 100

Kristen Pratt

Legislative Aide
Office of Senator Anna MacKinnon
Alaska State Legislature
Alaska State Capitol | Room 516
(907) 694-8944

From: Dennis Smith [mailto:DennisS@akwaste.com]
Sent: Monday, April 04, 2016 2:05 PM
To: Sen. Anna MacKinnon <Sen.Anna.MacKinnon@akleg.gov>
Subject: Support for HB 100

Good afternoon Senator Mackinnon,

I just wanted to note my continued support for HB100. The benefits to local communities for industrial projects, like the re-start of Agrium, Inc., on the Kenai Peninsula, will be many fold. More than that, the trickle-down effects of increased job availability and income will reach from our community and circulate statewide. Expansion of industry, more local manufacturing, and profitable exportation of Alaskan products will necessarily boost the state's economy, especially in this time of need. It will give exploration companies and production of natural resources an economic reason to continue; which in South-central Alaska may have long reaching benefits in the form of continued natural gas supplies for our region.

It's important to remember that we need industry to offer jobs and an economy to support the citizens of Alaska. HB100 will help maintain and develop the businesses needed to move Alaska forward and to provide in the future. Like most investments, it may seem to be expensive now, but will be reap considerable economic rewards in the long term.

Regards,

Dennis E. Smith

Kenai Peninsula Outside Sales Representative

Alaska Waste-Kenai Peninsula Area

PO Box 1209

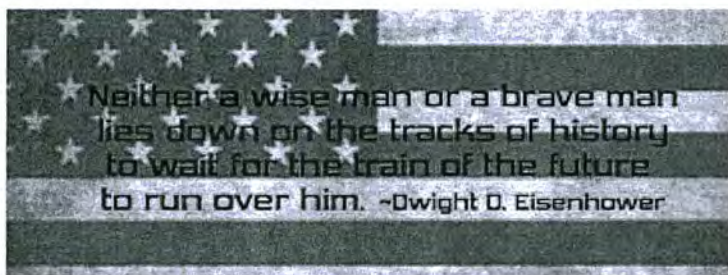
Soldotna, Alaska 99669

1-907-420-3123

1-907-283-9390 ext 31123

Fax 1-907-262-4370

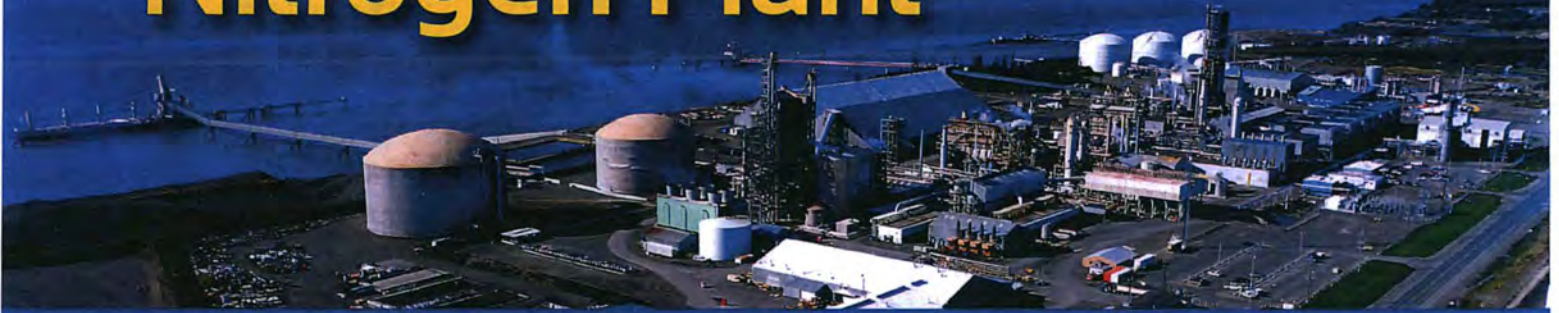
Cell 1-907-398-3348





The Economic Benefits of Reopening the

Agrium Kenai Nitrogen Plant



Agrium U.S. Inc. is considering reopening its Agrium Kenai Nitrogen Operations located near Nikiski in the Kenai Peninsula Borough.

Prior to its closing in 2007 due to an insufficient supply of natural gas, the Agrium plant was one of the region’s largest private sector employers and among the top sources of tax revenue to the borough. If the plant were to reopen, it could bring hundreds of new jobs and millions of dollars in new payroll, to the Kenai Peninsula Borough and Alaska economies.

If an economically viable supply of natural gas can be secured, a return to production would begin with a single-train operation requiring 140 permanent full-time employees who could earn a total of \$14 million in annual labor income. At full production (two trains) 240 workers would be required, with annual labor income totaling \$24 million. Each production train consists of an ammonia plant and a urea plant.



Expected Benefits

Single-train Production

- ▶ 140: Direct jobs
- ▶ \$14 million: Direct payroll
- ▶ 340: Total jobs (direct, indirect, and induced) in Alaska
- ▶ \$30 million: Total payroll (direct, indirect and induced) in Alaska

Full/Two-train Production

- ▶ 240: Direct jobs
- ▶ \$24 million: Direct payroll
- ▶ 600: Total jobs in Alaska
- ▶ \$50 million: Total payroll in Alaska

- ▶ \$100,000: Estimated average employee wage (excluding benefits)
- ▶ 100%: Employees living in Alaska

History & Redevelopment Phase Impacts

Our History

When the Agrium Kenai Nitrogen Operations complex was built in 1968 (production started in 1969), it consisted of a urea and ammonia plant. In 1977, the complex doubled in size, adding another urea and ammonia plant with supporting utilities. Agrium purchased the plant from Unocal in 2000.

At the time of its closure in 2007, the Kenai plant was the second largest producer of ammonia and urea in the U.S. The complex had an annual production capacity of nearly 2 million metric tons. Much of Agrium's Kenai production was destined for overseas markets, including South Korea, Mexico, Taiwan, Thailand, Australia, Chile, New Zealand, and the Philippines. Within Alaska, urea was distributed and sold in small quantities for de-icing purposes and agricultural use.

Economic Impacts

The economic impact of reopening Agrium Kenai Nitrogen Operations will occur at three levels:

- ▶ **Direct impacts** — Agrium's own employment and payroll
- ▶ **Indirect impacts** — jobs and income generated in businesses that provide goods and services to Agrium Kenai Nitrogen Operations
- ▶ **Induced impacts** — jobs and income created as Agrium employees and employees of its contractors and vendors spend their payroll dollars in the local economy

Redevelopment Phase

The path toward re-opening operations includes inspection, assessment, and renovation of the existing facility.

Inspecting equipment and assessing operational readiness of the facility would take about a year, and create five full-time positions and employ about 40 to 50 local contract workers. During this phase, Agrium is seeking to identify and potentially secure the natural gas supplies needed to feed the plant. Agrium expects to invest approximately \$6 million in this phase.

Assuming plant rehabilitation is economical, and assuming an adequate supply of natural gas can be secured, Agrium would move into a 26-month renovation phase.

The \$200 million project would require a temporary labor force averaging approximately 440 workers. These workers would earn a total of \$75 million in direct labor income over the 2-year plant rehabilitation timeframe.

Including all multiplier effects (direct, indirect, and induced effects) the plant rehabilitation effort could account for an estimated 815 annual jobs and \$110 million in total labor income.



Production Phase Impacts

Agrium's Kenai complex includes two production trains comprised of six plants. Plants 1, 2 and 3 are the original train (the south train), which was installed in 1968. The second (north) train, plants 4, 5 and 6, was installed in 1977.

Operating at 50 percent of capacity, the operation would consume approximately 75-80 million cubic feet of gas per day (75-80 mmcf/day) or about 26- 28 billion cubic feet annually (bcf/year). It will produce 630,000 metric tons of ammonia and 620,000 metric tons of

urea. With both trains in operation, gas consumption and production of ammonia and urea would be double these amounts.



Direct Impacts

Agrium's current plan is to restart just the newer train, employing 140 full-time workers with an annual labor income of approximately \$14 million.

The second train could start up at a later date, determined largely by the availability of natural gas. A two-train operation would employ 240 workers on a permanent, full-time basis. Annual labor income would increase to \$24 million.

Agrium employees are expected to earn among the highest wages in the Kenai Peninsula Borough, perhaps two and half times the Borough's average wage.

Total Impacts

Including direct, indirect, and induced employment, operation of a single train could account for approximately 340 jobs and \$30 million in annual labor income in Alaska.

Including direct, indirect and induced effects, at full production (two trains), Agrium's Kenai operations could account for approximately 600 jobs and \$50 million in annual labor income in Alaska.



Plant "Turnaround" Impacts

Approximately every four years the plant will be shut down to undergo major maintenance and equipment overhaul, a process called a "turnaround."

The turnaround may employ as many 1,000 workers over a labor- and capital-intensive four-week period, with total spending ranging between \$25 million and \$30 million.

Turnaround contractors may employ nonresidents with specialized skills; however, spending by these workers on lodging, food, and other goods and services, will have a substantial short-term impact on the local economy.

Average Annual Wage Agrium Kenai Operations and Kenai Peninsula Borough, 2011

\$104,600



Agrium Kenai Operations
(current value)

\$42,156



Kenai Peninsula Borough

Source: Agrium and Alaska Department of Labor and Workforce Development

Strengthening Communities

Generating Government Revenue

Investment in plant rehabilitation and re-start of operations would once again place Agrium among the top local taxpayers. Estimates of the assessed value of the re-commissioned facility, coupled with the current property tax mill rate, indicate an annual tax payment of \$2.2 million to the Kenai Peninsula Borough, equivalent to about 4 percent of KPB's current property tax revenue.

If the second train is re-commissioned, Agrium would likely become the largest property tax payer in the KPB.

All of Agrium's employees are expected to live in the Kenai Peninsula Borough and pay property taxes for their homes. Agrium homeowners could pay a combined total ranging from \$243,000 (single-train scenario) to \$416,000 (full production scenario) in Borough property taxes.

Agrium and Agrium's families will also pay sales tax to KPB and city governments for locally purchased goods and services.

Total annual sales tax revenue to the Borough related to the Agrium workforce may range from approximately \$265,000 (single-train scenario) to \$467,000 (full production scenario). These estimates do not include sales tax revenues paid by the Agrium-related population to the City of Kenai or the City of Soldotna, where no doubt some Agrium payroll dollars will be spent.



Other Socioeconomic Benefits

COMMUNITY CONTRIBUTIONS: If the plant re-opens, Agrium expects to resume its community investment role, supporting local nonprofit organizations and projects. It is also anticipated that future employees would actively give back to their community in volunteer hours, cash and in-kind donations.

SCHOOL DISTRICT REVENUE: A portion of Agrium's employees are expected to have school-age dependents enrolled in Kenai Peninsula Borough School District schools. This enrollment could represent approximately \$700,000 (single-train) to \$1.2 million (full production) in state education funding to the District. Additionally, as Agrium employees spend money in the community and pay property taxes, and Agrium pays its own property taxes, its presence in the Borough will have a positive impact on local revenue the Borough contributes to the District.

Want to know more?

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The Economic Benefits of Reopening the Agrium Kenai Nitrogen Plant

Prepared for:
Agrium U.S. Inc.



Research-Based Consulting

Juneau
Anchorage

May 2013

The Economic Benefits of Reopening the Agrium Kenai Nitrogen Plant

Prepared for:
Agrium U.S. Inc.

Prepared by:



Juneau • Anchorage

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Executive Summary

Agrium U.S. Inc. contracted with McDowell Group, an Alaska research-based consulting firm, to quantify the economic impact of reopening the Agrium Kenai Nitrogen Operations located near Nikiski in the Kenai Peninsula Borough.

Before its closure in 2007, Agrium Kenai Nitrogen Operations was one of Alaska's few major manufacturing operations (outside the seafood industry) and contributed significantly to the local and statewide economies. The facility was also the United States' second largest producer of ammonia and urea, consisting of two urea and two ammonia plants, a tidewater port facility, and a power cogeneration facility. At capacity, the plant could use as much as 155 million cubic feet daily (or 53 billion cubic feet annually) of Cook Inlet natural gas.

With reopening of the plant, there are substantial economic benefits to the Kenai Peninsula Borough and Alaska economies. A summary of these impacts are highlighted below:

Redevelopment Phase Impacts

- Redevelopment will include inspection, assessment and renovation of the existing facility, a process that is expected to last 26 months.
- The plant rehabilitation project will require an annual average labor force of approximately 440 workers. The \$200 million project will generate about \$75 million in direct labor income over the redevelopment phase.
- Including all multiplier effects (direct, indirect, and induced effects) the plant rehabilitation effort will account for an estimated 815 annual jobs and \$110 million in total labor income.

Production Phase Impacts

DIRECT IMPACTS

- The production workforce required for a single-train operation (three plants) is estimated at 140 permanent, full-time employees. At full production (a two-train operation, all six plants), 240 workers will be required.
- Annual labor income for the single train operation would total approximately \$14 million. Annual labor income would increase to \$24 million with re-commissioning of the second train. Agrium employees are expected to earn among the highest paid wages in the Kenai Peninsula Borough, perhaps two and half times the Borough's average wage.

TOTAL IMPACTS

- Spending in support of production operations (including purchases of natural gas, as well as variety of other goods and services) will create additional jobs and income in Alaska (indirect impacts). In addition, payroll dollars attributed to Agrium's economic activity circulate throughout the economy creating jobs and income (induced impacts).
- Including direct, indirect, and induced employment, operation of a single train will account for a total of 340 jobs and \$30 million in annual labor income in Alaska.
- Including direct, indirect and induced effects, at full production (two trains), Agrium's Kenai operations will account for approximately 600 jobs and \$50 million in annual labor income in Alaska.

PLANT "TURNAROUNDS" IMPACT

- Most inspection, maintenance and minor repair work is conducted while the facility is operating. However, approximately every four years the plant will be shut down to undergo major maintenance and equipment overhaul, a process called a "turnaround."
- The turnaround may employ as many 1,000 workers over a labor- and capital-intensive four-week period. A budget estimate for this work could range between \$25 million to \$30 million (about which half would be spent on capital equipment).
- Turnaround contractors may employ nonresidents with specialized skills; however, spending by these workers on lodging, food, and other goods and services, have a substantial short-term impact on the local economy.

OTHER ECONOMIC BENEFITS

Kenai Peninsula Borough Tax Revenue

Agrium Property Tax Payments

- Agrium's Kenai operation was once among the largest property tax payers in the Kenai Peninsula Borough (KPB); however, the facility's assessed value declined after closure at the end of 2007. Investment in plant rehabilitation and re-start of operations will once again place Agrium among the top local taxpayers. Estimates of the assessed value of the re-commissioned facility, coupled with the current property tax mill rate, indicate an annual tax payment of \$2.2 million to the Borough, equivalent to about 4 percent of KPB's current property tax revenue.
- If the second train is re-commissioned, Agrium would likely become the largest property tax payer in the KPB.

Agrium Employee Property and Sales Tax Payments

- All of Agrium's employees are expected to live in the Kenai Peninsula Borough and pay property taxes for their homes. Agrium homeowners could pay a combined total ranging from \$242,760 (single-train scenario) to \$416,357 (full production scenario) in Borough property taxes.
- Agrium and Agrium's families will also pay sales tax to KPB and city governments for locally purchased goods and services.
- Total annual sales tax revenue to the Borough related to the Agrium workforce may range from approximately \$265,000 (single-train scenario) to \$467,000 (full production scenario). These estimates do not include sales tax revenues paid by the Agrium-related population to the City of Kenai or the City of Soldotna, where no doubt some Agrium payroll dollars will be spent.

Charitable Contributions and Membership Organization Support

- Once back in production, Agrium is expected to resume its community investment role, supporting local nonprofit organizations and projects. It is also anticipated that future employees will actively give back to their community in volunteer hours, cash and in-kind donations. Agrium is also expected to re-engage in their involvement in civic and business organizations.

SOCIAL IMPACTS

Population

- Re-development and production will directly and indirectly result in population migration into the Kenai Peninsula Borough. Under a single-train scenario, the 340 Agrium-related jobs would support a population of 530, or 0.9 percent of the Kenai Peninsula Borough population. Under full production, the 600 Agrium-related jobs would support a population of approximately 935, or 1.7 percent of the Borough's total current population.

Student Enrollment and School District Revenue

- A portion of Agrium's employees are expected to have school-age dependents that will be enrolled in public schools in the Kenai Peninsula Borough.
- Approximately 130 students (the equivalent of 1.5 percent of current student enrollment) are expected to be enrolled by Agrium families under a single-train production scenario. Under a full production scenario, approximately 220 students (or 2.5 percent of enrollment) are expected to be enrolled.
- This enrollment could represent approximately \$692,250 (single-train) to \$1,171,500 (full production) in state education funding to the District.
- Additionally, as Agrium employees spend money in the community and pay property taxes, and Agrium pays its own property taxes, its presence in the Borough will have a positive impact on local revenue the Borough contributes to the District.

Summary of Economic Impacts of Re-opening Agrium Kenai Operations

Economic Activity	Impacts
Redevelopment Phase	
Expected length of plant rehabilitation	26 months
Direct employment (annual average)	440
Total annual employment (annual average direct, indirect and induced impacts)	815
Direct payroll (Redevelopment Phase)	\$75 million
Total payroll (Redevelopment Phase direct, indirect and induced payroll impacts)	\$110 million
Production Phase (Single-Train Scenario)	
Direct annual employment	140
Total employment (direct, indirect and induced impacts)	340
Direct annual payroll	\$14 million
Total payroll impacts (direct, indirect and induced impacts)	\$30 million
Agrium property tax payment to KPB	\$2.2 million
Total Agrium employee property tax payments to KPB	\$242,760
Total population impacts	531
KPB School District student enrollment	130
KPB School District State foundation revenue	\$692,250
Production Phase (Two-Train – full production – Scenario)	
Direct annual employment	240
Total employment (direct, indirect and induced impacts)	600
Direct annual payroll	\$24 million
Total payroll impacts (direct, indirect and induced impacts)	\$50 million
Agrium employee property tax payment to KPB	\$416,357
Total population impacts	935
KPB School District student enrollment	220
KPB School District State education funding	\$1.2 million

Source: Direct employment estimates from Agrium. All others figures are McDowell Group estimates.

Chapter 1. Introduction

Background on Agrium Kenai Nitrogen Operations

The Agrium Kenai Nitrogen Operations complex is located near Nikiski, 10 miles north of Kenai. When it was built in 1968 (production started in 1969), it consisted of one urea and one ammonia plant. In 1977, the complex doubled in size, adding another urea and ammonia plant with supporting utilities. Agrium purchased the plant from Unocal in 2000, along with Unocal's entire agricultural products business.



At the time of its closure in 2007, the Kenai plant was the United States' second largest producer of ammonia and urea. The Agrium Kenai Nitrogen Operations complex had an annual production capacity of nearly 2 million metric tons. Much of Agrium's Kenai production was destined for overseas markets, including South Korea, Mexico, Taiwan, Thailand, Australia, Chile, New Zealand, and the Philippines. Within Alaska, urea was distributed and sold in small quantities for deicing purposes and agricultural use.

Redevelopment Phase

Inspection and Assessment

The path toward re-initiating operations at the plant will begin with a year-long process of inspecting equipment and assessing the operational readiness of the facility. In addition to creating five full-time positions on the Agrium payroll, this phase will employ 40 to 50 local contract workers to conduct the top-to-bottom inspections. These inspections will provide information necessary to accurately determine the cost associated with returning the plant to production-ready status. This phase will also include initial efforts to identify and potentially secure the natural gas supplies needed to feed the plant. Agrium expects to invest approximately \$6 million in this phase.

Renovation

Assuming plant rehabilitation is not cost prohibitive, and assuming an adequate supply of natural gas can be secured, Agrium would move into a 26-month renovation phase. Preliminary estimates indicate an investment of \$200 million will be required to rehabilitate or replace equipment, machinery and ancillary

facilities, to make the plant production-ready. Approximately \$160 million of this investment is expected to be spent in Alaska. The balance will be spent on equipment manufactured outside Alaska. These numbers are subject to change, pending the outcome of the plant's inspection and assessment phase.

Production Phase

Agrium's Kenai complex includes two production trains comprised of six plants. Plants 1, 2 and 3 are the original train (the south train), which was installed over 40 years ago (in 1968). The second (north) train, plants 4, 5 and 6, was installed in 1977. Agrium will initially restart just the newer train, employing 140 full-time workers. Agrium would restart the second train at a later date, determined largely by the availability of natural gas. The two-train operation would employ 240 workers on a permanent, full-time basis.



Operating at 50 percent of capacity, the operation will consume approximately 75 to 80 million cubic feet of gas per day (75 to 80 mmcf/day) or about 26 to 28 billion cubic feet annually (bcf/year). It will produce 630,000 metric tons of ammonia (about half of which is used in the production of urea) and 620,000 metric tons of urea. With both trains in operation, gas consumption and production of ammonia and urea would be double these amounts.

Chapter 2. Employment and Payroll Impacts of Redevelopment and Production

Economic Impact of Redevelopment Phase

Direct Redevelopment-Related Employment and Payroll

Rehabilitating the plant over a 26-month period will require a large, but temporary, workforce. While specific rehabilitation-phase workforce requirements have not been determined, it is possible to estimate labor requirements based on expected expenditures. Approximately 80 percent of the \$200 million redevelopment budget will be spent in Alaska (the balance will be spent on equipment manufactured outside the U.S.). Economic impact models can be used to estimate the employment effects of spending related to plant rehabilitation. IMPLAN is a widely-used model for measuring the employment and labor income effects of commercial and industrial activity. According to the IMPLAN model, a repair and construction project budgeted at \$160 million over 26 months would require approximately 440 workers. These workers would earn \$37.5 million in labor income annually or about \$75 million in total over the redevelopment-phase.

Indirect Employment and Payroll

The rehabilitation-phase would have additional employment and labor income multiplier effects. As money spent in Alaska in support of the project circulates through the economy, jobs and income are created in the support sector. Again based on IMPLAN analysis, the total employment effect (including all direct, indirect, and induced effects) of the rehabilitation effort would be an estimated 815 jobs and \$55 million in annual payroll over the course of the redevelopment phase.

Agrium Kenai Operations Redevelopment Related Spending, Employment and Payroll

Total Spending	Spending in Alaska	Direct Annual Average Employment	Total Direct and Indirect Employment	Direct Payroll*	Total Direct and Indirect Payroll *
\$200 million	\$160 million	440	815	\$75 million	\$110 million

*26 month total.

Source: McDowell Group estimates.

Economic Impact of Production

Direct Employment and Payroll

As described in Chapter 1, employment for a single-train operation will require a permanent production work force of 140 full-time employees. At full production, (a two-train operation) employment would increase to 240 workers.

Though Agrium has not yet established wage and salary schedules for the reopened plant, it is likely salaries would be among the highest paid in the KPB. In 2002, the average annual wage for Agrium Kenai Operations employees was \$82,584. In 2012 dollars, that would be an annual wage of \$104,634. Wages paid in Alaska's refinery sector may also provide a reasonable proxy for wages at a reopened Agrium plant. In 2011 (the most recent full-



year data), refinery workers in Alaska earned \$114,800, according to Alaska Department of Labor and Workforce Development (DOLWD) data.¹ For purposes of this study, it is conservatively assumed Agrium Kenai Operations wages will average about \$100,000 annually. Based on that average, annual payroll would total \$14 million for the single train operation and \$24 million for the two-train operation.

Total personnel costs, including payroll taxes and benefits, would be approximately 35 percent above payroll (wage) costs. At that labor overhead rate, annual personnel costs would total \$18.9 million for the single train operation and \$32.4 million for two-train production.

Indirect Employment and Payroll

PURCHASES OF GOODS AND SERVICES

Non-payroll spending in support of Agrium operations will create jobs and income in those businesses that provide the goods and services required to support the facility. The single largest expenditure will be for the natural gas that serves as feedstock for the ammonia and urea production process. While the source and price for feedstock natural gas is yet to be determined, it is possible to roughly estimate annual spending on natural gas.

Based on data published in previous studies conducted by McDowell Group, in 2003, Agrium spent \$60.9 million on approximately 38.5 bcf of gas. That averages to about \$1.583 per thousand cubic feet. That price was 69 percent below the prevailing value of Cook Inlet natural gas in 2003 (\$2.288). In 2001, Agrium spent \$80.2 million on approximately 54.2 bcf of gas. That price was 67 percent below the prevailing value of Cook Inlet natural gas in 2001 (\$2.197).

Over the most recent four quarters (2nd quarter 2012 through 1st quarter 2013), the prevailing value of Cook Inlet natural gas averaged \$5.449. If Agrium were to pay 68 percent of that value to secure its necessary feedstock gas, it would pay approximately \$102 million annually for 27 bcf per year to supply a single-train operation and \$204 million annually for approximately 55 bcf per year needed to supply a two-train operation.

¹ Alaska Department of Labor and Workforce Development, Quarterly Census of Employment and Wages, 2011.

In addition to natural gas, Agrium will purchase a variety of other goods and services in support of the Kenai operations. These purchases totaled \$15 million in 2001 (when the plant was operating at full capacity) and \$16 million in 2003 (when the plan was operated at about 75 percent of capacity). Adjusted for inflation, the 2003 expenditures have a current value of approximately \$20 million. While the magnitude of these non-gas expenditures is likely to be somewhat dependent on production volume, for purposes of this study non-gas purchases are assumed to total \$20 million for one and two-train operations.

In 2003, Agrium purchased goods or services from 384 different Alaska businesses scattered across most sectors of the economy. Approximately 210 of those businesses were located within the Kenai Peninsula Borough, with most of the remainder located in Anchorage.

INDIRECT AND INDUCED EMPLOYMENT AND PAYROLL

Spending on natural gas and other goods and services will create additional jobs in Alaska. Jobs and income that are generated as a result of business spending on goods and services are termed "indirect." Jobs and income are also created when workers employed by Agrium spend their payroll dollars in the local economy. This "induced" employment and income occurs throughout the economy wherever residents spend their income on household necessities, transportation, recreation, health care, other personal services, etc. Together indirect and induced impacts are termed "multiplier effects."

The most significant potential indirect employment impact would be related to the purchase of large volumes of Cook Inlet natural gas. Approximately 27 bcf/year will be required as feedstock for a single train operation and about double that for a two-train operation. As described previously, Agrium could spend \$102 million (single train) to \$204 million (two-train) annually to secure this gas.

Meeting Agrium's natural gas requirements locally would require a significant increase in Cook Inlet gas production, which in 2012 totaled 107 bcf. To the extent that new Agrium-related demand for natural gas spurs an increase in gas exploration and development activity, and ultimately an increase in Cook Inlet gas production, jobs will be created in the natural gas production sector. This would include jobs on production platforms and jobs with the wide variety of firms that provide goods and services to gas producers.

In previous studies, the IMPLAN model has provided multipliers for estimating the indirect and induced employment and payroll impacts of Agrium's Kenai operations. However, because the facility has not been in operation since 2007, up-to-date multipliers are not available. For purposes of this study, McDowell Group modified the older multipliers to account for inflation, changes in natural gas prices, and other factors to develop current multipliers that provide reasonable estimates of indirect and induced employment and payroll related to Agrium's Kenai operations. The results of the multiplier analysis are presented in the following table.

Production Employment and Annual Payroll Impacts

	Direct Employment	Indirect & Induced Employment	Total Employment	Direct Annual Payroll	Indirect & Induced Payroll	Total Annual Payroll
One Train	140	200	340	\$14 million	\$16 million	\$30 million
Two Trains	240	360	600	\$24 million	\$26 million	\$50 million

Source: Direct employment provided by Agrium. All others are McDowell Group estimates.

In total, restart of the north train will generate a total direct, indirect and induced employment impact of 340 jobs and \$30 million in annual payroll. Operation of both trains would have an employment effect of 600 jobs and approximately \$50 million in annual payroll.

Other Employment and Payroll Impacts

PLANT "TURNAROUNDS"

In addition to the ongoing direct and indirect employment associated with routine production operations (described above), approximately every four years a labor- and capital-intensive plant "turnaround" needs to be performed. Most inspection, maintenance and minor repair work on the plant can be conducted while the facility is operating. However, periodically, the plant must be shutdown to undergo major maintenance and equipment overhaul, a process called a turnaround. A turnaround at Agrium's Kenai facility can include as many as 1,000 workers employed over a four-week period. The budget for a turnaround would be approximately \$25 million to \$30 million, with about half of that amount spent on capital equipment. Most of the people employed in the turnaround will be contracted nonresident workers with specialized skills who travel from one turnaround project to the next. Nevertheless, spending by these workers on lodging, food, beverages and other things have a substantial short-term impact on the local economy.

EMPLOYEE WAGES

When in production previously, Agrium paid among the highest wages in the Kenai Peninsula Borough. In 2003, Agrium paid a monthly average wage of \$6,882, equivalent to an annual wage of \$82,584. In 2003, that was about two and a half times the economy-wide Kenai Peninsula Borough average of \$33,576. Though Agrium wages would certainly be higher today (or in the near future, after reopening), even the company's 2003 wages are well above prevailing wages in the borough. Compared to 2011 wages (the most recent available full-year data), Agrium's 2003 wages are still nearly double the combined government and private sector average. When adjusted for inflation, Agrium's average 2003 annual wage has a current value of \$104,634, more than double the Borough's average wage of \$42,156.

High wages are important from a socioeconomic perspective because of increased induced effects (those economic effects related to local spending of payroll dollars in the support sector) and because high wages are more conducive to home ownership, supporting a family, charitable contributions, and other local economic benefits described in the following chapter.

**Agrium Kenai Operations Average Monthly and Annual Wages
versus Kenai Peninsula Borough Average Monthly and Annual Wages**

	Average Monthly Wages	Average Annual Wages
<i>Agrium Kenai Operations (2003)</i>	\$6,882	\$82,584
<i>Agrium Kenai Operations (current value)</i>	\$8,719	\$104,634
All KPB Government Sector (2011)	\$4,090	\$49,080
All KPB Private Ownership (2011)	\$3,325	\$39,900
Total Government and Private (2011)	\$3,513	\$42,156

Source: Agrium (2003) and Alaska Department of Labor & Workforce Development.

Chapter 3. Other Economic Benefits of Agrium Kenai Operations

Re-start of Agrium's Kenai operations will have a range of economic benefits in addition to direct and indirect employment and payroll. This chapter describes and quantifies those benefits.

Kenai Peninsula Borough Tax Revenue

Agrium Property Tax Payments

Ten years ago, when the Agrium plant was in full production, Agrium was the second-ranked property taxpayer in the Kenai Peninsula Borough. In 2002, Agrium paid \$2.21 million in property taxes. Agrium alone accounted for about 5 percent of all borough property tax revenues.

As production was reduced to a single train, the taxable value of the plant declined, as did tax payments. Agrium's property tax payments totaled \$1.02 million in 2006. Most recently, in 2012, Agrium's total property tax bill was \$141,000.

With redevelopment and restart of the plant, Agrium's property tax assessment and tax payment will increase. Since 2002, the mill rate in the Agrium facility's taxing unit has declined from 12.05 to 10.12. If the property is assessed at a value equivalent to the amount invested in re-commissioning the facility (plus the assessed value of the property while it was not in production), the annual tax payment to the Kenai Peninsula Borough would be approximately \$2.2 million. That would place it among the top three largest property tax payers in the borough. In 2012, the Kenai Peninsula Borough took in \$54.1 million in property tax revenues.²

Additional investment to bring the second (south) production train on-line would result in further increase in assessed value, and further increase in property tax payments. Estimates of the cost to bring the south train into production are not available. However, it is likely that with the redevelopment of the second train, Agrium would become the largest property tax payer in the KPB.

Agrium Employee Property Tax Payments

All of Agrium's employees are expected to live in the Kenai Peninsula Borough and pay property taxes on their homes. While some future Agrium employees may already reside in the borough, the new jobs created by reopening the plant will result in an overall increase in population (all other forces in the economy held constant) and an increase in demand for housing, either directly or indirectly. As this increased demand for housing is met, residential property taxes paid to the borough will increase. While it is not possible to predict the assessed value of homes owned by future Agrium employees, general measures can be used to calculate property tax payments.

² Alaska Taxable 2012, Alaska Department of Commerce, Community and Economic Development.

Based on a borough-wide 2012 average taxable value for single-family residences of \$202,429³, taxed at the Borough mill rate of 8.57, and assuming all Agrium employees own their own home:

- Under a single train scenario, Agrium families would pay at least \$242,760 in Borough property taxes exclusive of additional service area and city taxes on residential property.
- Under a two-train scenario, Agrium families would pay at least \$416,357 in Borough property taxes.

Though not all Agrium employees may own a home (some may be renters), these are still conservative estimates. The much higher than average wages earned by Agrium employees would likely translate to larger, more expensive homes than the borough average, and in higher average assessed valuations. In addition, this figure does not include property tax contributions by the population of homeowners affected indirectly by Agrium's activity.

Sales Tax Revenue

While it is not possible to precisely calculate the Borough's sales tax revenue from future spending by Agrium and its employees, it is important to note there will be a positive impact. Kenai Peninsula Borough's 3 percent sales tax revenue results from a complex system of variable taxation depending on specific location of the expenditure, per invoice limit of \$500 regardless of the total value of the product purchased, expenditures by both residents and non-residents, and expenditures by Peninsula businesses and industries that are not exempt from sales taxation due to the resale provision of the sales tax code.⁴

However, given Agrium's potential total impacts could account for 1.7 to 3.1 percent of total Borough employment (depending on single- or two-train production), 3.7 to 6.2 percent of total Borough payroll and 0.9 to 1.7 percent of the Borough's population (see following section of this report for assessment of population impacts), plus Agrium's direct spending on goods and services, it is clear there will be additional direct and indirect sales tax revenues flowing to the Borough as a result of a restart of Agrium operations.

Alaska Taxable 2012, published by the Alaska Department of Commerce and Economic Development, states the per capita sales revenue for the Kenai Peninsula Borough (which levies a 3 percent sales tax) was \$500 in 2012.⁵ This figure includes all sales tax revenue (\$28,385,150) divided by the Borough's 2012 population (56,756). Applying this average to the Agrium-related population, sales tax revenue to the Borough will be approximately \$265,000 (single-train scenario) or up to \$467,000 (two-train scenario). These estimates are also conservative as they do not include sales tax revenues that would be paid by the Agrium-related population to the City of Kenai or the City of Soldotna, where no doubt some Agrium payroll dollars would be spent.

³ Per conversation with Dennis Mueller, Appraisal Manager, KPB Assessing Department (April 18, 2013).

⁴ <http://www2.borough.kenai.ak.us/financedept/>

⁵ <http://commerce.alaska.gov/dnn/Portals/4/pub/OSA%20TAXABLE%202012%20-%20FINAL%202013-02-05.pdf>

Other Economic Benefits

Charitable Contributions and Membership Organizations

Once back in production, Agrium is expected to return to its role as an important local community investor, supporting local nonprofit organizations and projects. While it is not known how much Agrium will contribute to charitable organizations in the future, their corporate history of giving provides some insight to their commitment.

In 2003, Agrium contributed \$194,740 in charitable donations or paid membership fees to 43 nonprofit organizations in Nikiski, Kenai, Soldotna, Homer, and Anchorage. Agrium also provided in-kind support to seven local organizations. These nonprofit organizations ranged from local school programs (in 22 different sports and academic activities), youth athletic and academic programs (17 activities), community services and civic organizations (16), environmental programs (1), senior services (42), and a variety of other health, sport, and economic development programs (19).⁶

Agrium also matched dollar-to-dollar its employees' contributions to the United Way of Kenai. In 2003, the total contribution to United Way, including employee contributions, was \$59,700.

It is anticipated future employees will be like past employees, actively giving back to their community as volunteers and providers of skills, equipment, and material.

In addition, Agrium is expected to fully reengage with local civic and business organizations, such as membership in the Alaska State Chamber of Commerce, Alaska Support Industry Alliance, Resource Development Council, Kenai Chamber of Commerce, North Peninsula Chamber of Commerce, Soldotna Chamber of Commerce, and Kenai Peninsula Convention and Visitors Bureau.

Social Impacts

Population

Re-development and operation of Agrium's Kenai operation will directly or indirectly result in population migration into the Kenai Peninsula Borough. It is safe to assume some new Agrium workers will be drawn from the existing local workforce; however, relatively low unemployment rates in the Kenai Peninsula Borough means the demand for workers will be shifted to other employers (sometimes termed job "back-filling"). The unemployment rate in the Kenai Peninsula Borough averaged 8.4 percent in 2012, the lowest rate since 2008. In August of 2012, the unemployment in the borough was 6.8 percent.

Participation rates can be used to estimate long-term population effects associated with an increase in the number of jobs in a community, region, or state. The participation rate is a measure of the relationship between the number of jobs and the number of residents in an area. Based on Bureau of Economic Analysis (BEA) employment data and population data from the U.S. Census and ADOLWD, the participation rate in Alaska has ranged from 0.63 to 0.65 over the past ten years, averaging 0.64 over

⁶ McDowell Group. *The Economic Impact of Closing Agrium Kenai Nitrogen Operations*, April 2004, p. 12.

that period. This means there has been an average of 64 jobs for every 100 residents in the state. (The job count includes jobs held by residents and nonresidents.) Participation rates vary from place to place, depending on a variety of factors. Larger communities, with better-developed economies, typically have higher participation rates than smaller communities.

Based on participation rate of 0.64, the population effects of restarting Agrium's Kenai operation would be:

- Under a single train operation scenario, the 340 Agrium-related jobs would support a population of 531, or 0.9 percent of the Kenai Peninsula Borough population.⁷
- Under a full production (two trains) scenario, the 600 Agrium-related jobs would support a population of approximately 935 or 1.7 percent of the Borough's total population.

Student Enrollment and Kenai Peninsula Borough School District Revenue

It is anticipated a portion of Agrium's employees will have school-age dependents (between the ages of 5 to 18). Presuming a similar ratio of employee households with school-age dependents as determined in a 2003 study and all students are enrolled in public schools in Kenai Peninsula Borough:

- Under a single train scenario, Agrium families would account for approximately 130 students (or 1.5 percent of the district's enrollment (FY 2013)).⁸
- Under a two train scenario, Agrium families would account for approximately 220 students (or 2.5 percent of enrollment (FY 2013)).

Based on the State of Alaska's public school funding formula, the Kenai Peninsula Borough School District receives funding from the State of Alaska for each student enrolled in its schools. For each Agrium dependent enrolled in the District, funding will differ depending on the size of the school attended, special needs of the student, and other factors. In FY 2013, the District received \$75,858,743 in state foundation funding for an Adjusted Daily Membership of 17,246.⁹ Using a simplified approach, on average, the District received \$5,325 per student. Using current funding as a guide:

- Under a single train scenario, Agrium families would account for approximately \$692,250 in state foundation funding to the District.¹⁰
- Under a two train scenario, Agrium families would account for approximately \$1,171,500 in state foundation funding.

⁷ 340 total jobs divided by the statewide average labor participation rate of 0.64.

⁸ According to the Kenai Peninsula Borough School District, the FY2013 enrollment was 8,892 students.

⁹ Average Daily Membership means the aggregate number of full-time equivalent students enrolled in a school district during the student count period for which a determination is being made, divided by the actual number of days that school is in session for the student count period for which the determination is made (AS 14.17.990).

¹⁰ According to the Kenai Peninsula Borough School District, the FY2013 enrollment was 8,892 students.

The Kenai Peninsula Borough School District also receives local funding support from the Borough government. Most of the borough revenue is generated by sales and property tax. As Agrium employees spend money in the community and also pay their property taxes, and Agrium pays its own property taxes, Agrium's presence will also have a positive impact on local revenue to the District. Additionally, federal revenue is expected to increase with each new student.

*Potential Impacts of Agrium's Operation
on State of Alaska Revenues*

Prepared for:
Agrium Inc.

Prepared by:


McDowell
GROUP
Juneau • Anchorage

January 2015

Potential Impacts of Agrium's Operation on State of Alaska Revenues

Reopening of the Agrium Kenai Nitrogen Operations will generate new tax and royalty payments to the State of Alaska. As a major purchaser of Cook Inlet natural gas, Agrium will stimulate royalty payments and production taxes. Further, profitable operation of the Kenai nitrogen facility will result in corporate income tax payments by Agrium to the State of Alaska. This brief study of Agrium's revenue impacts on the State of Alaska supplements a May 2013 McDowell Group report, *The Economic Benefits of Reopening the Agrium Kenai Nitrogen Plant*.

This supplement provides an overview of annual revenue impacts under a single-train operation. Based on assumptions and calculations described below, State of Alaska revenues from royalties and production taxes (less tax credits) would be \$15.0 million under a single-train production scenario.

Supply of Cook Inlet Gas to Agrium

While in operation, Agrium typically purchased 15 to 25 percent of Cook Inlet's annual production of gas. With the reopening of Agrium's facility, a single-train scenario requiring 28 billion cubic feet (bcf) of gas per year would use the equivalent of approximately 25 percent of Cook Inlet's gas production.

With increased exploration in the region, and as new fields are developed or considered for development, gas producers are seeking new or expanded markets. A commitment from Agrium to purchase large volumes of gas will provide a critical market to support current exploration and development efforts. While gas to feed the Kenai nitrogen operations may eventually come from a combination of existing and new Cook Inlet gas production, this study's underlying assumption is that annual Cook Inlet gas production ultimately will increase by the amount consumed by Agrium each year.

The rate of taxation on fields supplying gas to Agrium will differ depending on when those fields initially started producing. It is not possible to predict which specific fields (such as Beluga or Kitchen Lights) would provide gas to Agrium; however, for modeling purposes, it is assumed gas supply would come from a field that started production after April 1, 2006.

State Gas Production Revenue

Gas produced for the Agrium plant would be assessed a production tax and generate incremental royalty gas for the State of Alaska, as described below.

Royalty Gas Payments

While the rate may vary, the State of Alaska typically receives 12.5 percent of gas produced from State leases in Cook Inlet. The State can take ownership of this gas in a number of ways, but generally receives it in the form of royalty payments equal to the well-head value of the gas produced.

Production Taxes

Production taxes are levied on the Production Tax Value (PTV) of the gas, which is the remaining 87.5 percent of gross production (well-head) value after the royalty share and qualified expenses are deducted. (Qualified expenses include any gas used during its production, as well as some capital and operating costs.)

The amount of the production tax is dependent on the date the field in question originally produced gas:

- If the property supplying the purchased gas began producing prior to April 1, 2006, the production tax is the lesser of 35 percent or the rate that was in place during the previous 12 months.
- If the property supplying the purchased gas began producing after April 1, 2006, the production tax is the lesser of 35 percent or \$0.177/thousand cubic feet (mcf). This application of the tax was used in McDowell Group's calculations, which are presented in the table below.

Tax Credits

Finally, if the producer purchases or earns qualifying tax credits, these tax credits are subtracted from the production tax owed to the State of Alaska. These credits allow producers to deduct certain exploration and production expenses. The following is a list of tax credits for which a Cook Inlet gas producer may qualify:

- *Small Producer Tax Credit* – a maximum of \$12 million to companies with a relatively small statewide presence. Most Cook Inlet producers qualify for this tax credit, which often reduces their tax liability to zero.
- *Well Lease Expenditure Credit* – 40 percent of well-lease expenditures, predominantly qualifying exploration costs.
- *Qualified Capital Credit* – 20 percent of qualifying capital expenditures.
- *Loss Carryforward Credit* – 25 percent of a financial loss from the previous year.

Potential Revenue Scenario

Assuming most Cook Inlet producers would qualify for a Small Producer Tax Credit, the main revenue flowing to the State from Agrium gas purchases would result from the 12.5 percent royalty share. The table below provides a revenue scenario based on single-train production at Agrium's facility.

Cook Inlet Natural Gas Production Taxes and Royalty Payments

Total Gas Production

Royalty Payments
(12.5% of
Production)

Minus Production
Tax (17.7 cents/mcf)
after Tax Credits

These calculations assume a wellhead gas-value of \$5.70/mcf and further assume supply comes from a field that started production after April 1, 2006. In addition, it is anticipated that approximately 25 percent of the gas used for production will come from non-State leases, and 10 percent of value at the point of production qualifies as lease expenses. This model does not assume any other tax credits beyond the Small Producer Tax Credit.

Summary of Annual Royalty and Production Tax Revenue Impacts Under a Single-Train Production Scenario

	Single-Train Scenario
Gross Production (bcf)	28
Production from State of Alaska leases	21
Royalty Payment	
<i>Minus</i> Royalty Gas (bcf) (12.5% of gross production)	(2.6)
Net Producer Gas (bcf)	18.4
Royalty Payment (\$5,700,000/bcf)	\$14,962,500
Production Tax Payment	
Value at Point of Production (\$5,700,000/bcf)	\$104,737,500
<i>Minus</i> Qualified Lease Expenses	(\$10,473,750)
<i>Equals</i> Production Tax Value (PTV)	\$94,263,750
Production Tax Payment (\$177,000/bcf)	\$3,252,375
Small Producer Tax Credits (up to \$12 M maximum)	(\$3,252,375)
Total State Revenue Impact (Royalty Payment <i>plus</i> Production Tax Payment <i>minus</i> Small Producer Tax Credit)	\$14,962,500

Corporate Income Tax

The State of Alaska levies an income tax on corporations that ranges from 0 to 9.4 percent of taxable income. This tax liability depends on a number of factors, including the amount of federal taxes paid, whether the company is active outside Alaska, and whether it is an oil and gas company. For purposes of this analysis, it is assumed Agrium would be taxed at a rate of 9.4 percent.

The gas purchased by Agrium would result in at least two corporate income tax payments to the State.

The gas purchased by Agrium would result in at least two corporate income tax payments to the State. First, Agrium would pay income tax based on the factors mentioned above. Second, the producer of the gas presumably would also pay a corporate income tax to the State of Alaska.

State Revenue Economic Multiplier Effects

Taxes and royalty payments to the State of Alaska by Agrium and its gas supplier(s) would become part of a much larger pool of taxes and royalties generated by Alaska's oil and gas industry. Oil- and gas-related revenues account for the vast majority of all State of Alaska unrestricted General Fund revenue (88 percent in FY2014). These revenues are used to fund a broad range of agency operations, programs, and projects.

As the State spends these taxes and revenues (including those that would be generated directly or indirectly by Agrium's Kenai operations), jobs and wages are generated across Alaska.

It is possible to estimate the direct, indirect, and induced employment and wage impacts of State revenue Agrium would generate. Based on modeling previously conducted by McDowell Group for the Alaska Oil and Gas Association, \$1 million in tax and royalty payments translates (as it is spent by state government) into 9.6 jobs and \$475,000 in annual wages, including all multiplier effects.¹

The following table illustrates the jobs and wages that would be associated with taxes and royalties generated by Agrium's Kenai operations. For purposes of these calculations, total single-train revenues are estimated at \$15.0 million. This estimate represents total royalty payments plus conservative upward adjustments to account for corporate income tax payments by Agrium and the gas supplier(s).

**Jobs and Wages Associated with Taxes and Royalties
Generated by Agrium's Kenai Nitrogen Operations**

	Single-Train Scenario
Taxes and Royalties Paid	\$15.0 million
Employment	140 jobs
Annual Wages*	\$7.1 million

In addition to the jobs and wages presented in the table above, under a single-train production scenario, McDowell Group's 2013 study of the reopening of Agrium's Kenai plant estimated 140 direct jobs required to operate the plant with annual direct wages of \$14 million.²

¹ McDowell Group 2014, *The Role of Oil and Gas Industry in the Alaska's Economy*.

² McDowell Group 2013, *The Economic Benefits of Reopening the Agrium Kenai Nitrogen Plant*.

Corporation Income Tax Credit
Manufacture and Sale of Urea or Ammonia or Gas-to-Liquid Products
Produced from Natural Gas from State Leases
CSHB 100(FIN)

Qualification for the credit

- 1) Taxpayer must own the processing facility that produces urea, ammonia, or gas-to-liquid products
- 2) The facility must be in the state
- 3) The primary function of the processing facility is the manufacture and sale of urea or ammonia or the manufacture and sale of gas-to-liquid products
- 4) Sale of urea or ammonia or gas-to-liquid products must be to a third party
- 5) Sales transactions must be at arm's length
- 6) Gas must be delivered to the processing facility from state leases
- 7) Gas delivered to the processing facility must be from a lease with a royalty obligation to the state

Calculation of the Amount of Credit

- 1) Identify amount of gas delivered to the processing facility from state leases
- 2) Determine the royalty liability of the producer for the production of that gas
- 3) The available tax credit is the amount of royalty due from the producer/lessee to the state
- 4) If the contract price for the gas is accepted by the commissioner of natural resources, under section 1 of the bill, the royalty is the royalty percentage applied to that contract price
- 5) If the commissioner of natural resources does not accept the contract price, the amount of royalty is the amount ultimately determined by the commissioner

Applying the Tax Credit

The taxpayer eligible for the credit must:

- 1) Report the information required to be reported under AS 43.20.052(c) in sec. 2 of the bill; the information includes the name of the lessee selling the gas, the leases where the gas

was produced, the price of the gas, and the percentage the of the processing facility owned by the taxpayer

- 2) Determine the amount of corporate income tax due before application of credits
- 3) Deduct the credit authorized by the bill and other credits from the total tax
- 4) May not apply a credit or part of a credit that would reduce the taxpayer's liability for tax under the Alaska Net Income Tax Act (AS 43.20) below zero; and
- 5) May not transfer unused credits to another taxpayer or use the credits in a later taxable year

Effect of Credit for Urea and Ammonia Manufacture or Gas-to-Liquids Manufacture and Sale on State Treasury

- 1) Taken as a credit before payment of tax, there is no payment from the State; taxpayer just pays less tax
- 2) There is no direct link between royalty payments and the credit other than the amount of available credit is the amount of the royalty payments; the credit is no different than making the credit a percentage of what the taxpayer pays for the gas from state leases
- 3) Basing the credit on the royalty from state leases incentivizes the taxpayer to favor the purchase of gas from state leases
- 4) Opening a manufacturing facility expands the market for gas produced from state leases and the expanded market provides an incentive for increased exploration and development

What happens to the royalty paid to the state by the producer?

Royalty Received from the Producer

- 1) Producer pays royalty to the state either in kind or in value
- 2) Royalty paid to the state in value is a percentage of the value, commonly about 1/8 or 12.5 percent, sometimes higher
- 3) Part of the royalty is deposited in the Alaska Permanent Fund—25 percent under art. IX, sec. 15, Constitution of the State of Alaska and possibly up to an additional 25 percent under AS 37.13.010 depending on when leases were issued

- 4) Part of the royalty may be subject to deposit in the mental health trust fund if from mental health trust land (AS 37.14.031), and part may be subject to deposit in the public school trust fund (0.5 percent (one-half of one percent) AS 37.14.150)
- 5) Balance that is not allocated is deposited in the general fund

Mechanics of Taking the Tax Credit on the Alaska Corporation Net Income Tax Return

- 1) Taxpayer determines total tax liability before taking credits
- 2) Taxpayer determines total Alaska Incentive Credits, including the new credit in the bill (Other Alaska Incentive Credits include corporation income tax credits for oil and gas exploration and development, education contributions, oil and gas service industry expenditures, exploration incentives, employment of veterans, and film productions)
- 3) Total Alaska incentive credits are deducted along with federal-based tax credits
- 4) If the net Alaska income tax is less than zero, not all credits may be taken; some credits may be refundable to the taxpayer if they are a refundable credit (such as the refundable credits for a gas storage or LNG storage facility), ***but the tax credit in the bill is not refundable and may not reduce the taxpayer's tax liability below zero***

Alaska Corporation Net Income Tax Return

Form **6000**

For calendar year 2014 or the taxable year beginning _____, 2014, ending _____, 20____

2014

EIN		NAICS Code	Contact Person	
Name			Title	
Mailing Address		<input type="checkbox"/> Check if new address	Contact Email Address	
City	State	Zip Code	Contact Telephone Number	Contact Fax Number
Return Information (check applicable boxes)		<input type="checkbox"/> Federal extension is in effect (attach a copy of Form 7004) <input type="checkbox"/> Public Law 86-272 applies <input type="checkbox"/> Affiliated group includes tax haven corps <input type="checkbox"/> Carryback is waived for net operating loss		<input type="checkbox"/> Small corporation exemption (see instructions) <input type="checkbox"/> Exempt organization (see instructions) <input type="checkbox"/> S Corporation (attach Form 1120S) <input type="checkbox"/> Homeowners association (attach Form 1120H) <input type="checkbox"/> Personal Holding Company
<input type="checkbox"/> Final Alaska return <input type="checkbox"/> Consolidated Alaska return <input type="checkbox"/> Amended return				
If amended return box above is checked, then check the following boxes, if applicable:				
<input type="checkbox"/> amended return is filed to report IRS audit change		<input type="checkbox"/> this is a protective claim		

SCHEDULE A – NET INCOME TAX SUMMARY

1. Alaska income (loss) from Schedule H, line 12	1	
2. Alaska net operating loss utilized: carryover (_____) carryback (_____). Total	2	(_____)
3. Alaska taxable income. Add lines 1–2	3	
4. Alaska income tax from Schedule D, line 7	4	
5. Other taxes from Schedule E, line 6	5	
6. Total tax. Add lines 4–5	6	Total Tax
7. Other Alaska incentive credits from Form 6300, line 35	7	- Alaska Incentive credits
8. Federal-based credits from Form 6390, line 33	8	- Federal credits
9. Net Alaska income tax. Subtract the sum of lines 7–8 from line 6. If more than \$500, attach Form 6220	9	Net tax
10. Payments from page 3, Schedule C	10	
11. Alaska credit for prior year minimum tax (see instructions)	11	
12. Alaska refundable incentive credits from Form 6300, line 27	12	
13. Tax due (overpaid). Subtract the sum of lines 10–12 from line 9	13	
14. Penalty for underpayment of estimated tax (see instructions)	14	
15. Total amount due (overpaid). Add lines 13–14. If greater than zero, STOP	15	
16. Overpayment credited to 2015 estimated tax (enter as positive number)	16	
17. Refund. Add lines 15–16	17	

<i>I declare, under penalty of perjury, that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.</i>			<input type="checkbox"/> Check if the DOR may discuss this return with the preparer (see instructions)		
Officer's Signature		Date	Title		
Preparer's Signature		Date	<input type="checkbox"/> Check if self-employed	Preparer's SSN or PTIN	
Preparer firm's name (or yours if self-employed) and address			EIN	Phone	
City	State	Zip Code			

Alaska Incentive Credits

Form **6300**

2014

EIN	Name Shown On Return
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Part I: Order of Application

	1. Alaska income tax before credits. Enter amount from line 4 of Form 6000, 6020, 6100, or 6150	1	
Gas Exploration AS 43.20.043	2a. Gas exploration and development tax credit (AS 43.20.043) current year. Enter amount from Form 6320, line 4	2a	
	2b. Gas exploration and development tax credit carryover (attach schedule)	2b	
	2c. Tentative credit before tax limitation. Add amounts on lines 2a-2b	2c	
	3. Multiply line 1 by 75% and enter here	3	
	4. Gas exploration and development tax credit allowed in current year. Enter lesser of line 2c or line 3, here and on line 29	4	
	5. Subtract line 4 from line 1	5	
	6. Alaska other taxes (see instructions)	6	
	7. Add lines 5 and 6	7	
Education AS 43.20.014	8. Income tax education credit (AS 43.20.014). Tentative credit before tax limitation. Enter amount from Form 6310, line 6	8	
	9. Income tax education credit allowed. Enter lesser of line 7 or line 8, here and on line 30	9	
	10. Subtract line 9 from line 7	10	
O & G Service Industry AS 43.20.049	11. Oil and gas service industry expenditure credit (AS 43.20.049) Enter amount from Form 6327, line 3	11	
	12. Reserved	12	
	13. Tentative credit before tax limitation. Add lines 11-12	13	
	14. Oil and gas service industry expenditure credit. Enter lesser of line 10 or line 11, here and on line 31	14	
	15. Subtract line 14 from line 10	15	
Exploration AS 43.20.044	16. Exploration incentive credit (AS 43.20.044). Enter amount from Form 665	16	
	17. Exploration incentive credit (AS 43.20.044) allowed. Enter lesser of line 15 or line 16, here and on line 32.	17	
	18. Subtract line 17 from line 15	18	
Veterans AS 43.20.046	19a. Veteran employment tax credit (AS 43.20.048) Enter amount from Form 6325, line 5	19a	
	19b. Veteran employment tax credit carryover (attach schedule)	19b	
	19c. Tentative credit before tax limitation. Add amounts on lines 19a-19b	19c	
	20. Veteran employment tax credit allowed against tax. Enter lesser of line 18 or line 19c, here and on line 33	20	

EIN	Name Shown On Return
-----	----------------------

Film AS 43.98.030	21. Subtract line 20 from line 18	21	
	22. Film production tax credit (AS 43.98.030). Tentative credit before tax limitation	22	
	23. Film production tax credit allowed against tax. Enter lesser of line 21 or line 22, here and on line 34	23	
	24. Subtract line 23 from line 21	24	

Refundable Credits

Gas Storage AS 43.20.046	25. Gas storage facility tax credit (AS 43.20.046). Enter amount from Form 6321, line 8	25	
	26. LNG storage facility tax credit (AS 43.20.047). Enter amount from Form 6323, line 3	26	
LNG Storage AS 43.20.047	27. Total refundable incentive credits allowed. Add lines 25–26, and enter here and on Form 6000, 6020, 6100, or 6150, Schedule A, line 12	27	
	28. Tax against which federal-based credits may be allowed. Subtract line 27 from 24, but not less than zero (see instructions)	28	

Part II: Summary of Incentive Credits Allowed in Current Year (not refundable)

29. Gas exploration and development tax credit (AS 43.20.043). Enter amount from line 4	29	
30. Income tax education credit (AS 43.20.014). Enter amount from line 9	30	
31. Qualified oil and gas service industry expenditure credit. Enter amount from line 14	31	
32. Exploration incentive credit (AS 43.20.044). Enter amount from line 17	32	
33. Veteran employment tax credit (AS 43.20.048). Enter amount from line 20	33	
34. Film production tax credit (AS 43.98.030). Enter amount from line 23	34	
35. Total incentive credits allowed. Enter on Form 6000, 6020, 6100, or 6150, Schedule A, line 7	35	

April 6, 2016

The Honorable Anna MacKinnon
The Honorable Pete Kelly
Alaska State Capitol
Senate Finance Committee
Juneau, AK 99801

Subject: CS for House Bill No. 100 (FIN), An Act establishing a credit against income tax for an in-state processing facility that manufactures urea, ammonia, or gas-to-liquid products

Senator Mackinnon and Senator Kelly:

The purpose of this correspondence is to state the City of Soldotna's unequivocal support for CS for House Bill No. 100 (FIN), and to respectfully request that a hearing be scheduled before the Senate Finance Committee so that this important legislation may be heard and passed by the Legislature during this session.

The Kenai Peninsula and all of Alaska were significantly impacted when Agrium ceased operations, and more than 200 well-paying, full-time, jobs were lost.

Passage of HB100 is an important component of the re-opening of the Agrium plant for the manufacturing of products to the world export market, and for products that are used in Alaska. Urea and other products manufactured by Agrium such as fertilizers and ice-melt were sold throughout the State.

The proposed tax incentive is crafted in such a manner as to provide tax relief only if Agrium/Manufacturer generates sufficient gas demand to produce income to the State of Alaska greater or equal to the tax incentive. Further, under HB100, the tax incentive would expire on December 31, 2024, thereby increasing revenues to the State.

The passage of this legislation would be a win for Alaska workers, their families the state and local governments.

A corresponding resolution of support will be before the Soldotna City Council on April 13, 2016.

The City of Soldotna urges your consideration and support for CSHB100(FIN).

Sincerely,



Hon. Pete Sprague
Mayor, City of Soldotna

Doniece Gott

From: Sen. Anna MacKinnon
Sent: Tuesday, April 05, 2016 5:19 PM
To: Senate Finance Committee
Subject: FW: Support for HB 100

Kristen Pratt

Legislative Aide
Office of Senator Anna MacKinnon
Alaska State Legislature
Alaska State Capitol | Room 516
(907) 694-8944

From: Dennis Smith [mailto:DennisS@akwaste.com]
Sent: Monday, April 04, 2016 2:05 PM
To: Sen. Anna MacKinnon <Sen.Anna.MacKinnon@akleg.gov>
Subject: Support for HB 100

Good afternoon Senator Mackinnon,

I just wanted to note my continued support for HB100. The benefits to local communities for industrial projects, like the re-start of Agrium, Inc., on the Kenai Peninsula, will be many fold. More than that, the trickle-down effects of increased job availability and income will reach from our community and circulate statewide. Expansion of industry, more local manufacturing, and profitable exportation of Alaskan products will necessarily boost the state's economy, especially in this time of need. It will give exploration companies and production of natural resources an economic reason to continue; which in South-central Alaska may have long reaching benefits in the form of continued natural gas supplies for our region.

It's important to remember that we need industry to offer jobs and an economy to support the citizens of Alaska. HB100 will help maintain and develop the businesses needed to move Alaska forward and to provide in the future. Like most investments, it may seem to be expensive now, but will be reap considerable economic rewards in the long term.

Regards,

Dennis E. Smith

Kenai Peninsula Outside Sales Representative

Alaska Waste-Kenai Peninsula Area

PO Box 1209

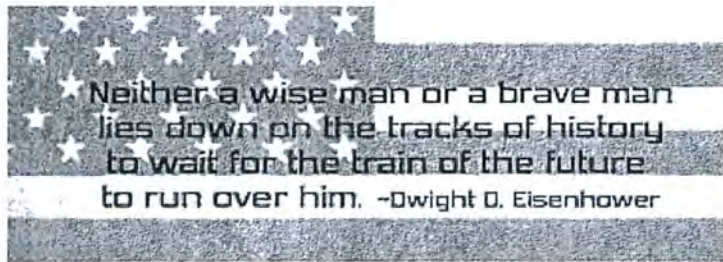
Soldotna, Alaska 99669

1-907-420-3123

1-907-283-9390 ext 31123

Fax 1-907-262-4370

Cell 1-907-398-3348





14896 Kenai Spur Highway, Suite 103-A • Kenai, AK 99611
Phone: (907) 283-3335 • Fax: (907) 283-3913
www.kpedd.org

Leadership to enhance, foster and promote economic development

April 1, 2016

Senator Anna Mackinnon
State Capitol Room 516
Juneau AK, 99801.

Greetings Senator,

I am writing in support of HB 100 which has important ramifications for the Kenai Peninsula. The structure of this legislation is appropriate in scope and reach for creating jobs, infusing cash into our economy, increasing tax base for our borough and benefiting the State of Alaska.

During our current economic environment HB 100 could mitigate a downturn in our local economy while increasing benefits to the State of Alaska through increased revenues. Sun setting the legislation after six years and tying purchase of state royalty gas are important policy mechanisms to ensure proper implementation.

Cook Inlet gas exploration and usage would be an additional benefit as well. Combined with the Restart Project would stabilize our local economies during a possible multiyear slowdown. Please consider all the incredible opportunities that this legislation proposes when voting. This is one possible bright spot during a time when all the news seems to be negative.

Thanks in advance for consideration of HB 100 with all the other issues and legislation before you this critical year.

Cordially Yours,

Rick A. Roeske
Executive Director
KPEDD
14896 Kenai Spur Hwy, #103-A
Kenai, AK 99611
Office (907)-283-3335 Ext. 2
Cell (907)-953-1276



Leadership to enhance, foster and promote economic development



Alaska Regional Development Organization (ARDOR)
The State of Alaska Department of Commerce, Community and Economic Development certified KPEDD as an ARDOR in 1989.



Economic Development District (EDD)
The U.S. Department of Commerce, Economic Development Administration (EDA) recognized KPEDD as an Economic Development District in 1988.



14896 Kenai Spur Highway, Suite 103-A • Kenai, AK 99611
Phone: (907) 283-3335 • Fax: (907) 283-3913
www.kpedd.org

Leadership to enhance, foster and promote economic development

April 16, 2015

Greetings,

KPEDD strongly supports the Agrium request for the scheduling of a hearing for HB 100. The State of Alaska faces many current challenges with low oil prices. Support for HB 100 in the Kenai Peninsula is related to adding jobs at a time when local Gas and Oil firms are laying workers off. This additional employment support would bolster cash circulation amongst local business, stopping a slowdown from becoming worse.

Encouraging Agrium to reopen will keep the exploration that has been revitalized in the Cook Inlet going which helps both industry and the gas utilities. Both have been looking for dependable and cost effective gas supplies. There are also two potential gas suppliers that would need an entity like Agrium to ensure that their projects have demand for their bringing gas to market. These projects also will be employing local hire and add to the circulation of money in our Peninsula economy for several years. The rail-belt needs dependable and affordable gas supplies which Agrium's demand would encourage additional drilling for supply.

I support the wise allocation of capital into projects that have a long time horizon, employ people to live and work locally and the benefits that come to the local economy. Given the current State of Alaska funding issues I respectfully request that you also consider HB 100 for inclusion into the last weeks crush of legislation.

Cordially Yours,

A handwritten signature in black ink, appearing to read 'Rick A. Roeske'.

Rick A. Roeske
Executive Director



Alaska Regional Development Organization (ARDOR)
The State of Alaska Department of Commerce, Community
and Economic Development certified KPEDD as an
ARDOR in 1989.



Economic Development District (EDD)
The U.S. Department of Commerce, Economic
Development Administration (EDA) recognized KPEDD
as an Economic Development District in 1988.

Doniece Gott

From: Jeff Epperheimer <jeff@epperheimerinc.com>
Sent: Thursday, April 23, 2015 10:51 AM
To: Rep. Mike Chenault; Sen. Mia Costello; Sen. Cathy Giessel; Sen. Pete Kelly; Sen. Anna MacKinnon; Sen. Peter Micciche
Cc: Kevin Epperheimer; rewarren@agrium.com; Jeff Epperheimer
Subject: Support of HB 100 - Epperheimer Inc.

Hello Mike, Mia, Cathy, Pete, Anna & Peter,

We are in support of HB 100 for the proposed tax credit for AGRIMUM I wish for you to consider the economic state of the local community. It is my opinion that the community of Nikiski needs a place to "Go to Work". With the possibility of the Alaska LNG line looming it has been an encouragement to plan for local investment, but that is a true investment by locals that would be in half a decade if the project even proceeds. We need economic growth now and it is of my opinion that we should be looking for that opportunity now. This HB 100 could help expedite a decision by AGRIMUM to start their facility within the next 2 years and encourage capital spending to ready the facility starting this year, which will energize the local economy in this time of low oil prices. We need another production of resources that is not so reliant on oil prices.

Aside from Alaska being the last great state, we need to encourage spending into the economy, directly and indirectly. AGRIMUM employed a large part of our workforce and was a generous community supporter in the past and it can be in the future if they can pencil the re-start of this facility.

As a local business located in Nikiski for the last three and half decades, We support this Bill.

Have a good day.

Thanks,

Jeff Epperheimer



47405 Spruce Haven Street

Kenai, AK 99611

Office : (907) 776-8004

Fax : (907) 776-8488

Cell : (907) 252-9771

Website : www.epperheimerinc.com

March 09, 2015

Dear Representative Chenault:

Alaska Mill and Feed has been an integral part of granular fertilizer distribution in the Alaska Market for over 30 years. In fact, our fertilizer blending facility was built in a large part due to the availability of the local supply of urea on the Kenai Peninsula. We were able to bring to the Alaska market a competitively priced product for not only the agricultural community but also to the individual homeowner with our Arctic Gro Brand of fertilizer products. In addition, we sold urea to the local airports as a deicing agent.

Now that the Urea plant has been closed for several years we have seen shrinking margins and higher costs to the agricultural community, Alaska homeowners, and the State of Alaska to maintain airport runways.

The bottom line is that opening the Urea plant in Kenai will lower costs in all these areas. In addition it will help spur the local Kenai area economy by creating needed well paying jobs, Encouraging Agrium to open this plant is the right thing for Alaska and its residents.

Please support House Bill 100.

Sincerely,

Joel Klessens

President

Univar USA Inc
590 E 100th Avenue
Anchorage, AK 99515
USA

907 344 7444 T
907 522 1486 F
www.univarusa.com



March 28, 2015

State of Alaska Legislators:

Re: House Bill 100 – Tax Abatement – Agrium Kenai Operations

I'm not sure that Alaskans could have too many jobs, but we should always encourage and support jobs that create gainful long-term substance. To that end, I encourage your favorable attention to the minimized balance of taxation to support the re-start of the Agrium Kenai Nitrogen Operations.

Having been a long time supplier partner of Agrium (and formerly Unocal) Univar and its selection of manufacturing supporters are in favor of Agrium receiving tax abatement considerations to help them return to some measure of their former economic glory. Not to mention the jobs that a re-start would create, it is sound economically and financially beneficial to the State of Alaska to re-install Agrium as a contributing exporter of Alaskan natural resource development.

The resource development potential that Cook Inlet possesses should be supported by the State of Alaska for those individuals and companies who are willing to invest in getting those idle resources into the global economy.

Please do your part to abate the tax structure with appropriate incentives in order to reinstate jobs both directly and indirectly.

Kindest regards,

A handwritten signature in cursive script, appearing to read 'Ken D Lambertsen'.

Ken D Lambertsen
District Manager – Univar USA Inc
Anchorage, Alaska

Cc: Steve Wendt, Agrium, Jason Miller, Univar,



UDELHOVEN

Oilfield System Services, Incorporated

184 East 53rd Avenue
Anchorage, Alaska 99518-1222
(907) 344-1577 Fax (907) 522-2541

Speaker Mike Chenault

I would like to express my strong support for the House Bill 100 which is encouraging the re-start of the Agrium Kenai facility. In 1978 the facility became the continent's second largest nitrogen-based fertilizer plant. Agrium is a steady market and could establish a steady market for explorers and give them a reason to invest.

This is a big jobs issue for the Cook Inlet area, and there are a large number of indirect jobs generated by a facility like KNO, this could be an economic reach that goes well beyond the Kenai and into many communities throughout the State. The businesses that support their effort also work with the community to make it a better place to live; this is a win, win for everyone.

Sincerely,

Jim Udelhoven

April 14, 2015

State Representative Mike Chenault
State Capitol Room 208
Juneau, AK 99801

Re: **HB100 – Urea/Ammonia Facility Tax Credit**

Dear Representative Neuman,

I am writing to express my support for HB100 – Urea Facility Tax Credit. I have been involved in the oil and gas business for nearly 35 years. I am President and CEO of two oilfield service companies, Kakivik Asset Management, LLC (a full service integrity management company) and CCI Industrial Services, LLC, a provider of operations and maintenance services ranging from coating and painting, pipeline insulation installation and repair, and hazardous materials handling and management.

HB100 is important to our state's economy, and specifically, the local economy on the Kenai Peninsula.

- **Jobs:** Alaskan jobs are jeopardized by the downturn in oil and gas prices. If Agrium is able to restart their Kenai facility, there is a good opportunity to mitigate these potential losses. Not only that, but these direct job opportunities impact other support industries throughout the region and state.
- **Cook Inlet's economy:** Agrium has been a major contributor to the Cook Inlet economy and community for many years; though tightening of gas supplies prior to 2010 caused a significant change in their Kenai plant. Now that more gas has been discovered and brought on line, Agrium again has an opportunity to commence meaningful operations and provide Cook Inlet with much needed stability.
- **State Benefits:** Not only will Kenai benefit from the restart of Agrium's facility, but state revenues and the economy will be boosted as well.

For reasons noted above, I strongly encourage the passage of HB 100. Thank you for your consideration.

Sincerely,



Ben Schoffmann
President & CEO

Kakivik Asset Management, LLC and CCI Industrial Services, LLC



ALASKA FARM BUREAU, INC.

Bryce Wrigley, President
bjwrigley@gmail.com

Amy Seitz, Executive Director
amy.seitz@gmail.com

March 18, 2015

Representative Mike Chenault
State Capitol
Juneau, AK 99801

Dear Speaker Chenault:

Thank you for your efforts to increase resource development in Alaska. The Alaska Farm Bureau supports your efforts with HB 100.

As you are aware, opening the Agrium plant again will benefit the agriculture community. For years many farmers purchased fertilizer from the Nikiski plant. When Agrium closed, fertilizer had to be shipped in, adding a significant increase to the operating costs for hay, barley, oats, straw, etc. This, in turn, increased the costs to farmers purchasing these products for feed, as well as for consumers wanting to purchase local food.

Having a local fertilizer source is not just an economic benefit to agriculture, but also solidifies Alaska's food security. Imagine the incalculable value of having an in-state fertilizer source in the event of some major disruption in West Coast ports.

The Alaska Farm Bureau also supports this bill for the other economic benefits to Alaska. There will be an increase in jobs, the obvious ones at the plant, as well as the indirect jobs generated by a facility like KNO. Having a steady market for gas supplies gives a reason for explorers to invest.

The economic benefits from increasing gas exploration and production as well as decreasing the costs for the agricultural industry are many. Each dollar we can keep in Alaska, instead of going outside for things such as fertilizer, will get re-circulated in feed stores, grocery stores, hardware stores, etc.

Thank you again for efforts to benefit the gas and agricultural industries with House Bill 100.

Sincerely,



Bryce Wrigley, President
Alaska Farm Bureau, Inc



Homer Electric Association, Inc.

Corporate Office
3977 Lake Street
Homer, Alaska 99603-7680
Phone (907) 235-8551
FAX (907) 235-3313

Central Peninsula Service Center
280 Airport Way
Kenai, Alaska 99611-5280
Phone (907) 283-5831
FAX (907) 283-7122

March 11, 2015

Representative Mike Chenault
Speaker of the House, Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault:

RE: Agrium Facility Re-start

Homer Electric Association (HEA) would like to recognize efforts to re-start the Kenai Agrium facility by supporting HB 100, currently being considered in the Alaska Legislature. The bill, if approved, would establish a tax abatement that the Kenai Agrium facility would qualify for once the plant was re-furbished and operating.

The following objectives are potential benefits of re-starting the Kenai Agrium facility:

- Jobs - With oil and gas prices low, it is only a matter of time before job losses mount in the oilfield. It is important to mention that Agrium's "economic reach" goes well beyond Kenai and into many communities throughout the State.
- Business - It is not just about hiring people to work at the Kenai Agrium facility, it is also about the overall economic impact. There are a large number of indirect jobs generated by a business like the Kenai Agrium facility.
- Cook Inlet - Just a few years ago we were looking at importing natural gas to energize the Railbelt. New exploration and production have saved us from that, but now it is time to establish a steady market for producers. Absent a gas buyer like Agrium giving explorers a reason to invest, the Railbelt is going to wind up in the same situation it was in a few years ago.

Should you have any questions or require additional information, please feel free to contact me at (907) 283-2312 or email to bjanorschke@homerelectric.com.

Sincerely,

Bradley P. Janorschke
General Manager

cc: Steve Wendt, Agrium U.S. Inc. Facility Manager

Doniece Gott

From: Don Gough <sems@gci.net>
Sent: Wednesday, April 15, 2015 1:53 PM
To: Rep. Mike Chenault
Cc: Sen. Peter Micciche; Sen. Pete Kelly; Sen. Cathy Giessel
Subject: HB 100

Hey Mike,

I talked with Steve Wendt out at Agrium today. Naturally, the subject of HB 100 came up. I wanted to voice my support for this legislation. Having Agrium reopen would be great for Kenai, Nikiski and Alaska. They were a strong supporter of us here at Superior Electric as well as an employer that provided a lot of quality jobs. In addition to the jobs they provide directly I anticipate having the need for at least three new employees in my shop, at a minimum, were they to reopen.

I hope to see HB 100 come out of the Senate this week before the current legislative session ends.

Don Gough

Superior Electric

907.283.9602

Doniece Gott

From: O Z <ggmachineshop@hotmail.com>
Sent: Thursday, April 16, 2015 9:53 AM
To: Rep. Mike Chenault
Subject: HB 100

Follow Up Flag: Follow up
Flag Status: Flagged

Mr. Speaker

I would like to inform you that as a private citizen and business owner, I truly believe that the above should be passed to restart the Agrium facility on the Kenai Peninsula. Not only will it provide jobs, it will also increase a steady market for gas production that will affect the entire state. I am in total support of passing HB 100.

Donna Gunter, President

G & G Machine Shop, Inc.

Nikiski, Alaska

Doniece Gott

From: Jay Goold <jaygoold@paramountsupply.com>
Sent: Friday, March 27, 2015 10:10 AM
To: Rep. Mike Chenault
Subject: House Bill 100

Importance: High

Good Morning Representative Chenault,

I appreciate you sponsoring HB 100. It is most important for the following reasons which I know you are aware of.

· Jobs - with oil and gas prices low it's only a matter of time before job losses mount in the oilfield. It could be important to mention that Agrium's "economic reach" goes well beyond Kenai and into many communities throughout the State.

· Business - its not just about hiring people to do KNO work, it's also about the cash infusion from doing it. There are a large number of indirect jobs generated by a facility like KNO.

· Cook Inlet - just a few years ago we were looking at importing natural gas to energize the rail-belt. New exploration and production have saved us from that, but now it's time to establish a steady market for explorers, and Agrium is steady market. Absent a gas buyer like Agrium giving explorers a reason to invest, the rail-belt is going to wind up in the same situation it was in a few years ago.

· State benefits - we want the state of Alaska seen as a good place to do business, and the state wants to add value to it's natural resources. It's appropriate for the state to partner with companies like Agrium to attract private investment.

Respectfully,
Jay Goold

Jay Goold
Manager
Paramount Supply Company
7928 King Street
Anchorage, Alaska 99518 USA
Office: 907-349-0280
Cell: 907-244-0365 (24/7)
www.paramountsupply.com

Glacier Electric Construction, Inc.

**P.O. Box 2065
Soldotna, Alaska 99669
907-262-9391 Office
907-262-5937 Fax
907-398-0116 Cell**

April 2, 2015

Representative Mike Chenault

RE: House Bill 100

I am contacting you to ask for your support on HB 100.

With the State of Alaska's economic forecast and the declining oil prices we need to encourage more revenue generating industry in the state. We are in a unique situation on the peninsula and have a great opportunity to diversify state revenues so we are less dependent on oil prices. Reopening the Agrium Facility will have a huge positive economic impact for the Kenai Peninsula and as we know from previous experience that the economic impact travels throughout Alaska and provides many indirect jobs. Agrium supports small local businesses and that is the backbone of most communities. Opening Agrium will create an immediate local market for the gas producers to sell to which provides industry stability and encourages future process and exploration investment.

Passing HB 100 is a positive industry gesture and reopening Agrium will create good paying jobs for many years. This can provide jobs for oil field workers that are being laid off now. I am a lifelong Alaskan and have lived on the Kenai Peninsula since 1960. Thank you for your consideration on this matter.

Sincerely,

Terry Stone
Terry@glacierelectric.net



Dowland-Bach Corporation

Physical: 6130 Tuttle Place, Anchorage, AK. 99507

Mailing: PO Box 230126, Anchorage, AK 99523

Tel: 907/562-5818 Fax: 907/562-5816

www.dowlandbach.com

Lynn@dowlandbach.com

April 6, 2015

House Resources Committee
Co-Chair Rep. Ben Nageak
Co-Chair Rep. David Talerico
Vice-Chair Rep. Mike Hawker

RE: HB100- Urea/Ammonia Facility Tax Credit

Dear House Resources Committee:

Dowland-Bach is a forty year old Alaska based manufacturing, distribution and automation services firm based in Anchorage. Our primary clients are the oil and gas industry in Alaska and around the world. We are one of Alaska's relatively few manufacturing entities, building controls systems, UL control panels and production and chemical injection skids and modules for industry in Alaska. Our company benefits both directly and indirectly from increased resource development in the form of continued jobs and manufacturing and distribution services.

I am writing to express Dowland-Bach's support of HB100 – Urea Facility Tax Credit. Specifically:

Jobs: With oil and gas prices low, job losses are beginning to occur in the oilfield. This bill could have a significant impact on Agrium's work to restart their plant, which has numerous benefits for the entire Alaska economy.

Business: The impact of an Agrium restart is not just about the people working on the plant in Kenai. The overall cash infusion and indirect jobs across Alaska would be dramatic and important for the entire State. Cook Inlet has rebounded and customers like Agrium, as a steady customer, would insure that this continues.

In summary, I am fully supportive of the intent of this bill and respect your diligence in moving this forward in the best interest of Alaska's economy.

Sincerely,

Lynn C. Johnson
Chairman, Dowland-Bach Corporation



April 17, 2015

Dear Resource Committee Chair & Finance Committee Chair

This letter is to affirm our (*Keco*) support to House Bill 100. We would point out the following key benefits of this important legislation -

- Jobs - with oil and gas prices low it's only a matter of time before job losses mount in the oilfield. It could be important to mention that Agrium's "economic reach" goes well beyond Kenai and into many communities throughout the State.
- Business - it's not just about hiring people to do KNO work, it's also about the cash infusion from doing it. There are a large number of indirect jobs generated by a facility like KNO.
- Cook Inlet - just a few years ago we were looking at importing natural gas to energize the rail-belt. New exploration and production have saved us from that, but now it's time to establish a steady market for explorers, and Agrium is steady market. Absent a gas buyer like Agrium giving explorers a reason to invest, the rail-belt is going to wind up in the same situation it was in a few years ago.
- State benefits - we want the state of Alaska seen as a good place to do business, and the state wants to add value to its natural resources. It's appropriate for the state to partner with companies like Agrium to attract private investment.

We are confident that HB 100 is good legislation that will promote the development of such a critical need for not only this community but for the State of Alaska. We are so convinced of this legislation's importance, that we are happy to solicit support of it among local chapter of the National Electrical Contractors Association (NECA AK Chapter) affiliation.

Thank you

Mark Cialek



Kachemak Electric Co.

President

Main: (907) 283-3360

Fax: (907) 384-5472

Cell: (907) 394-2390

mark@kachemakelectnc.com



6407 Arctic Spur Road, Anchorage, Alaska 99518
(907) 562-0707, Fax (907) 562-2426

March 26, 2015

Dear Speaker Chenault,

I own Arctic Wire Rope & Supply, an industrial manufacturing and supply company in Anchorage. I am writing to encourage passage of HB 100.

Obviously I have a vested interest in seeing this happen as we were a strong supplier to Agrium in the past but reopening the plant would have more far reaching economic impact than my shop, especially in the Kenai area. At a time when abundant oil and gas is having a negative impact on the Alaskan economy, this is actually a unique way for us to take advantage of an oversupply of gas.

Much like what Iceland is doing with aluminum smelting leveraging their hydropower, we can do the same with our new found gas, creating more local value by turning the gas into fertilizer. I especially like the concept of "pay to play" as the state doesn't give credits until the Agrium facilities are up and running.

The more value added manufacturing we can do, especially at the present time, the better.

Thank you for your consideration,

A handwritten signature in black ink, appearing to read "Eric McCallum".

Eric McCallum
President
Arctic Wire Rope & Supply, Inc

cc:

Representative Benjamin Nageak
Representative David Talerico
Representative Mike Hawker



March 31, 2015

15-GEN-035

Representative Mike Chenault
Alaska State Legislature
State Capitol Room 208
Juneau AK, 99801

Re: Support HB100

Dear Mr. Speaker:

I am writing this letter on behalf of Peak Oilfield Service Company LLC and, more specifically, our 400-plus employees located in and around the Cook Inlet. Our company relies heavily on the oil & gas industry throughout the State of Alaska. In turn we provide good-paying jobs that help create and sustain a vibrant economy. Peak is in full support of HB100, and we view this opportunity to diversify the economic engine for the area as a step in the right direction. The real potential for inspiring the restart of the Agrium Facility lies with the tremendous "economic reach" that would go beyond Kenai and directly affect many communities throughout the State of Alaska. Finding and encouraging large consumers of Cook Inlet gas will help spur additional exploration and development.

I appreciate all of the efforts that you and your colleagues have accomplished to date, and wish to make clear you have my support with our industry's best interest in mind.

If you have any further questions or require additional information, please do not hesitate to contact me at (907) 263-7008.

Sincerely,

Patrick M. Walsh, PE
President & CEO

Cc: Co-Chair: Representative Steve Thompson
Co-Chair: Representative Mark Neuman
Vice-Chair: Representative Dan Saddler

March 06, 2015

Dear Representatives Neuman, Thompson, and Sadler:

We operate a feed mill, a commercial distribution business for horticultural and revegetation products, a retail operation, and a fertilizer blending plant. We built our fertilizer plant thirty plus years ago to take advantage of the urea produced on the Kenai Peninsula. As you know, urea is a source of nitrogen and the plant provided us with a very price competitive nitrogen source. We continued to supply our plant with the nitrogen from Kenai until the plant was closed several years ago. Currently, we bring in rail cars of urea from Agrium's Canadian plants.


Even though we import urea via rail, our products are still competitive, but our margins have shrunk and the additional transportation costs, which are substantial, are passed on to our customers. Alaskans pay more for everything because of transportation and because there are very few manufacturing facilities in the State. The Agrium plant in Kenai was the rare exception and it made a significant difference from a supply and a cost stand point.

Our customer base is much larger and more diverse than you might imagine. We supply the State DOT with urea from the West Coast for deicing for smaller, rural airports throughout Alaska. Before the Agrium Plant closed, the Kenai urea was used at the airports. Our retail packages of fertilizer are sold in all the major chain stores and independent retail outlets under the Arctic Gro brand. Our Arctic Melt brand ice melt products which are also sold in most retail outlets contain a few urea based specialty products. We also supply commercial contractors, landscapers, government agencies, municipalities, and farmers with fertilizer.

If State leaders are serious about diversifying our economy, encouraging additional exploration, promoting well paying job growth, encouraging local manufacturing, and lowering costs to the residents of Alaska, they need to encourage Agrium to open the urea plant in Kenai.

I support House Bill 100 and I hope you will also.

Sincerely,



Ken Sherwood
C.E.O.

March 20, 2015

House Resources Committee
Co-Chair Rep. Ben Nageak
Co-Chair Rep. David Talerico
Vice-Chair Rep. Mike Hawker

RE: HB100 – Urea/Ammonia Facility Tax Credit

Dear House Resources Committee:

Lynden is a multi-modal transportation and logistics company, with over 900 Alaska employees, a history of scheduled service to Alaska starting in 1954, and extensive activity throughout the state of Alaska, including support for all segments of the economy. Lynden has provided transportation services for the resource industry including significant logistics support for virtually every project in Alaska. Our company benefits both directly and indirectly from increase resource development in the form of continued jobs and transportation services.

I am writing to express Lynden's support of HB100 – Urea Ammonia Facility Tax Credit. Specifically:

- ✓ Jobs - with oil and gas prices low job losses are beginning to occur in the oilfield. This bill could have a significant impact on Agrium's work to restart their plant, which has both direct and indirect job benefit (including companies such as Lynden) for the local and Alaska economy.
- ✓ Cook Inlet - just a few years ago we were looking at importing natural gas to energize the rail-belt. New exploration and production improved the outlook for the peninsula. The re-start and engagement of Agrium as an active participant in the market is beneficial to the continued exploration and development in Cook Inlet which benefits Alaska by diversification and stabilization in the gas market.

As you are aware, tax credits are a long-standing tool that can be utilized with the specific intent of spurring new developments and good jobs in the resource sector. With that in mind, we are fully supportive of the intent of this bill and respect your diligence in moving this forward in the best interests of Alaska's economy.

Sincerely,

LYNDEN TRANSPORT

Paul Friese
Vice President of Sales – Alaska

Cc: Rep. Mike Chenault – Bill Sponsor



The Honorable Speaker of the House Chenault
29th Alaska State Legislature
Juneau, Alaska

April 6, 2015

**Subject: Letter of Support for House Bill 100
Relating to tax credits for certain in-state processing facilities**

Dear Speaker Chenault,

Furie Operating Alaska, LLC ("Furie") is a new Cook Inlet oil and gas exploration and development company. This spring and summer, we will be installing the first offshore natural gas production platform in the Cook Inlet since the Osprey in 2000. Furie is forecasting our first natural gas production in October 2015.

Furie's successful exploration program, natural gas discovery, and upcoming production infrastructure can be accredited in part by the forward-thinking legislative actions that established the Cook Inlet exploration and development tax credit programs. This extremely successful program is evidenced by new oil and gas E&P companies coming to Alaska to do business, the resurgence of new businesses and economic development across the Kenai Peninsula, increased natural gas reserves and production, the restarted LNG shipments to Japan, the hopeful reopening of the Agrium fertilizer plant, and all of the direct and indirect jobs that have been created for Alaskans.

As with the oil and gas tax credits, the credits contemplated in HB 100 will help to continue new development and the re-opening of the Agrium fertilizer plant. Among other things, the Agrium plant will create a new market for recently discovered and the re-developed natural gas reserves.

As you know from living on the Kenai Peninsula, oil and gas exploration and development has caused a renaissance in new businesses, developments, and jobs. The reopening of the Agrium fertilizer plant in Nikiski will continue that trend. Furie supports your efforts with HB 100.

Should you have any questions, please do not hesitate in contacting me.

Respectfully Yours,

A handwritten signature in black ink that reads "Bruce Webb". The signature is written in a cursive, flowing style.

Bruce Webb
Senior Vice President

Doniece Gott

From: Sen. Anna MacKinnon
Sent: Sunday, April 03, 2016 12:56 PM
To: Senate Finance Committee
Subject: FW: HB 100

From: BENSON, Brian [mailto:brian.benson@airliquide.com]
Sent: Saturday, April 02, 2016 12:55 PM
To: Sen. Peter Micciche <Sen.Peter.Micciche@akleg.gov>; Sen. Anna MacKinnon <Sen.Anna.MacKinnon@akleg.gov>; Sen. Pete Kelly <Sen.Pete.Kelly@akleg.gov>; Rep. Mike Chenault <Rep.Mike.Chenault@akleg.gov>
Cc: Bob Cook <Bob.Cook@airliquide.com>; David CUSHMAN <david.cushman@airliquide.com>; Daniel Rogers <dan.rogers@airliquide.com>
Subject: HB 100

I just wanted to note my continued support for HB100. The benefits to local communities, like the re-start of Agrium, Inc. in the peninsula will be manifold. More than that, the trickle-down effects of increased job availability and income will reach from that community statewide. Expansion of industry, more local manufacturing, and profitable exportation of Alaskan products will necessarily boost the state's economy. It will give exploration companies and production of natural resources an economic reason to continue; which in southcentral Alaska may have long reaching benefits in the form of continued natural gas supplies for the region.

It's important to remember that we need industry to offer jobs and an economy to support the citizens of Alaska. HB100 will help maintain and develop the businesses needed to move Alaska forward and to provide in the future. Like most investments, it may seem to be expensive now, but will be needed by our children for the long term.

--

Best regards,

Brian Benson
Alaska Sales Manager, Air Liquide America L. P.
6510 Arctic Spur Rd., Anchorage, AK 99518 U.S.A.
mailto:brian.benson@airliquide.com> office (907)273-9763 /cellular (907)529-8787

Doniece Gott

From: Sen. Anna MacKinnon
Sent: Friday, April 01, 2016 10:32 AM
To: Senate Finance Committee
Subject: FW: HB100

From: Kathy Egrass [mailto:kathy@alaskatextiles.com]
Sent: Friday, April 01, 2016 10:17 AM
To: Sen. Anna MacKinnon <Sen.Anna.MacKinnon@akleg.gov>
Subject: HB100

Please vote yes on HB100.

It is important for many reasons including:

· Jobs - with oil prices low, job losses are continuing in the oil sector. It could be important to mention that Agrium's "economic reach" goes well beyond Kenai and into many communities throughout the State.

· Business - it's not just about hiring people to do KNO work, it's also about the cash infusion from doing it. There are a large number of indirect jobs generated by a facility like KNO.

· Cook Inlet - just a few years ago we were looking at importing natural gas to energize the rail-belt. New exploration and production have saved us from that, it's time to bolster a steady market for explorers, and Agrium's operation creates a steady gas market. Absent a gas buyer like Agrium giving exploration companies a reason to invest, the rail-belt could wind up in the same situation it was in a few years ago.

· State benefits – first, new revenue from gas royalties, next we want the state of Alaska seen as a good place to do business, and the state wants to add value to it's natural resources. It's appropriate for the state to partner with companies like Agrium to attract private investment.

thank you

Kathy Egrass

Alaska Textiles/Korbana Protective Apparel

Assistant Sales Manager



620 W. Fireweed Lane

Anchorage, AK 99503

907-265-4880 ext 825

cell 907-230-2938

fax 907-265-4850



RESOLUTION 2015 - 03

A Resolution of the Kenai Chamber of Commerce and Visitor's Center Supporting HB 100 & Agrium Kenai Nitrogen Operations Restart.

WHEREAS, Agrium is considering a restart of their Kenai Nitrogen Operations (KNO) which has not been in operation since 2007,

WHEREAS, it is estimated the restart cost will be in excess of \$200 million,

WHEREAS, it is estimated that the restart will bring in excess of 100 new direct jobs to the greater Kenai area and additional indirect jobs,

WHEREAS, Agrium's expected economic impact goes well beyond the jobs and local economy into many communities throughout the State of Alaska,

WHEREAS, a large scale buyer of natural gas like Agrium will continue to encourage new exploration and production in Cook Inlet,

WHEREAS, the State of Alaska House of Representatives has passed HB 100, "The Urea/Ammonia/Gas-Liq. Facility Tax Credit" bill and the bill is now before the Senate,

WHEREAS, the projected \$3-4 million annual cost of HB 100 is far outweighed by the anticipated benefits of the restart and ongoing operation of Agrium KNO,

WHEREAS, HB 100 incentivizes Agrium doing business in the greater Kenai area and the State of Alaska,

WHEREAS, it is in the best interest of the business members of the Kenai Chamber of Commerce & Visitor Center that the Kenai area and State of Alaska are good places to do business,

NOW, THEREFORE, BE IT RESOLVED BY THE KENAI CHAMBER OF COMMERCE & VISITORS CENTER:

Section 1. The Kenai Chamber of Commerce & Visitors Center supports Agrium restarting their Kenai Nitrogen Operations.

Section 2. The Kenai Chamber of Commerce & Visitors Center supports HB 100.

Section 3. That this resolution takes effect immediately upon its adoption.

Section 4. That copies of this resolution shall be sent to Governor Bill Walker, Senate Labor & Commerce Committee, Senate Finance Committee, Speaker of the House Mike Chenault, Representative Kurt Olson, Senator Peter Micciche, and all other pertinent entities.

Chairman of the Board:
Jeff Warton

Date: 4.16.15

Board Secretary:
Megan Smith

Date: 4/16/15

Tom Wright

From: Robert Warthen <rwarthen@nordaqenergy.com>
Sent: Monday, March 23, 2015 2:48 PM
To: Rep. Mike Chenault
Cc: Rep. Benjamin Nageak; Rep. Mike Hawker; Rep. David Talerico
Subject: HB100

Dear Representative Chenault:

As a 48 year resident of Alaska, I support House bill 100 currently being considered in the Alaska Legislature. Even though recent exploration and production efforts have stabilized South central Alaska's usage of natural gas for the next few years, it's time to establish a steady market for producers, thus eliminating seasonal swings of demand. Gas storage from the CINGSTA project certainly helps, but with gas reserves declining, storage will not be the answer. Today Producers are accelerating production to maintain demand, but other than Kitchen Lights (Furie) and Cosmopolitan offshore (Blue Crest - Pac West) no significant gas discoveries have been made. The Agrium facility represents a steady demand for the usage of natural gas; thus, Agrium will be a gas purchaser giving explorers a reason to invest and commit dollars to drilling.

Currently with oil prices low, the Oil and Gas Industry in Alaska, is experiencing job losses and capital spending delays. Agrium's economic reach goes well beyond Kenai and into many communities throughout the State. It's not only the Agrium jobs created, but also the cash infusion from doing it. Additionally, there are a large number of indirect jobs generated by a facility like the Agrium Plant, and also the tax benefits to the Kenai Peninsula Borough

Thanks for considering my support for this Bill.
Best Regards,

Robert C Warthen
9350 Nordic Drive
Anchorage, Alaska 99507

Tom Wright

From: mark stynsberg <mstyns@gmail.com>
Sent: Wednesday, March 11, 2015 1:33 PM
To: LIO Kenai; Rep. Mike Chenault; Rep. Benjamin Nageak; Rep. David Talerico; Rep. Mike Hawker; mark stynsberg
Subject: Support HB100

Representatives,

As a former 32 year employee at the Agrium plant and now a grandfather of seven, I encourage you to support HB100 because:

➤ It might just be the 'tipping point' to get the board of directors 'on board' with incentive to re-start.

➤ It would provide about 140 full-time jobs at the plant.

⊕ There is a ballpark figure of \$275million to get the plants running again (construction jobs).

➤ This is a value-added process; ammonia is made from steam, air, and natural gas; urea is made from ammonia and carbon dioxide. It is a bigger process than just shipping out resources.

Please help our communities and children and grandkids have a future, and feed a future. ♡

Thank you,
Mark Stynsberg

Doniece Gott

From: Thomas McGrath <tommcgrath@gci.net>
Sent: Friday, April 03, 2015 2:37 PM
To: Rep. Mike Chenault
Subject: House bill 100, Agrium

Dear Speaker Chenault:

I would like to encourage you to pass House Bill 100 this year as it is beneficial to Alaska and especially south Central Alaska to have Agrium operational.

At a time when we are taking a hit with the lower than normal oil prices and the associated consequences Agrium back in operation would be a boon to Jobs, associated businesses and would consequently benefit the state of Alaska.

Thank You

Tom McGrath

250-4302

Doniece Gott

From: Sen. Anna MacKinnon
Sent: Wednesday, March 30, 2016 9:15 AM
To: Senate Finance Committee
Subject: FW: HB 100

From: Kevin Durling [mailto:kdurling@pesiak.com]
Sent: Wednesday, March 30, 2016 8:43 AM
To: Sen. Anna MacKinnon <Sen.Anna.MacKinnon@akleg.gov>
Subject: HB 100

Good Morning Senator Mackinnon,

I would like to add my support to HB 100 as a Alaska resident and a business owner on the Kenai Peninsula.

This bill will show support to Agrium in their efforts to restart the Kenai plant which will put many Alaskans to work.

Please move this bill thru committee and to the floor for a vote this session.

Kevin Durling

President

Petroleum Equipment & Services, Inc.

907-248-0066 Office

907-244-0701 Cell

kdurling@pesiak.com

www.pesiak.com

KENAI LEGISLATIVE INFORMATION OFFICE

Email: Kenai_LIO@akleg.gov

Phone: 907-283-2030 / Fax: 907-283-3075

WRITTEN TESTIMONY

NAME: J.R. Meyers
REPRESENTING: Self
BILL # or SUBJECT: HB 100
COMMITTEE: House Resources DATE: 3-25-15

Dear Representatives,

Alaska is in no position to continue subsidizing industry.

Get the state budget in order.

I urge you to vote NO on HB100.

Peace & Blessings,

J.R. Myers

Soldotna, AK



"Village with a Past, City with a Future"

210 Fidalgo Avenue, Kenai, Alaska 99611-7794

Telephone: 907-283-7535 / Fax: 907-283-3014

www.ci.kenai.ak.us

April 4, 2016

The Honorable Anna MacKinnon
The Honorable Pete Kelly
Alaska State Capital
Senate Finance Committee
Juneau. AK 99801

Subject: CS for House Bill No. 100 (FIN), An Act establishing a credit against income tax for an in-state processing facility that manufactures urea, ammonia, or gas-to-liquid products

Senator Mackinnon and Senator Kelly:

The purpose of this correspondence is to state the City of Kenai's unequivocal support for the above-referenced legislation, and to respectfully request that a hearing be scheduled before the Senate Finance Committee so that this important legislation may be passed by the Legislature during this session.

The Kenai Peninsula and all of Alaska was significantly impacted when Agrium ceased operations, and over 200 well-paying, full-time, jobs were lost. These jobs were filled by Alaskans that live here and raise their families here.

Passage of HB100 is an important component of the re-opening of the Agrium plant for the manufacturing of products to the world export market, and for products that are used in the State of Alaska. The Kenai Airport and many of the Airports throughout the State used urea produced by Agrium. Other products such as fertilizers and ice-melt were sold throughout the State.

The proposed tax incentive is crafted in such a manner as to provide tax relief only if Agrium/Manufacturer generates sufficient gas demand to produce income to the State of Alaska greater or equal to the tax incentive. Further, under HB100, the tax incentive would expire on December 31, 2024, thereby increasing revenues to the State.

This passage of this legislation would be a win for Alaskan workers and their families and State and local governments.

The City of Kenai urges your positive consideration of CSHB100(FIN).

Sincerely,
CITY OF KENAI

Pat Porter
Mayor

Doniece Gott

From: Sen. Anna MacKinnon
Sent: Friday, April 08, 2016 12:18 PM
To: Senate Finance Committee
Subject: FW: HB100

From: Mike [mailto:mikeh@toteminc.com]
Sent: Tuesday, April 05, 2016 3:46 PM
To: Sen. Anna MacKinnon <Sen.Anna.MacKinnon@akleg.gov>
Subject: HB100

Please support HB100.

With the oil fields in decline and people being laid off in droves the startup of the Agrium Plant would be a needed shot in the arm for the State economy as a whole and the local Kenai Peninsula in particular

Thanks

Mike Huston

Owner

Totem Equipment and Supply

Introduced by: Gilman, Ogle, Mayor
Date: 04/05/16
Action: Adopted
Vote: 9 Yes, 0 No, 0 Absent

**KENAI PENINSULA BOROUGH
RESOLUTION 2016-021**

**A RESOLUTION SUPPORTING HOUSE BILL 100 WHICH INCENTIVIZES
NATURAL GAS REFINING AND FERTILIZER PRODUCTION**

- WHEREAS,** House Bill 100 would incentivize natural gas refining and fertilizer production which is expected to help restart the Agrium fertilizer plant on the Kenai Peninsula; and
- WHEREAS,** HB 100 was approved by the Alaska House of Representatives by a vote of 30-8 during the 2015 legislative session; and
- WHEREAS,** HB 100 would establish a tax credit for companies that produce urea or ammonia or gas-to-liquid products if and to the extent their feed stock comes from a state lease, which would expire in 2024 and provides for the establishment of the value of the state's royalty share of gas production sold to such processing facilities; and
- WHEREAS,** if the Agrium facility is restarted Agrium anticipates this would generate approximately \$12 to \$15 million annually in new royalty revenue for the State of Alaska; and
- WHEREAS,** once constructed and operating it is estimated this would generate over \$2 million annually to the Kenai Peninsula Borough for property taxes and create approximately 140 new full-time, high-paying jobs; and
- WHEREAS,** Agrium anticipates that it would also create an additional 200 indirect and induced jobs and result in expending approximately \$20 million per year with third-party vendors throughout the State of Alaska; and
- WHEREAS,** restarting the Agrium facility would help diversify the economy through complex processing of Alaska natural resources instead of shipping raw resources out of state and also provide fertilizer for the state's agricultural sector, significantly reducing farmer input costs and Alaska's food security; and
- WHEREAS,** HB 100 provides an incentive that is designed to protect the State while encouraging new value-added industry and revenue streams in the State of Alaska requiring no out-of-pocket expenditure by the State and is likely to rekindle interest in these industries, providing hundreds of good jobs and bringing much needed new revenue streams to the State and the Kenai Peninsula Borough;


NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Kenai Peninsula Borough Assembly supports House Bill 100 and urges the Alaska State Senate to pass this bill and Governor Walker to sign the legislation when passed.

SECTION 2. That copies of this resolution shall be delivered to Governor Bill Walker and the Kenai Peninsula Borough Legislative Delegation.

SECTION 3. That this resolution takes effect immediately upon its adoption.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 5TH DAY OF APRIL, 2016.


Blaine Gilman, Assembly President

ATTEST:


Johni Blankenship, MMC, Borough Clerk



Yes: Bagley, Cooper, Dunne, Holmdahl, Johnson, Knopp, Ogle, Welles, Gilman
No: None
Absent: None