



Billings Refinery

January 19, 2015

Dear Council Member:

Please find attached the minutes from our December 9, 2014 CAC meeting. The next CAC meeting will be our annual retreat session on **SATURDAY, JANUARY 24, 2015** at the Rex Restaurant at 2401 Montana Ave. The session will be from 9:00 to 1:30 with breakfast and lunch included.

Sincerely,

Ann L. Clancy, Ph.D.
Meeting Facilitator

**Meeting Location: Phillips 66 Learning Center
415 South 24th Street**

**PHILLIPS 66 BILLINGS REFINERY
CITIZENS ADVISORY COUNCIL
December 9, 2014**

MEETING MINUTES

- Present:** Council members: Ken Ard, Bob Carr, Paul Dextras, John Pulasky, Emily Shaffer, Jim Ronquillo, Melanie Schwarz, Andrew Sullivan, Mike Yakawich, Michelle Zahn, Stella Ziegler
Phillips 66 management: Ray Rigdon, Colin Franks, Randall Richert
Facilitator: Ann Clancy
- Absent:** Keith Beartusk, Lance Johnson, Joshua Juarez, Ralph Hanser, Mark Hilbert, Bruce MacIntyre, Eileen Morris, Melissa Patton, Shirley McDermott, Mark Pagano
- Guests:** MSU-B Process Plant Technology students: Joseph Wyatt, Roxsand Reichert, Robert Ross
MSU-B Power Plant student: Conner Gregg
City of Billings Engineer: Travis Harris
Refinery Leadership team members: Madeleine Chernesky, Melanie Russell, Shea Dawson

AGENDA

- Welcome/Introductions/Honoring CAC Member
- Refinery Leadership Team Panel
- Update on Refinery Workforce & Diversity Efforts
- Report by Subteam on Connecting with other CACs
- Debrief of Ag-Energy Industry Panel
- Preparation for 2015 January CAC Retreat Session
- Refinery Update
- Next Meeting: January 24 Annual Retreat Session

WELCOME/INTRODUCTIONS/HONORING CAC MEMBER

Ken Ard, City of Billings' representative on the CAC, was honored for his four years of service on the Council. Ray Rigdon thanked him for his efforts and expressed his appreciation of having Ken bring the City perspective to meetings. Ken introduced Travis Harris, an engineer with the City of Billings, who came to the meeting to observe as a possible replacement for Ken. Travis has been an engineer with the City for 11 years and is in charge of the storm drain project adjacent to the refinery.

A number of CAC members provided community updates:

- Jim Ronquillo announced a fundraising breakfast for the public at the Senior Center on Sunday, December 14 beginning at 8:30 a.m.
- Emily Shaffer announced that the North Park Neighborhood Task Force is officially reinstated and meeting on a regular basis.

- Paul Dextras and Jim Ronquillo thanked the refinery for donating a \$40,000 grant to the Billings Fire Department to implement a video conferencing system to be used among all fire stations which will help with emergency response.

REFINERY LEADERSHIP PANEL DISCUSSION

Ray Rigdon introduced members of the Refinery Leadership Team who provided information about the focus and responsibilities of their positions. The following members of the Refinery Leadership Team were not able to attend the meeting: Carl Perkins, Operations Manager; Howard Butler, Jupiter Manager; and Steve Kelley, Technical Manager.

Madeleine Chernesky, Maintenance Manager

- Responsible for all maintenance, craft and metal workers as well as insulated equipment operators, instrument operators, electrical workers, mechanical engineers and the inspection group.
- Manages 90 employees, 55 of them craft workers, the remaining being salaried, managers of contract support and about 45 contractors year round.
- First woman promoted to this position at the Billings refinery.

Shea Dawson, Finance & Public Affairs

- Responsible for a team of 9 made up of 3 groups: Finance, Public Affairs, and Procurement.
- Finance function involves coordinating the budget and accounting, reporting to Houston.
- Public Affairs includes working with Bonnie Burks to coordinate the philanthropic budget.
- Procurement function involves supervision and contract analysis for purchasing, sourcing and warehousing.

Ray Rigdon, Refinery Manager

- Responsible for the success and safety of the entire refinery.
- Has been through many different departments and jobs on his career path including process engineering, optimization, operations, and technical management.
- Focuses on strategy and carrying out the refinery capital plan through interface with corporate headquarters in Houston.

Colin Franks, Health Safety & Environmental Manager

- Responsible for three groups: Environmental, Process Safety Management, and reporting to all state environmental agencies.
- Environmental group focuses on senior level permitting, compliance and interface with maintenance and operations groups.
- Process Safety Management group focuses on operating excellence and managing refinery changes and procedures related to keeping field employees and contractors safe.
- Reporting function generates reams of data for interface with state environmental and regulatory agencies.

Melanie Russell, Human Resource Manager

- Responsible for employee management, labor relations, recruitment and staffing, succession planning and workforce planning.
- Has five individuals in her department, three of them dedicated to providing training.

- Focuses on ensuring the refinery remains a desirable place to work for all employees and contractors.

The following questions/comments were submitted by CAC members as part of the discussion following the presentation of the refinery leadership members:

- *Is the “lead team concept” new?* All refineries have some form of this concept. It is rare to start an individual off as a refinery manager. Usually, candidates for refinery manager follow a path of learning positions at refineries in different geographical locations facing different issues. They can be posted at refineries around the U.S. and internationally. The company does succession planning and provides ongoing training for leadership team members.
- *Now that the pipeline business has been split off from the refinery business, will there be more split offs in the future?* That is not anticipated. The company is concerned about the cost of oil and predicts it will remain low for a period of time. Eventually, OPEC will need higher prices and will take some action. At the local level, the refinery is not concerned about the overall price of oil, just on generating margins between oil and gas. The Bakken is producing oil at about \$60 a barrel. The lower oil prices will help stimulate the U.S. economy.
- *In terms of ensuring safety as a primary goal at the refinery, does it take a lot of concentration?* It’s a team effort and everyone on the leadership team and in management pitches in. We all stress safety as the #1 priority. It is one of the major goals of the corporation as well so it starts at the top and goes down through the organization.
- *How do you function as a team?* We meet every Monday morning to check on operations and plans for the week. We also have a formal meeting Monday afternoon for the leadership team. We do “show and tell” as well for each function of the refinery.
- *Is there a hierarchy on the team?* The refinery manager carries the #1 responsibility for the whole plant and there are two operations managers. These three individuals cannot all be gone from the refinery at the same time. The rest of the refinery leadership team is at the same level.
- *How is it dealing with the unions?* From the HR perspective, dealing with the unions is impacted by the price of oil. We have collective bargaining set by contract. Staffing can also be impacted by the price of oil. The collective bargaining process differs depending on the type of refinery and its location. Some refineries deal with multiple unions so they have multiple contracts. As an industry, we follow “pattern” bargaining meaning some components are determined industry wide and some are determined locally. For example, Shell Oil will lead industry-wide negotiations in 2015. Carl Perkins will be lead negotiator for the Billings Refinery with Madeleine and Melanie on the negotiating team.
- *As a student, I’ve been on an internship at the city’s waste water department. Do you go through some permitting process with the city in terms of your waste water disposal?* We have followed a permitting process with the DEQ but we recently switched to discharging our waste water through the city so the city now provides us with a permit. This year construction of a \$26 million arsenic treatment plant has begun. Our refinery already has that process in place within the refinery so we will basically be sending clean water.
- *Phillips 66 has a joint venture with the Jupiter plant - who operates that plant?* The operation of the plant is the responsibility of TKI so the employees are not from Phillips 66 with the exception of Howard Butler, the plant manager. It is a great joint venture.
- *What’s most important for someone wanting to become a plant employee to know?* In terms of recruitment, we look for behaviors such as initiative, responsibility, and accountability because we want our people to be able to move up in the company. We

look for individuals who have experienced process related work and for those who are graduates of the process plant technology program.

- *Can you climb the corporate ladder starting from ground up?* That is difficult to do now without a four-year degree. There is certainly the option of continuing education while working with the company. The leadership level now requires a four-year degree. There are tuition reimbursement programs which can be built into the development plan for an employee. The associate degree can get you into the company and then you can turn to ongoing education such as enrolling in online degree programs.
- *Can you explain the role of supply and demand in terms of declining oil prices?* Locally the time of year still has a major impact on the fluctuation of oil prices, such as demand pushing gas prices down and diesel prices up. In our geographic region, the margins are good – all three refineries are operating well. We'll likely see some run cuts in the rest of December and in January 2015 as people drive less in the extreme winter weather. As weather improves, people will drive more and the demand will go up.
- *Where will the refinery be in 5 years in terms of any significant changes?* In Europe, they are having a hard time competing worldwide as costs are high and the refineries are not as complex as in the U.S. For example, in contrast, the Billings refinery is a complex refining plant. Meanwhile, more plants are being built in Asia. The U.S. is the cheapest place now in terms of refining as crude costs are now lower due to the Bakken and Canadian crude.
- *How usual is it to have a female in the position of refinery maintenance manager?* It is not very common but there are more females moving into these types of refinery positions. Most of the women managers come from varied backgrounds but the company wants to encourage women in engineering. Madeleine is a member of the National Society for Women Engineers locally and Phillips 66 sponsors a program in Bozeman at MSU. Madeleine chose this position because she really likes math and science and she went through the women in engineering program herself.

UPDATE ON REFINERY WORKFORCE & DIVERSITY EFFORTS

Melanie Russell, HR Manager, reported on what has been happening in terms of workforce and diversity development in 2014.

Workforce Development

- Types of positions: Hourly positions (Process Operator, Maintenance Crafts, Lab Tester) and salaried staff positions (Leadership, Engineering, Functional Staff - Finance, HR & HSE)
- External markets utilized in finding positions in these areas do recruiting 95% from the local area: process operator (100%), maintenance crafts (75%), and lab testers (50%)
- External markets utilized in finding positions in these areas do recruiting 60% from the local area: (engineering 100%), leadership (10%), and functional staff (25%).
- Target schools: MSU, Colorado School of Mines & Colorado State
- Internal employee development: Process operators including crafts (25%), lab (50%), function staff (10%) and leaders (15%)
- Internal employee development in the company: function staff (55%), leaders (60%)
- Internal employee development in engineering: function staff (10%), leaders (15%)

Billings Refinery Staffing in 2014

- 52 full time positions filled, 37% through internal development and 63% external to P66

- Positions filled include hourly (process operator, pump mechanic, metalworker & lab tester) and professional (inspection, engineers, planners, maintenance supervisors, shift supervisors, area supervisors, environmental, mechanical, purchasing, finance, training, business lead team, ER team)
- Participated in City College Career Fair, MSU Career Fair and Billings Jobs Jamboree: scheduled to participate in MSUB/Rocky Career Fair in February 2015 & Billings Job Jamboree in March 2015

Billings Refinery Diversity Initiatives

- Affirmative Action Planning: government contracts require annual review of diversity statistics
- The refinery is required to complete an Affirmative Action Plan focusing on current state, progress from previous year, and initiatives to improve in underutilized areas
- Billings current diversity profile: 12.8% female (14.7% female external new hires in 2014) and 5.4% minority (8.8% minority external new hires in 2014)
- 2014 initiatives to improve utilization of minorities & females:
 - Focused on development of internal succession candidates
 - Increased females in supervision by 37%
 - Corporate sponsorship of Society of Women Engineers Capstone project at Montana State University
 - Increased Military recruiting efforts: Conducting Military Hiring event in December 2014 and P66 as corporate sponsor of the American Jobs for America's Heroes campaign
- Challenges: more than 28% of workforce is retirement eligible which is an opportunity to improve the diversity profile; Yellowstone County is a challenging minority recruitment area as the population is 89% Caucasian; and University recruitment across the state is challenging for the same reason

The following questions/comments were submitted by CAC members as part of the discussion following the presentation of the refinery diversity update:

- *In the refining industry as a whole do employees tend to stay past retirement age?* It's a personal choice. A large portion decide to retire at age 55 but there are also others who work into their 60's and even 70s. There is no maximum age for retirement.
- *What about generational differences?* There is a large population with less than 5 years of technology and communication expertise but the differences in people management seem the same.
- *Do employees show different attitudes regarding work ethic?* It seems that work ethic comes from individuals and their family backgrounds. The attitude can change through experience in the plant, e.g., pending retirees tend to have the worst attitude. We want employees to be asking themselves, "Am I being challenged and is my work exciting?" The hiring process for operators seems to be much better now as we are finding recent hires to have more aptitude.
- *Does the number of employees stay stable over the years?* It typically declines with technology improvements but this refinery will be ramping up for some new projects. Otherwise, running the plant tends to be quite stable in terms of staffing.
- *What mentoring is offered for younger employees coming in as operators?* The mentoring is very good here. The first three months, new operators are assigned a mentor and after that it is in everyone's best interest to make sure new operators succeed. We set up teamwork to ensure new operators are qualified and they receive ongoing training.

SUBTEAM REPORT: CONNECTING WITH OTHER CACs

Subteam members (Bob Carr, Melanie Schwarz & Ann Clancy) reported on efforts made in connecting with other CACs.

Importance of Connecting with other CAC Groups

- Sharing with other community members in different industries allows for transfer of ideas and synergy in doing similar work
- Connecting provides an opportunity to see how industries compare in their relationships with different aspects of the community
- Shifting the Meet in the Park event to a more family oriented venue has allowed the refinery to connect with more community organizations
- In the long run, want to have information from all aspects of the community to be a better corporate neighbor
- Most residents don't know the difference between the refineries
- Spreading the idea of the effectiveness of a CAC to others & sharing best practices

Identifying Potential Connections

- Environmental groups, e.g., BLAQTC
- State/federal agencies, e.g., BLM, Fish Wildlife & Parks
- Related industries, e.g., Cenex, ExxonMobil, NorthWestern Energy, Stillwater Mining Company
- Other Advisory boards, e.g., MSU-B College of Business
- City & County citizen councils, e.g., Logan Airport, Homelessness Committee, Planning Board
- Western Canadian oil companies & community advisory groups, e.g., Sundre Petroleum Operators Group, ConocoPhillips Canada Stakeholder Engagement Process

Some Subteam Ideas

- Connect with MSU-B College of Business Advisory Board
- Connect with ExxonMobil Community Advisory Panel
- Connect with Stillwater Mining Company regarding their Good Neighbor Agreement
- Encourage internships, e.g., business internships with the College of Business
- Host a panel in 2015 featuring downtown organizations: DBA, EBURD, BSED, Chamber, Business Improvement District, Homelessness Committee, TEDD
- Host a panel featuring Yellowstone County Soil Conservation District Board with other groups like FWP & BLM & Cloud Peak
- Leadership Montana & Ambassadors: see if these groups have an interest in the P66 CAC as part of their educational process
- Have P66 do a Refining 101 presentation for the radio "Breakfast Flakes."
- CAC theme in 2015 could build on how being a good corporate neighbor involves community outreach in many different forms and across the community in terms of interest and geography

SUBTEAM DEBRIEF: AG-ENERGY INDUSTRY PANEL

Members of the Ag-Energy Industry Panel subteam (Shirley McDermott, John Pulasky, Mark Hilbert, Keith Beartusk, Ann Clancy) met and did a debrief on the panel discussion that took place at the October CAC meeting. The following items were agreed upon:

- It was a great topic & the knowledge of the speakers was impressive.
- There were too many presenters with too little time for each.
- Having a timekeeper/gatekeeper helped.
- Great choice of panel participants.
- As a subteam, we need to better guide the speakers as to the focus of their presentation and the length of time they have to present. Need more one-on-one contact leading up to the panel discussion.
- There was no major ethanol proponent.
- We would like to do it again with a different focus.
- The topic of fracking in the Bakken might be interesting.
- Ask CAC members what they would be interested in hearing about in 2015.
- Mark Hilbert can do a presentation on company investment in ethanol as a topic in 2015 and touch on RIN again.
- Could ask Luke from RMC to speak to the topic of water use in the energy-ag connection and about what his students aspire to in this arena.

REFINERY UPDATE

Philanthropy: Shea Dawson reported on the refinery's \$50,000 contribution to ZooMontana to finance a wolverine exhibit which will be a "cradle to grave" presentation with the long term goal to put wolverines back into the wild.

Operations: Had an outage but it went well. The refinery is running well. Production demand is slowing down. Nationwide, there are lower oil and gas prices but that may be short-lived (up to a year).

Safety: It's been a safe year with just minor injuries to report.

Environmental: The year has been reasonably sound.

People: Looking forward to 2015 being uneventful and getting more done with people, succession, strategy and keeping the Billings refinery profitable.

CAC RETREAT SESSION 2015

Ann announced that the CAC retreat session is scheduled for Saturday, January 24, at The Rex Restaurant at 2401 Montana Ave. Breakfast will be available from 8:30-9:00 and the retreat session will run from 9:00-1:30 (including lunch).

NEXT MEETING: JANUARY 24 RETREAT SESSION

- Welcome/Introductions/Agenda
- View from the Bridge: Update on Refinery
- CAC Mission & Roles – 25 Years
- Learnings from 2014 CAC Strategic Plan
- Planning & Prioritizing CAC Goals & Activities for 2015
- Evaluations/Closing Remarks

RETREAT LOCATION: REX RESTAURANT – 2401 MONTANA AVE.