



November 30, 2010

Dear Council Member:

The minutes from the November 9 CAC meeting are attached. The next CAC meeting will be on **TUESDAY, DECEMBER 7,** beginning with dinner at 5:00 p.m. The meeting will run from 5:30 to 7:30 p.m.

Sincerely,

Ann L. Clancy, Ph.D.
Meeting Facilitator

Meeting Location: ConocoPhillips Learning Center
415 South 24th Street

CONOCOPHILLIPS BILLINGS REFINERY
CITIZENS ADVISORY COUNCIL
November 9, 2010

MEETING MINUTES

- Present:** Council members: Ken Ard, Steve Arveschoug, Keith Bear Tusk, Bob Carr, Linda Pettengill, Jim Ronquillo, Emily Schaffer, Richard Wilson, Connie Wardell, Ernie Woods
ConocoPhillips management: Reed Marton
Facilitator: Ann Clancy
- Absent:** Brittany Blood, Paul Dextras, Hillary Harris, Mark Hilbert, Shirley McDermott, John Pulasky, Gladys Stahl, Alice Stears, Elizabeth Stears, Steve Steach, Stella Ziegler
- Guests:** Larry Miller, Chair, YVCC; Paige Darden, owner of My Topo

AGENDA

- Welcome/Introductions/Announcements
- Update on East Billings Urban Renewal District
- Review of Membership Constituencies
- Update on Local Sustainability Scorecard
- Neighborhood Eat & Meet Follow-Up Letter
- Update on Billings Refinery Turnaround & Coke Drum Project
- Refinery & Transportation Updates
- Meeting agenda for December CAC meeting

WELCOME/INTRODUCTIONS/ANNOUNCEMENTS

Paul Miller, chair of Yellowstone Valley Citizens Council (YVCC), was introduced as the potential new member replacing Connie Wardell. Paul has been involved with YVCC over the past four years. Paul works for ADS Fleetsource as Fleet Manager. The company's headquarters are in Omaha and they do driver leasing, payrolls and transportation operations around the country. In Montana, the company does the annual sugar beet rehaul from the outlying pile grounds to the factory on State Ave.

Paige Darden, co-owner of My Topo, attended as a potential representative for the small Southside business owner.

Reed Marton announced that Steve Steach was called to a one-day meeting of refinery managers in Houston and will be back at the December CAC meeting.

Bob Carr reported that the first-time Halloween event that took place at Garfield Community Resource Center on October 29, co-sponsored by ConocoPhillips, was a great success. Over 600 children attended and more than 150 pounds of candy were

distributed. The event will take place next year on October 28, 2011. He handed out a flyer with photos from the event. He again thanked ConocoPhillips for the refinery's support of the event.

Connie Wardell returned to receive a plaque honoring her 5.5 years of committed service to the CAC. She thanked ConocoPhillips for donating a piece of equipment to Riverside Junior High School that enables students to make metal cutouts as part of the junior high entrepreneurial program.

UPDATE ON EAST BILLINGS URBAN RENEWAL DISTRICT

Steve Arveschoug, Executive Director of Big Sky Economic Development, presented the current status of the East Billings Urban Renewal District project (EBURD).

How the EBURD Project Got Started

Steve reported that a "blight" study was commissioned to determine the economic conditions of the area which was then reviewed by the public. A property owners group was formed called the "Billings Industrial Revitalization District" or BIRD and the City declared the area to be an Urban Renewal District enabling the TIF tool to be used. A Master Plan for Redevelopment was then created. As part of the public visioning process, a statement was formulated: *The East Billings Neighborhood is an economically and culturally vibrant neighborhood that provides opportunities for housing, clean technology, and pioneering 'green' industries along the City's historic rail yards. Serving also as a gateway to the City and Yellowstone River, residents, businesses and tourists alike can enjoy a variety of amenities within eclectic but pedestrian-friendly mixed-use centers.*

The following components of a vision for the area were articulated:

- Mixed-use development
- Unique development nodes
- A residential "neighborhood" with open-space connections
- Defined areas for business/light industrial
- A "green workforce" area
- An area with hospitality amenities connecting to METRA Park
- Basic infrastructure needs addressed

Steve pointed out that it takes federal funding to support getting such a large project off and running. Some federal grant dollars have helped to get things started as well as being designated as an Urban Renewal District enabling the use of tax increment financing (TIF). This, in turn, has attracted private investment in the blighted area, such as the First Interstate Bank Operations Center, which benefitted from funding support for public parking, lighting and upgraded public infrastructure including a new internet fiber hub for the area. The refurbished CTA building downtown is another example of private investment of over \$5 Million with TIFD assistance to accommodate off street parking, sidewalks, and a new appealing façade. The previously vacant building is now home to over 100 employees.

Implementation of the Master Plan for EBURD

The Master Plan was completed and adopted by the City Council in summer 2009. The EPA Brownfield Assessment Program was kicked off through EPA grant funds. A Parking Overlay Ordinance was adopted to remove roadblocks to development in the area and two-way streets for 2nd and 3rd Avenues have been designated but not yet implemented. Next steps include a Mini Master Plan for a "Hospitality Node", writing of a new development code called "form-based" code, and creation of a joint vision with other projects in the area.

Improvement Opportunities

Steve presented the following improvement opportunities for the area:

- Water and Sewer improvements, ROW landscaping, pedestrian crosswalks
- Storm water system improvements, ROW maintenance and landscaping
- Public infrastructure improvements to spur development along Exposition Drive and support of a hospitality corridor by MetraPark
- North Park Children's Center: A Child Care Project for EBURD
- GSA's Federal Courthouse & Office Building
- MetraPark and East TIF playing off each other to advance the area's desirability

The following questions and comments from CAC members were recorded:

- Tax increment financing is one of the best tools in MT for economic development
- When a district is created, it sets a base for more private investment and funds can be used for infrastructure only in the district
- When the TIF sunsets, all the added value goes back to the City, schools, etc.
- Without this type of investment, property values in an area like East Downtown would continue to decline. This has been happening around the country as urban centers began deteriorating in the 70s

REVIEW OF MEMBERSHIP CONSTITUENCIES

Ann Clancy reported on the following membership constituency updates:

- *South Side Small Business*: Ann contacted Bruce McIntyre at the Billings Chamber of Commerce for suggestions. He gave the names of Dave Hagstrom, owner of Koinonia Mexican restaurant, who told Ann he was unable to participate; and Paige Darden, co-owner of My Topo. Ann spoke with Paige and she is visiting the November meeting to gauge her level of interest. Dave suggested Rick Eastman, owner of Appliance Shack, but he also declined when Ann spoke with him.
- *Triangle resident*: To date, there do not seem to be any viable candidates for this constituency.
- *Environmental group constituency*: Ann asked former CAC member, Dr. Susan Gilbertz at MSU-B, for a suggestion. She recommended Theresa Keaveny, Chair of Montana Conservation Voters, as someone very knowledgeable about environmental concerns in the Billings area. Ann met with Theresa and asked her about which environmental group would be most effective as a constituency with the CAC. She recommended that the Council stay with YVCC. At her suggestions, Ann contacted YVCC chair, Paul Miller, who indicated his interest in attending the November meeting and his wish that YVCC remain on the CAC.

NOTE: In her discussion with Theresa Keaveny, Ann asked her a question on the behalf of Reed Marton: *What Montana's (if not Billings') major environmental challenges are perceived to be?* Theresa made the following response:

- How we move forward to meet state and national energy needs, advocate more effort on clean renewable sources of energy—wind, solar, geothermal. At the Economic Development Summit in Butte in September, featured entrepreneurs and investors clearly stated that if the state of Montana improved renewable energy standards, the state would see more major development and corporate investors. Policy-wise that is the direction environmental groups want to take. They believe in operating existing fossil fuel industry in the most environmentally sound manner because they provide jobs and bring huge economic benefits. She gave examples of doing more to reduce pollution and cited a PPL suit brought by some individuals regarding water pollution from a leaking pit. She asked, why aren't investments being made (this is in Colstrip)? She believes it's not up to individuals to take the lead to get justice. Without a regimen of laws and enforcement, citizens can't make things happen. The technology is there to do a better job of processing fossil fuels. Science shows that the industry has to reduce its carbon footprint and despite election results the polls show that citizens still care about environmental issues and that commitment is not waning to protect air quality and reduce carbon emissions.
- Theresa also made a request. She asked that someone from the CAC come and present at a Montana Conservation Roundtable meeting sometime in the first quarter of 2011. Ann also suggested that representatives of the Roundtable and other environmental groups visit the CAC in 2011. Perhaps getting a perspective on Reed's question from different environmental perspectives.

UPDATE ON LOCAL SUSTAINABLE DEVELOPMENT SCORECARD

Reed Marton provided an update on the Preliminary 2010 Local Sustainable Development Scorecard that he revised based on input from CAC members in 2009. He described the scorecard as consisting of metrics of how ConocoPhillips views its world. There are six metrics being used for measurement. Comments, suggestions or descriptions about the metrics that were made are included below:

- #1 Economic Growth Profile: ConocoPhillips (whole company)**
- Includes 2 metrics: net earnings in Refining & Marketing and Year-end stock price from 2005 to 2009
 - Purpose: to measure economic growth; positive growth requires a good return to shareholders
 - Comments: cost of crude oil came close to production costs in 2009 resulting in low profit business; 2010 has been more profitable; the last couple of years stock prices have been stagnant
- #2 Community Profile: Refinery Taxes**

- Shows payroll taxes and property taxes per year from 2006 to 2009
- Purpose: to measure how ConocoPhillips Billings refinery supports the economic growth of the community in terms of payroll taxes and property taxes
- Comments: There has been a 35% increase in property taxes; the refinery contributed just shy of \$6 million in property taxes and \$2 million in payroll taxes

#3 Community Profile: 2010 Contributions of Billings Refinery

- Shows 2010 contribution percentages in education & youth (59), safety & environmental, health & social services (23%), civic & arts (6%), and unallocated (12%)
- Purpose: to demonstrate how the refinery supports the community in terms of philanthropic contributions
- Comments: The refinery spent more than it budgeted for this year; total amount was \$178,500

#4 Safety Profile: Recordable Injuries

- Compares overall ConocoPhillips refining safety record to Billings refinery safety record in terms of number of injuries per 100 employees from 2003 to 2009
- Purpose: to measure number of recordable injuries and compare the safety record to all company refineries to determine how safely the refinery is run
- Comments: the Billings refinery has outperformed all other ConocoPhillips refineries over the past 3-4 years; this year, due to the longer winter, there have been more injuries; this metric demonstrates that the refinery can operate safely

#5 Environmental Profile: Emissions

- Compares pounds of emission per thousand barrels of crude processed oil among the three local refineries: ConocoPhillips/Jupiter, Cenex, ExxonMobil/Montana Sulfur from 2005-2009
- Emissions measured: sulfur dioxide, nitrogen oxides, particulate matter, carbon monoxide, hydrocarbons
- Purpose: to compare emissions records among the three refineries which are similar in size and capacity
- Comments: ExxonMobil shows a much higher sulfur dioxide emission level compared to the other two refineries from 2005-2009

#6 Environmental Profile: Upset Flaring Emissions

- Compares upset flaring emissions among the three local refineries: ConocoPhillips, Cenex, ExxonMobil & Montana Sulfur from 2005-2009
- Purpose: to measure and compare upset flaring emissions among the three refineries which are similar in size and capacity
- Comments: Cenex has a much higher upset flaring emissions output than the other refineries for all four years indicating the refinery might not be treating its gases as thoroughly as the other refineries do. While ConocoPhillips saw an unusual spike in 2007missions, it is usually at the same emissions level or lower than Cenex and Exxon/Mobil and Montana Sulfur

#7 Environmental Profile: Greenhouse Gas Intensity

- Compares greenhouse gas intensity between the Billings refinery and overall US refining from 2005 to 2009 in terms of tons of CO2 equivalent per million barrels of processed crude
- Purpose: To measure greenhouse gas intensity by taking into account all the CO2 emissions in a refinery that could cause greenhouse gas
- Comments: Refining is not as efficient in smaller refineries like the Billings operation which is a vintage refinery and has to work harder for energy efficiency than newer plants do

Overall CAC Comments/Suggestions

- Like this version of the scorecard better than earlier ones because it is more easily understood
- Suggest that a category representing “social progress” be added back in that would track new hires at the refinery; this category was represented in the 2006 version of the scorecard
- The CAC could take the scorecard and present it to the Montana Conservation Roundtable
- This is good information
- Commend ConocoPhillips for doing such a great job of tracking its sustainable development record
- Who else gets this information besides the CAC? It should be disseminated more widely (e.g., at an Eat & Meet event)

NEIGHBORHOOD EAT & MEET FOLLOW UP LETTER

Reed Marton distributed a draft letter to be sent as a second mailing to participants who attended the Neighborhood Eat & Meet in 2010. The letter includes answers to participant survey questions that were collected at the event. This would be the first time such a follow-up letter has been sent. Enclosed with the letter will be some refrigerator magnets with refinery phone numbers, a tri-fold on the “alerting and warning system” and a copy of the 2010 preliminary sustainable development scorecard. The following comments and suggestions were made by CAC members:

- Send a copy of the letter and questions & answers to the City Council
- Question & Answer #5: Take out the first sentence (ConocoPhillips does not publicly discuss its business plans). Update the information on the coke drum project.
- Could send out a CAC membership list with the letter
- Answer #4: correct the spelling of Bob Carr’s name
- General comment: people felt the Neighborhood Eat & Meet and then the Halloween event increased trust on the part of the community for ConocoPhillips and what’s going on at Garfield Community Resource Center – that was an unanticipated but welcome result

UPDATE ON BILLINGS REFINERY TURNAROUND AND COKE DRUM PROJECT

Billings Refinery Turnaround

Reed Marton reported that a ConocoPhillips peer assist group was currently in town to help develop plans for the refinery turnaround scheduled to take place in 2011. The turnaround includes maintenance, inspections and investments in making mechanical upgrades to the overall refinery. The turnarounds have usually been every two years but the refinery would like to move to a four-year cycle which is more the industry norm. At the peak of the turnaround, there will be up to 2500 contractors working on site and also filling up hotel rooms and in general boosting the economy. Work during a turnaround goes round the clock and Reed will be working split shifts. The coke drum project is a part of the 2011 turnaround so the delay in knowing when the drums will arrive puts stress on the overall schedule.

Coke Drum Project

Reed Marton reported that nothing has happened to release the four coke drums to move along US Highway 12 in Idaho. A hearing request was filed and as of November 29, the Idaho Transportation Director decided to hold full contested-case hearings on the ConocoPhillips proposal to move the coke drums to Montana. The Transportation Dept. scheduled the hearing after issuing ConocoPhillips permits to haul the loads from the port in Lewiston to its refinery in Billings. The company has been barred from moving the loads until an independent judge could determine if opponents have a right to intervene and make a case against the loads. Reed noted that the company worked for three years with the state to ensure the loads could be hauled safely. The hearing is a costly delay for the company. If the drums can't get on the road before February, it will make it difficult to proceed with the scheduled turnaround on the original timing. The drums need to be welded together and heat treated before they can be installed and this type of large scale work is difficult to do during a turnaround. It might be that the turnaround will be completed for all aspects of the refinery but the coker unit.

CAC Comments/Questions

- Is Montana Transportation Dept. waiting for what happens in Idaho before issuing its own permits? Permits have a 5-day life span.
- Is there any indication that the Montana Dept. of Transportation may impede the journey?
- Oversize loads fall outside state transportation regulations and require a transportation study
- Activity in the Port of Lewiston requires 48 hours to mobilize people, e.g., hiring state police to accompany the drums on their journey. The citizen protesters are business people who have made it into a "cause" since the tourist season with its heavier traffic loads is long over.
- ConocoPhillips ended up being inconveniently ahead of ExxonMobil and its request to haul heavy equipment
- If the coke drums don't arrive in time for the turnaround, the coker units are already stressed because they have seen a lot of wear. Over the past 20 years the drums have been quickly cycled and opened repeatedly for repairs. The new drums are larger and will help with energy efficiency.
- Does ConocoPhillips have to pay for storage in the Port of Lewiston? Yes.

REFINERY UPDATE

Safety and environmental: The refinery has been quiet with no safety or environmental incidents.

Operations: The refinery is running smoothly. The corporate leader of Global Refining, who oversees the company's 15 refineries, was in Billings recently on a visit. This refinery is a bright spot for the company as it has made more money than 10 of the 15 refineries. The local market has been strong and together with a number of other serendipitous factors combined to create great opportunities for refining in Billings. It's been a good year for the Billings refinery.

TRANSPORTATION UPDATE

Safety: One contractor was injured moving boxes in a trailer that resulted in some stitches in his hand.

Environmental: There have been no environmental issues or spills.

Operations: There is some reconditioning of pipelines going on including recoating underground pipelines to insulate them from the soil.

Next Meeting Agenda – December 7, 2010

- Update on Legislative Issues Relating to the Oil Industry
- Follow Up on East Billings Urban Renewal District Report
- Update on Coke Drum Project & Refinery 2011 Turnaround
- Review of 2010 & Preparation for 2011 Retreat
- Update on City/County Fire Training Facility Project
- Refinery & Transportation Updates
- Next meeting: January 2011 retreat