

Agenda Topics and Project Updates

September 19, 2007 Meeting



Duluth-Superior Metropolitan Interstate Council

* = APPROVAL ITEM

1. INTRODUCTIONS / AGENDA REVIEW

2. MEETING SUMMARIES FROM JULY 18 AND AUGUST 15*

The July meeting summary was not included as an approval item at the August 15 annual joint meeting of the TAC and MIC, therefore it will be put forward this month for approval. The meeting summary from the August 15 joint meeting is also an approval item, by the MIC only.

3. GUEST SPEAKER: MURPHY OIL SUPERIOR REFINERY EXPANSION UPDATE

Dave Podratz, Refinery Manager at Murphy Oil Refinery in Superior, will be present to discuss the Canadian Crude Oil Supply and Murphy's role in accessing this resource. The possible expansion of the Superior refinery would take five years with two years taken in a construction phase that could generate 3,000 to 4,000 jobs. Many impacts would have to be examined including transportation needs to their expanded facility. The MIC may play a role in aiding traffic of all modes for this site. Please come with your questions for Dave.

4. DRAFT 2008-2009 WORK PROGRAM AND BUDGET*

A draft 2008 – 2009 Work Program and Budget will be distributed for review and approval at the September meetings. Only slight changes are anticipated for 2008 from those identified in the current work program. As discussed at prior meetings, freight planning will take a portion of the budget over next two years as we look toward a very large study getting underway. Our harbor, bike and pedestrian efforts will also be expanded as we continue to take on greater responsibilities in these areas. An update to the Long Range Plan will also occur in 2008 and into 2009. Discretionary projects for 2009 will be examined further over the next month and can be included within the final work program.

If you have you comments or questions, please contact Ron Chicka at 529-7541 or at <mailto:rchicka@ardc.org>.

5. PROCTOR MASTER TRAIL PLAN— FINAL*

MIC staff presented the Proctor Master Trail Plan to the Proctor Planning and Zoning Committee on August 27 and the Proctor City Council on September 4. .The City Council approved the trails plan, with a couple of comments, to graphically depict and call out on the maps, trail segments along streets that have sidewalks, and trail segments that follow formal or informal existing trails and pathways.. At the September meetings, MIC staff will present these comments and recommend the plan for approval by the MIC.

If you have any comments or questions, please contact James Gittemeier at (218) 529-7556 or jgittemeier@ardc.org.

6. MUNGER TRAIL PLAN--FINAL

MIC staff will present the final document of the Munger Trail to Lakewalk Connector. The plan outlines the preferred trail alignment, identifies projected costs, and describes potential funding sources. This document will be utilized by the City of Duluth as they search for future funding to complete the trail connector. Currently, the High Priority Program (HPP) funding earmarked in the current federal transportation bill will fund less than half the length of the connector.

If you have any comments or questions, please contact Andy McDonald at (218) 529-7514 or amcdonald@ardc.org.

7. ENDION LAND USE AND TRANSPORTATION PLAN

On Wednesday September 12th a public meeting about the Endion study will be held at 7:00 p.m. at First Lutheran Church in Duluth to gain input and gauge the community's receptiveness to the idea of converting area streets from one-way to two-way and will also overview proposed developments in the study area. On Monday September 17th a second public meeting, targeted as a visioning session for London Road businesses and residents, will be held at 7:00 p.m. at the Edgewater Hotel. This meeting will focus on establishing a future vision for the corridor between 10th and 26th Avenues East using newly-developed visualization techniques. For more background and information on the study, visit www.dsmic.org/endion.

If you have you comments or questions, please contact GIS Specialist Andrea Grygo Diamond at (218) 529-7515 or adiamond@ardc.org or Senior Planner Holly Butcher at (218) 529-7548 or holly.butcher@ardc.org.

8. HTAC/PORT PLANNING UPDATE

At our upcoming meetings, I will be presenting an update on recent port planning activities. The HTAC met on September 5th and heard presentations about accelerated harbor corrosion, the St. Louis River Interlake Duluth Tar Superfund site, and 2007 dredging operations.

If you have any comments or questions, please contact Andy McDonald at (218) 529-7514 or amcdonald@ardc.org.

9. PROJECT UPDATES

Arrive Minnesota Promotion Event—*Holly Butcher*

The Duluth Arrive Minnesota Promotion event will be held on Wednesday September 19th from 11am – 1pm at the Lake Superior Plaza at Minnesota Power (Superior Street and Lake Avenue). I'll report on this event at the September meetings.

DTA Route Analysis—City of Superior—*Holly Butcher, Robert Herling*

On Tuesday September 4th DTA and MIC staff met with Superior Mayor Dave Ross and Financial Advisor Jean Vito. The group had a candid and positive conversation about transit service in Superior. Attendees agreed to meet monthly to begin crafting solutions to “overhaul” the way transit service is delivered in Superior.

In addition, DTA staff conducted more ridership counts during August for MIC staff to examine against the February 2007 counts. Preliminary data shows that ridership counts are twice as high on some days during the summer months. MIC staff will be synthesizing this count data for comparison.

Duluth Aerial Photography Project—*Andrea Grygo Diamond*

MIC staff is working with the City of Duluth to coordinate obtaining updated aerial photography for the Duluth area in the spring of 2008. The last aerial photographs were taken in the summer of 2001. We anticipate having our first meeting in September to discuss participants for cost-sharing and a vendor to take the photos.

MIC Staff Conference Participation—*Ron Chicka*

Andrea Grygo Diamond, the MIC’s GIS Specialist, was invited to present the various visualization techniques utilized for the Endion Land Use and Transportation plan at the Wisconsin and Minnesota MPO conferences in August and at the Minnesota GIS/LIS conference in October. These statewide conferences are designed to provide a venue for employing “best practices” within the planning field. Visualization techniques take the form of anything from simple maps to more elaborate 3-D models of a study area, all aimed at giving the public a better idea or “picture” of changes that could occur along any given corridor. A proposed change to a streetscape, for example, can be visually presented and by doing this, support can be gauged for any set of proposed improvements. Such support from the general public and businesses can only aid in the implementation phase of a project. Within the MIC, we hope to continue to employ these techniques for future plans in order to gain more meaningful public involvement. Our presentation can be found at www.dsmic.org/endion.

Additionally, the Minnesota Chapter of the American Planning Association recently announced that Holly Butcher’s presentation, Duluth-Superior Safe Routes to School Plans, has been chosen to receive a Merit Award at their annual conference in Rochester this September. Holly is a Senior Planner with the MIC. More on these planning efforts can be found at www.dsmic.org/srts.

Superior Refinery Potential Expansion Up-Date

FREQUENTLY ASKED QUESTIONS

Q Is Murphy Oil USA, Inc. considering an expansion of the Superior Refinery?

Answer: Yes, but in order for the project to move forward, Murphy must first secure a guaranteed supply of Canadian oil sands crude oil and a sound financial partner to help offset the significant investment required.

Q Why is Murphy considering an expansion of the Superior Refinery?

Answer: The development of massive Canadian oil sand deposits provides a unique opportunity for the United States and Wisconsin to improve access to a politically stable supply of oil. The crude oil from the Canadian sands will have to be refined and none of the refineries in the Midwest can do so without making significant, costly changes to their existing facilities. Murphy Oil USA, Inc. is interested in determining whether or not its Superior Refinery can play a role in helping bring this new, politically stable source of oil to Wisconsin and the Midwest United States, but knows that the company could not make the investment required without a guaranteed supply of Canadian oil sands crude oil and a partner prepared to help share the financial burden.

Q If an expansion of the Murphy Superior Refinery occurs what could it mean for the Superior area?

Answer: The expansion could increase the capacity of the refinery at Superior as much as 235,000-barrels-per-day. The expanded refinery would contain state of the art equipment that would enable it to meet all current and pending federal fuel requirements and to effectively and efficiently process the new mix of Canadian crude oil. The preliminary designs of the expansion suggest that it would take about five years, with two years of construction requiring more than 10 million hours of labor and would generate 3,000 to 4,000 jobs during the construction phase. Once completed, the expanded refinery would require an additional 300 to 400 employees and would require more external vendor support for the facility. In addition, Murphy's direct and indirect contributions to the Superior area tax base would expand considerably.

Q How would the potential expansion effect the environment in the Superior area?

Answer: Murphy Oil USA, Inc. is dedicated to executing the project in an environmentally responsible manner. In addition, the project will have to receive permits and approvals from a wide range of local, state and federal regulatory bodies all charged with assuring the public that it is, or will be, in compliance with all necessary environmental protection requirements.

Q What is Murphy Oil USA, Inc. doing to make sure community interests are a part of the planning process?

Answer: Senior executives from Murphy Oil USA, Inc.'s Superior Refinery and its corporate offices have met and discussed the potential project with local and state leaders. They have all been supportive and Murphy has assured them that we will continue to meet with them so that they can share citizen questions or interests with the company. In addition, Superior Refinery officials will stay in close contact with the local citizen members of the refinery's Community Advisory Panel. If the project proceeds, informal public informational sessions and formal public hearings will occur.

Superior Refinery Potential Expansion Up-Date

I. BACKGROUND

The development of massive Canadian oil sand deposits provides a unique opportunity for the United States and Wisconsin to improve access to a politically stable supply of oil.

The United States relies heavily on oil from the Middle East, Russia and Venezuela.

Canadian companies are beginning to develop the oil sands of Northern Alberta, which have an estimated 175 billion barrels of recoverable reserves, and represent one of the largest known but underexploited oil resources in the world. Oil sands production is in the order of 1 million barrels per day at present, and is expected to rise to between 2.5 and 3 million barrels per day by 2015.

A huge proportion of crude oil supply from Canada already moves through the existing Enbridge pipeline system into the U.S. through Wisconsin, and the Midwest is one of the most important market areas for current Canadian production. It is also worth noting that the Midwest currently imports more than 1 million barrels a day of refined products from the Gulf Coast, which makes the Midwest the most logical area for most of the incremental Canadian crude oil to be absorbed. Most importantly, the new Canadian supply from the oil sands could provide an important new source of crude oil for the United States, reducing its dependence on oil from the Middle East and Venezuela, and improving the diversity of the nation's refining infrastructure relative to its current concentration in the Gulf Coast.

Crude oil from the Canadian oil sands will have to be refined, but none of the refineries in the Midwest could do so without making significant, costly changes to their existing facilities.

Expenditures in the Canadian oil sands over the next 10 years could approach \$100 billion. As the oil sands output comes on line, the supply of Canadian crude oil will grow and change in composition.

The existing refining industry in the Midwest is designed to process the existing conventional supply of crude oil and will require significant capital expenditures in order to be able to absorb the growing proportion of oil sands output.

Murphy Oil USA, Inc. is interested in determining whether or not its Superior Refinery can play a role in helping bring this new, politically stable source of oil to Wisconsin and the Midwest United States, but knows that the company could not make the investment required without a guaranteed supply of Canadian oil sands crude oil and a partner prepared to help share the financial burden.

Refinery expansions and upgrades are going to happen. The question is where and at what cost.

The Canadian producers need to find the best refining homes for their oil sands crude oil, and are actively discussing integration of their projects with U.S. refiners and seeking assurances from potential partners that refineries capable of processing their product will be ready when their production is expected to come on stream. In response, refiners in Minnesota, Michigan, Illinois and elsewhere in the U.S. are positioning themselves to expand or modify their facilities.

Murphy is participating in these discussions, and while we believe Superior has significant logistical advantages, we also know that we face competition from other large existing refineries in the Midwest. Murphy estimates, for example, that the changes required at its Superior Refinery would run in excess of \$6 billion. Murphy will not proceed without a guaranteed source of oil sands crude oil and a solid financial partner.

II. SCOPE OF POTENTIAL PROJECT

If Murphy Oil USA, Inc. proceeds, the Superior Refinery could be expanded by as much as 200,000 barrel per day to a 235,000-barrel-per-day refinery and would hire hundreds more full-time employees.

Murphy Oil USA, Inc. has scoped and begun preliminary design of a multi-billion investment which would increase the capacity of its refinery at Superior from 35,000 barrel per day to 235,000 barrel per day. The expanded refinery would contain state of the art equipment that would enable it to meet all current and pending federal fuel requirements and to effectively and efficiently process the new mix of Canadian crude oil.

If Murphy Oil USA, Inc. proceeds, the project would generate thousands of construction jobs and would take approximately two years to complete.

The preliminary designs of the expansion suggest that it would take about five years, with two years of construction requiring more than 10 million hours of labor. That estimate suggests that the project would generate 3,000 to 4,000 jobs during the construction phase.

A refinery expansion would be undertaken and operate in compliance with all necessary environmental protection requirements.

Murphy Oil USA, Inc. and its highly skilled consultants—who include architects, engineers and other experts—and refinery managers, are dedicated to doing the project in an environmentally responsible manner. In addition, the project will have to receive permits and approvals from a wide range of local, state and federal regulatory bodies all charged with assuring the public that it is, or will be, in compliance with all necessary environmental protection requirements.

If Murphy Oil USA, Inc. can put the necessary commercial arrangements in place so that the project can proceed, the project would have a substantial and very positive effect on the Superior-area economy.

In addition to the thousands of shorter term construction jobs and more permanent full-time jobs at the expanded refinery, the construction and operation of the expanded refinery would result in the hiring of numerous local vendors and contractors.

All of these new direct and indirect jobs would have a substantial impact on the local economy in terms of significantly increased purchasing power. Some estimates suggest, for example, that every dollar of primary spending (e.g., wages) could result in as much as a \$5 to \$7 impact on the local economy. And, a significantly larger refinery would help expand the tax base, increasing support for local services and schools with a substantially larger property tax contribution.

III. CURRENT PROJECT STATUS

■ **Superior Refinery Manager Dave Podratz and other Murphy Oil USA, Inc. consultants and engineers have met with and discussed the situation with federal, state and local regulatory officials.**

In an effort to understand the regulatory requirements and expectations, Murphy managers, consultants and engineers have met with representatives of the Wisconsin Department of Natural Resources, the U.S. Army Corps of Engineers and the city of Superior. These meetings have given us what we believe is a solid understanding of the scope and magnitude of the permitting requirements and the expectations of the regulatory bodies involved. Based on that understanding, we are persuaded that the process will be extremely rigorous, but fair.

■ **Murphy Oil USA, Inc. senior executives will continue to seek the commercial arrangements necessary to allow an expansion to occur.**

Over the past nine months, Murphy Oil USA, Inc. senior executives have met with a number of potential oil producing and financial partners. To date, none of these negotiations have produced the partners we need. The commercial arrangements, size of the project and political/regulatory requirements are all potential hurdles that must be overcome, and there are no assurances that any project will proceed.

IV. NEXT STEPS

- **Murphy Oil USA, Inc. senior executives will continue to seek a guaranteed supply of Canadian oil sands crude oil and a strong financial partner.**

Murphy Oil USA, Inc. continue to meet with potential financial partners and oil sands developers in the months ahead in an attempt to put the correct commercial arrangements in place for a project.

- **Murphy Oil USA, Inc. will continue to enhance and clarify its understanding of the permitting requirements and opportunities involved in developing the project.**

Murphy Oil USA, Inc. will work with federal, state and local regulatory bodies in an effort to understand in more detail what would be entailed in a major refinery expansion. This effort includes the development of an Environmental Impact Report.

- **Murphy Oil USA, Inc. will continue a dialogue with local officials and citizens to keep them informed and to make sure we are aware of community interests.**

Murphy Oil USA, Inc. is proud of and values its relationship with our friends and neighbors in the Superior- and Douglas County-area. We will continue to meet with local officials and community leaders to stay abreast of community's questions and interests and to make sure our friends and neighbors have current and accurate information about Murphy's plans and activities.