



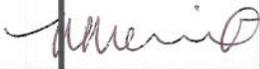
Financial Assistance Award

DENALI COMMISSION
 510 "L" Street, Suite 410
 Anchorage, Alaska 99501
 (907) 271-1414 (phone)
 (907) 271-1415 (fax)
 www.denali.gov

Award Number	249-06
Award Title	Kenai Blue Sky, Phase 2
Performance Period	August 30, 2006 to April 30, 2008
Authorizing Resolution	06-21

Recipient Organization & Address
 Agrium U.S. Inc.
 Kenai Nitrogen Operations
 P.O. Box 575
 Kenai, AK 99611
 Phone: (907) 776-3275
 Fax: (907) 776-5766

Authority 112 Stat 1854	CFDA Number 90.100
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Denali Commission Finance Officer Certification


Recipient DUNS # 12-403-2389 TIN # 91-1589568

Cost Share Distribution Table

Accounting Code	Denali Commission	Other Contributors	Total
FY06 Base - Energy	\$2,000,000.00		\$2,000,000.00
State of Alaska		\$5,000,000.00	\$20,000,000.00
Agrium, partners & others		\$15,000,000.00	
Total	\$2,000,000.00	\$20,000,000.00	\$22,000,000.00

This Financial Assistance Award approved by the Federal Co-Chair of the Denali Commission is issued in triplicate and constitutes an obligation of federal funding. By signing the three documents, the Recipient agrees to comply with the Award provisions indicated below and attached. Upon acceptance by the Recipient, two signed Award documents shall be returned to the Federal Co-Chair of the Denali Commission and the Recipient shall retain the third document. If not signed and returned without modification by the Recipient within 30 days of receipt, the Federal Co-Chair may unilaterally terminate this Award.

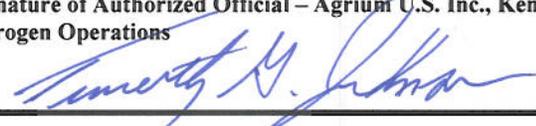
- Special Award Conditions and Attachments
- Line Item Budget
- OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations
<http://www.whitehouse.gov/omb/circulars/a133/a133.html>

Administrative Requirements (check one)

- OMB Circular A-102, Grants and Cooperative Agreements with State and Local Governments
<http://www.whitehouse.gov/omb/circulars/a102/a102.html>
- 2 CFR Part 215, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations (OMB Circular A-110)
http://www.access.gpo.gov/nara/cfr/waisidx_05/2cfr215_05.html

Cost Principles (check one)

- OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments
www.whitehouse.gov/omb/circulars/a087/a087-all.html
- OMB Circular A-122, Cost Principles for Nonprofit Organizations
www.whitehouse.gov/omb/circulars/a122/a122.html
- OMB Circular A-21, Cost Principles for Educational Institutions
<http://www.whitehouse.gov/omb/circulars/a021/a021.html>
- 48 CFR 31.2, Contracts with Commercial Organizations

Signature of Authorized Official - Denali Commission 	Typed Name and Title George J. Canelos, Federal Co-Chair	Date 9/18/06
Signature of Authorized Official - Agrium U.S. Inc., Kenai Nitrogen Operations 	Typed Name and Title Tim G. Johnson, Project Manager Agrium Kenai Blue Sky	Date 9/25/06

ASSURANCES - NON-CONSTRUCTION PROGRAMS

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0040), Washington, DC 20503.

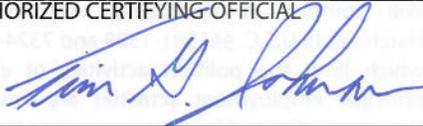
PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

NOTE: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the awarding agency. Further, certain Federal awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

1. Has the legal authority to apply for Federal assistance and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project cost) to ensure proper planning, management and completion of the project described in this application.
2. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the award; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
3. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.
4. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
5. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
6. Will comply with all Federal statutes relating to nondiscrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. §794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. §§290 dd-3 and 290 ee 3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and, (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.
7. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
8. Will comply, as applicable, with provisions of the Hatch Act (5 U.S.C. §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.

9. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a to 276a-7), the Copeland Act (40 U.S.C. §276c and 18 U.S.C. §874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333), regarding labor standards for federally-assisted construction subagreements.
10. Will comply, if applicable, with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
11. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).
12. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
13. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. §§469a-1 et seq.).
14. Will comply with P.L. 93-348 regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance.
15. Will comply with the Laboratory Animal Welfare Act of 1966 (P.L. 89-544, as amended, 7 U.S.C. §§2131 et seq.) pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance.
16. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.
17. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations."
18. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.

SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL		TITLE	
Tim G. Johnson 		Project Manager, Agrium Kenai Blue Sky	
APPLICANT ORGANIZATION		DATE SUBMITTED	
Agrium U.S. Inc. Award 249-06		9/25/2006	

*Award Conditions to the Financial Assistance Award between the Denali
Commission and Agrium U.S. Inc., Kenai Nitrogen Operations
For Kenai Blue Sky, Phase 2
Award No. 249-06
September 2006*

1. Scope of Work

Background: Agrium Kenai Nitrogen Operations (KNO) faces permanent closure as a result of reduced levels of natural gas available in Cook Inlet. A possible solution to keep KNO operating is to refuel the facility by adding a coal gasification plant to produce the syngas required to manufacture the ammonia and urea. In addition, to address the substantial electric power requirement to operate KNO and the gasification plant, a new power plant would be constructed.

Through Phase 1, both the Black & Veatch (B&V) and Uhde engineering firms have been incorporated into the Blue Sky team to support the investigation of a feasibility of constructing coal gasification to meet KNO's feedstock needs and develop the design concepts for the new facilities. Currently, the design concept includes the addition of a gasifier with the associated auxiliary and gas cleanup systems, as well as a pulverized coal power (PC) plant. The gasifier will produce the hydrogen (H₂), nitrogen (N₂) and carbon dioxide (CO₂) required by the nitrogen facility and strategically positioned companies within Cook Inlet.

The scope of Phase 2 is to complete definition and detailed Front End Engineering Design (FEED) studies, including design and layout, resource assessment of coal supplies and water, detailed estimates, and initiation of permitting activities. The detailed description of the scope is as follows:

Phase 2 Scope:

- Phase 2(a)
 - The first objective of Phase 2(a) will be the completion of a Front End Engineering Design ("FEED") definition study, led by Agrium and using the services of an engineering firm, which will include the following:
 - Engineering study to refine the design case from Phase 1 before proceeding with the detailed engineering portion of the FEED study on the following.
 - Design and layout of the gasification plant.
 - Design and layout of the power block.
 - Integration of gasification plant and power block with Agrium's fertilizer plant.
 - Optimization of Agrium's fertilizer plant with the gasification and power block plants and detailing of urea plant revisions that may be required.
 - The following tasks will also be completed in Phase 2(a), with Agrium taking responsibility as project lead:
 - Evaluation of feedstock and suitability for intended application.

- Assessment of adequacy of coal supplies and financial terms for coal acquisition.
 - Water study to refine the availability of water.
 - Environmental permitting and planning will commence. The goal of this work will be to develop any data collection and modeling required to support the project and begin the permitting process for any required permits. It is envisioned that the permitting and National Environmental Policy Act (NEPA) process work, if it is required, will begin. However, only preliminary permitting work can begin until the Phase 2(a) engineering is complete.
- Phase 2(b)
 - Phase 2(b) will involve the completion of the FEED study, led by Agrium and using the assistance of an engineering firm, which will include:
 - A detailed engineering study based on the refinements from Phase 2(a), including:
 - A Class 3 capital cost estimate as defined by the Association for the Advancement of Cost Engineering International. The capital cost estimate shall also include a confidence level analysis. The intention of this analysis is to quantify the uncertainty around the cost estimate.
 - Detailed engineered process and utility equipment lists.
 - The following drawings, developed during Phase 1 and 2(a), will be refined and enhanced:
 - Basic process units block flow diagrams.
 - Process flow diagrams for all process systems.
 - Plot plan for all project facilities.
 - Electrical single line diagram for generation facilities and electrical connection to the gasification plant and Agrium's fertilizer plant.
 - Preliminary Piping and Instrument Diagrams (P&IDs) for all process facilities.
 - Detailed estimates for the following categories:
 - Operations and maintenance manpower requirements.
 - Anticipated operating costs (other than coal).
 - Anticipated maintenance costs.
 - Estimate of the availability for the major pieces of equipment.
 - Detailed project implementation plan.
 - Estimated plant emissions, discharges and waste products.
 - Development of a coal supply agreement between the participants and the coal supplier.

- Feedstock (coal) will be obtained for the project as a whole under a coal supply agreement, with costs allocated according to usage by each participant.
- Additional environmental permitting will continue from Phase 2(a).

Phase 2 Execution:

Phase 2 will be completed in three steps. Phase 2(a) will begin on or about 9/1/2006. At the conclusion of this step the project participants will review the results. Each non-federal participant will have an opportunity to opt-out of the project based on the results of Phase 2(a). The Denali Commission will continue in the project unless Agrium itself opts out of the project; however, no additional Commission funding should be expected to cover a shortfall from other participants opting out. If Phase 2(a) results are approved, Phase 2(b) will commence. At the midway point through Phase 2(b) all participants will review the progress and verify the results merit completion of Phase 2(b). If participants approve progress at this point Phase 2(b) will be completed as identified in the milestones.

Projected Phase 2 Costs (current estimate-still finalizing costs):

Design engineering	\$15.2 million
• Phase 2 FEED	
• Technology Integration	
• Water verification	
• Power Transmission & Grid Integration	
Environmental Support	\$ 4.2 million
• Permitting and NEPA Compliance	
• Quality Assurance/Quality Control	
Project Management	\$ 0.6 million
Commercialization	\$ 2.0million
• Land	
• Legal	
• Phase 3 Financing	
 Total Project Cost	 \$22.0 million

All Commission funding is intended for use for the scope of work identified in the Award document only. Any balance of funds remaining after the full scope of work has been completed will be returned to the Denali Commission. Agrium will draw on funds from the various funding sources at its discretion but at no time will Denali Commission funding be the sole source of expenditures. Only \$2,000,000 of FY06 Denali Commission funding is available for this project; however the Commission understands there may be future appropriations from Congress for this project. Any additional funding from the Commission will be contingent upon both availability of funds and an affirmative resolution of the Commissioners. Such additional funding would be obligated by amendment to this financial

assistance award, and cannot be considered available before it is obligated. Any cost overruns are Agrium’s responsibility to fund from other sources.

2. Milestones

The following milestones are identified as the major steps to be completed as part of the project. “Planned” dates for the first milestone are included here. As part of each progress report, recipients shall update the progress toward meeting these milestones (see section 7, Reporting).

Milestone	Planned		Actual		Units	Total Cost At Completion
	Start Date	End Date	Start Date	End Date		
In-Progress	08/30/2006	04/30/2008			0	\$0.00
Phase 2(a) Completion of defined level FEED study	09/01/2006				0	\$0.00
Phase 2(b) Completion of detail level FEED Study					0	\$0.00
Project Close-out	05/01/2008	08/01/2008			0	\$0.00

3. Award Performance Period

The Award performance period is August 30, 2006 through April 30, 2008. This is the period during which Award recipients can incur obligations or costs against this Award.

4. Direct and Indirect Costs

The cost principles of 48CFR31.2, Contracts with Commercial Organizations are applicable to this Award. Agrium program management costs are included as a direct charge to the project and such costs shall be credited against the Agrium share of funding referenced above. Agrium undertakes to perform this work with no profit markup for work performed or managed by its own workforce. No indirect costs will be charged under this award. Please refer to the cost principles regulations for specific details on other allowable charges under this Award.

5. Budget and Program Revisions

The Uniform Administrative Requirements, 2 CFR Part 215 (formerly OMB A-110), apply to this Award. Please refer to this CFR for specific details on revisions to this Award. The CFR requires that Agrium will inform the Commission in writing (e-mail, letter, or report) at the earliest possible date of any unanticipated project cost overrun, project schedule delays, or changes in the project scope or changed site conditions.

6. Payments

Payments under this Award will be made through the U.S. Department of Treasury’s Automated Standard Application for Payment (ASAP) system. The ASAP system is the

Commission's mechanism for requesting and delivering Federal funds to Award recipients. Agrium must be registered with the ASAP program in order to make draw downs. Please contact the Commission's Finance Manager at (907)-271-1414 for further information about registering with the ASAP program. Payments shall be made in accordance with 2 CFR Part 215. **No interest may be accrued on these funds.**

7. Reporting

Three forms of project reporting are required under this Award, listed below. Agrium shall submit reports using the Denali Commission's on-line Project Database System, available at www.denali.gov. If there are technical limitations which may prevent the recipient from meeting this requirement, please contact the Program Manager listed in this agreement.

- a. **Progress Reports** shall be submitted on a quarterly basis. The first reporting period is August 30, 2006 to September 30, 2006, and quarterly thereafter. Reports are due within 30 days of the end of the reporting period. Progress reports shall include the following:
 - i. Total project funding, including both Denali Commission funding and other project funding sources.
 - ii. The total project expenditures for the project as of the end of the reporting period, including both Denali Commission and Other funding sources.
 - iii. Updated schedule and milestone information as identified in the Scope of Work
 - iv. Narrative summary of the project status and accomplishments to date, and address the following questions: is the project on schedule, is the project on budget, and what actions are planned to address any project problems.

- b. **Standard Form 269A Financial Status Report – Short Form (SF269A)** shall be submitted on a quarterly basis via fax, e-mail or mail. As with the Progress Reports, the SF269A is due within 30 days of the end of the quarter and a final SF269A is due within 90 days of the end of the Award Performance Period. Please note the following:
 - i. This report cannot yet be submitted through the Denali Commission On-line Project Database and therefore must be submitted via fax, e-mail or mail.
 - ii. This form is available on the Internet at <http://www.whitehouse.gov/omb/grants/sf269a.pdf>. A link to this site is also available on the Commission's website, www.denali.gov, under the "Finance" section. A Guide to Completing the SF269A can also be found on the Denali Commission's website under the "Finance" section.
 - iii. The SF269A may be filled out electronically using the above link. However, the completed SF269A must be printed and signed, and then the completed SF269A must be submitted to Denali Commission via mail, fax or as a PDF attachment to an e-mail to finance@denali.gov.
 - iv. If you have multiple projects under a single Financial Assistance Award, the SF269A is required ONLY for the award as a whole, not for the individual projects.

- c. **Federal Single Audits** shall be submitted annually, when required. In accordance with OMB Circular A-133, which requires [subpart 200] “Non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part [subpart 205]. The determination of when an award is expended should be based on when the activity related to the award occurs.”

Recipients shall also submit single audits to the Federal Clearinghouse as designated by OMB. Information can be found on the following web-site:

<http://harvester.census.gov/sac/>

8. Project/Award Close-Out

The project close-out report shall be completed within 90 days of the end of the Award performance period or within 90 days of the completion of the project, whichever is earlier. Recipients must also draw down any remaining funds for expenditures incurred under this award during this 90-day period.

The project close-out report shall be submitted on-line through the Denali Commission’s on-line Project Database System, available at www.denali.gov. The project close out will require the recipient to submit the following information:

- a. Final data for each item listed in paragraph 7(a) “Progress Reports”
- b. Final project expenditures itemized by the following categories: planning & design; materials & equipment; freight; labor; project administration/overhead and other expenses.
- c. Acknowledgement of support: For all non-construction projects, the Award recipient shall include an acknowledgement of the Government’s support for the project(s) developed under this Award. Costs associated with this requirement may be paid out of the project funding received by the Award recipient from the Denali Commission. Acknowledgement shall include:
 - i. The Denali Commission logo and the logo of each relevant partner;
 - ii. A statement such as: “This project was financed by the Denali Commission and its partners (*list the name of the funding partners*)” on the Phase 2(a) and 2(b) reports.

9. Public Policy Laws and Assurances

Award Recipients are required to comply with the public policy laws and assurances on Standard Forms SF 424b (non-construction projects). This form must also be signed by a certifying official of the organization. Some of the laws are highlighted below for your reference.

To the maximum extent practicable, considering applicable laws, Funding Recipients shall accomplish the project contemplated by the Award using local Alaska firms and labor.

No portion of this award may be used for lobbying or propaganda purposes as prohibited by 18 U.S.C. Section 1913 or Section 607(a) of Public Law 96-74.

Project level environmental reviews in accordance with the National Environmental Policy Act (NEPA) and the National Historic Preservation Act (NHPA) are required for each project undertaken with Denali Commission funds.

10. Non-Compliance with Award Conditions

Recipients not in compliance with the terms and conditions of this Financial Assistance Award will be notified by the Denali Commission. The Denali Commission will work with the recipient to identify the steps necessary to bring them back into compliance, and will establish an appropriate time frame for the corrections to be made. If the corrections have not been made by the deadline, the Denali Commission reserves the right to either suspend or unilaterally terminate the Financial Assistance Award for non-performance.

11. Program Manager, Financial Manager & Other Contact Information

Denali Commission	Agrium U.S., Inc. KNO
Kathleen Prentki Energy Program Manager 510 "L" Street, Suite 410 Anchorage, AK 99501 Phone: 907-271-1441 Fax: 907-271-1415 E-mail: kprentki@denali.gov	Lisa Parker Project Officer U.S. Government & Community Relations P.O. Box 575 Kenai, AK 99611 Phone: 907-776-3275 Fax: 907- 776-5766 Email: lparker@agrium.com
Joey Ausel Grants Manager & Analyst 510 L Street, Suite 410 Anchorage, AK 99501 Phone: 907-271-3415 Fax: 907-271-1415 E-mail: jausel@denali.gov	Denise Romans KNO Finance Team Lead P.O. Box 575 Kenai, AK 99611 Phone: 907-776-3214 Fax: 907- 776-5766 Email: dromans@agrium.com