

## Agrium closure would have borough-wide impact

By John Crowder

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The potential closure of the Nikiski Agrium nitrogen fertilizer plant would send shockwaves through the Kenai Peninsula Borough economy, inevitably impacting Homer area taxpayers.

Last month, company officials announced that the plant will close next fall, unless a new deal is reached for inexpensive natural gas to run its operations.

“At this point, it’s imminent,” said Lisa Parker, spokeswoman for Agrium. Agrium is Alaska’s largest manufacturer, and lost jobs are expected to equal \$20 million in wages, along with a significant property tax loss.

“If it’s bad for the borough, it’s bad for Homer,” said Homer City Manager Walt Wrede. “We haven’t looked at it from a quantitative point of view – tried to run any numbers. But just generally, folks have talked about it, and it certainly would erode the borough’s tax base.”

As gas prices rise and supplies dwindle, Agrium is feeling the pinch. The company consumes vast quantities of natural gas – about a quarter of all that is produced in Cook Inlet. The company is already making plans for closure and severance packages for its 230 workers.

“Is Agrium going to close it and then turn-key walk away from it, or are they going to try to get someone else to buy it? Right now, fertilizer prices are pretty good. What kind of profit margin do they have to have to stay in business? We don’t really know. There’s a lot of talk out there. The question is, how far is that talk going to go?” said KPB Finance Director Scott Holt.

As for property tax loss to the borough, Agrium’s plant is valued at up to \$70 million.

“That works out to about \$400,000 ... and that’s just the borough’s side of it,” said Holt, referring to the amount taken in by the borough’s general fund each year in property tax from Agrium.

The greatest impact would be felt by the North Peninsula Recreation Service

Area and the Nikiski Fire Service Area, which depend heavily on the plant and its employees to function. Together, the two service areas take in more than \$300,000 from Agrium's property tax dollars alone. However, Holt points out that property improvements at the plant would likely not diminish entirely.

"There's no way the value will go to a total zero ... They would have to totally demolish all the buildings and take it down to scratch. The question then is, how far down will it go," said Holt. "It could go down somewhere to five or 10 percent of the value."

Holt says that a property or sales tax increase could be used to cover the borough's losses.

"It's going to effect everybody. There's a certain level of service that the borough has to maintain. ... At some point, you'd have more cost spread over less money," said Holt. "There's a lot of different (revenue options) that we're looking at."

Parker says the company is now developing plans for the future of the facility itself.

The \$20 million in lost worker wages is expected to have the most detrimental ramifications to the borough. The trickle down effect could reach numerous sectors of the economy borough-wide. The company is already preparing for career counseling, job retraining and resume writing for outgoing employees.

"The borough collects taxes and spends it on things in places like Homer – schools and other things. So, it would have an impact on us. There's no doubt about that," said Wrede.

Parker says the company will go forward with meetings this month in an attempt to find alternative gas sources.

"We have, over the last two years, met with all the producers and all the lease holders in Cook Inlet in attempts to secure gas contracts. While we will continue with that, we haven't been successful," said Parker. "We've offered to buy gas fields, and those offers were turned down. We've offered to buy gas at competitive market rates, and those offers have been turned down. So, we'll

continue with the discussions, but don't expect that things are going to turn around."

The company just settled a lawsuit with Unocal Corp., its natural gas supplier, which guarantees natural gas at current prices through October.

Agrium's announcement has prompted the governor's office to call a task force to review the matter. Wrede says the city of Homer has been working with Alaska Municipal League and has contacted the governor, urging approval of a natural gas spur line to Southcentral.

"We are running out of gas. There's evidence of it right there. Before we talk about shipping gas to the Midwest, let's talk about taking care of Alaska first," said Wrede.

Parker says the company needs a more immediate solution, and cannot wait for a spur line.

"It's not something that can happen in the short term. Producers have not even come to an agreement with the state," said Parker. "They're all talking, but nothing's even started."