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Governor says options for keeping North Kenai plant open are still available

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Gov. Frank Murkowski met with his appointed Agrium Task Force on Friday at the Peninsula Job Center and identified several key points in an attempt to prolong operations and provide assistance to the Agrium nitrogen plant in Nikiski. The plant is scheduled to close Oct. 31.

"My intent is to ensure a supply of gas for Agrium," Murkowski said in regard to his presence.

The representatives from various municipal and business organizations that make up the task force are charged with pursuing ways to keep the plant open, help employees transition into new jobs and look at ways to spur long-term economic development in the region.

To that end, the possibility of the state of Alaska selling its royalty gas to Agrium was discussed at length, but Bill Popp, oil, gas and mining liaison for the Kenai Peninsula Borough and co-chair of the task force, stated that last year's royalty gas analysis has been requested from the Department of Natural Resources, but not yet received.

Murkowski stated that information on the status of royalty gas was greatly needed for the task force to proceed further. However, he pointed out that royalty gas is a temporary solution.

"If you have a shortage of gas and you take it from one source to give it to another, you still have a shortage of gas," Murkowski said.

As a more long-term solution, Murkowski discussed further gas exploration and stated that the state would participate with an experienced private company interested in bringing a jack-up rig to the Cook Inlet area.

A jack-up rig is a portable offshore drill rig with legs that can be jacked up. Some are transported by barge while others are self-contained.

However, Murkowski acknowledged the fact that although the discovery of more gas would be a long-term solution, it's a process that takes time; and Agrium has little left.

Murkowski revisited the issue of utilizing the Swanson River oil field for storage to be used in winter months. Mike Menge, the governor's senior advisor on energy, mining and the environment, said that possibility may soon become a reality.

"The (Kenai National Wildlife Refuge) is working with the task force, and the refuge staff has been extraordinarily helpful," Menge said.

He added that the proposal to utilize the Swanson River oil fields is now pending approval from the Bureau of Land Management.

Murkowski discussed his interest in finding solutions to the Cook Inlet gas gathering system and pipeline issues.

The task force discussed concerns that have come up in regard to the offshore gas discoveries off Cape Kasilof, and the four-mile pipeline that would need to be constructed to harvest the natural resources.

Popp reported that a tariff structure has not yet been defined by the Regulatory Commission of Alaska, though.

"This is a big problem," Popp said.

"We don't know what the tariff will be or how long it will take to get finalized. That makes it hard to get into a long-term contract with a buyer, because you don't know what the cost of gas may be in a few years," he said.

Murkowski also suggested the task force look at the possibility of bringing the Healy Clean Coal Plant back on line.

The plant has been dormant since 1999, but has a 50 megawatt generator that could produce power that would serve to redistribute up to 10 million cubic feet of gas a day to Agrium.

"For our plant to operate, we need 60 million cubic feet of gas a day, which equates to 24 billion cubic feet a year," Agrium spokesperson Lisa Parker said.

Parker also reported that the deadline for responses from Agrium's request for proposals to all seven gas producers in the Cook Inlet Basin has been extended from its April 15 deadline.

"We've extended the deadline to May 13," Parker said.

The request for proposal's is part of Agrium's efforts to secure more gas to continue its operations. The request offered to pay \$3 per thousand cubic feet of gas #151; an increase from the \$2 per thousand cubic feet of gas the North Kenai plant has historically paid on average.

Parker said she doesn't anticipate that any one company will offer a contract for the volume of gas needed by Agrium.

"We'll probably have to have multiple contracts, but we won't know if that will be enough (gas) until (the proposals) come back," she said.

Parker also stated that 12 more employees have left since the task force last met on March 29, and the company is anticipating more people leaving in the future.

John Coston, Agrium's employees representative to the task force, said of those who left most recently, roughly half went out of state.

"They've been going to Texas, Oklahoma and Seattle," he said.

Coston added that some of the others who stayed in state went outside of the peninsula, to areas such as Unalaska, Fairbanks and the North Slope.

As a result, Parker said Agrium has brought back former employees #&151; some retired but still living locally #&151; in order to ensure the plant is operating safely.

"Safety is our number one priority," Parker said.

Following the meeting, many task force members said they believe Murkowski's presence was a welcome addition to the meeting.

"The fact that he was here shows his commitment to keeping Agrium open," said Bob Favretto, co-chair of the task force.

Parker said she thought it was a productive meeting.

"I think some good key points were addressed. We should see some issues move forward from here," she said.

Also, shortly after the meeting ended, Popp received good news in the face of a worst case scenario. The U.S. Department of Labor granted approval of Agrium's application for Trade Adjustment Assistance for its employees.

"This is an important safety net for employees if the plant does close," Popp said.