

State will answer most of FERC's questions by June; last items Aug. 1

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The Alaska Gasline Development Corp. (AGDC) advised federal regulators on April 6 that it will answer by mid-summer their latest round of questions for preparation of the Alaska LNG project's environmental impact statement.

The state-led development team has been working the past year to provide missing information and further details about the \$43 billion project's proposed construction and operation plans. Most of the remaining questions will be answered in April, May and June, AGDC reported to the Federal Energy Regulatory Commission (FERC) in a 24-page listing April 6. Answers to several questions and missing data — some of which require summer field work — will be submitted by Aug. 1, about seven months before regulators plan to have the draft environmental impact statement (EIS) ready for public comment.

Among the information FERC still needs from the state for the project's environmental review:

- Further analysis of alternative sites for the proposed natural gas liquefaction plant and LNG marine terminal.
- More details on AGDC's mitigation plans for reducing impacts on fish and wildlife.
- More detailed wildlife habitat mapping.

FERC presented its latest round of information requests to the state in February.

VALDEZ, PORT MACKENZIE ALTERNATIVES

The state team plans to submit further analysis of the Valdez LNG site option to FERC by mid-May. The city of Valdez is pushing its Prince William Sound community as the best location for the LNG plant and marine terminal, over the project's preferred site of Nikiski on the Kenai Peninsula. Prompted by the city's filings to FERC that advocate for the Valdez alternative, the regulators asked the state team for additional analysis of routing the pipeline from Prudhoe Bay to Valdez instead of Nikiski.

Also prompted by municipal filings, the regulators asked AGDC to take a more detailed look at building the LNG terminal at Port MacKenzie on Matanuska-Susitna Borough-owned property across Knik Arm from Anchorage. The state team told FERC it will file its response on the Port MacKenzie alternative by June 1.

The project team in 2013 selected Nikiski as the preferred site for the LNG plant at the end of an 807-mile gas pipeline from Prudhoe Bay. North Slope oil and gas producers ExxonMobil, BP and ConocoPhillips were leading the effort at that time with the state a 25 percent partner. AGDC took over 100 percent control in late 2016 after the companies declined to proceed with

spending \$1 billion or more on final engineering, design, and permitting. The companies cited low oil prices and weak global LNG markets for their decision.

Before selecting Nikiski, the project team reviewed about two dozen potential sites throughout Southcentral Alaska for the ice-free terminus of the gas pipeline. Valdez is about 170 air miles due east of Nikiski and is the location of the trans-Alaska oil pipeline terminal. Port MacKenzie is about 65 miles northeast of Nikiski.

Both Valdez and the Matanuska-Susitna Borough have long promoted their communities as potential LNG plant sites. Federal law requires that an EIS look at the technical and economic feasibility of project alternatives, and whether they offer significant environmental advantages.

MITIGATION PLANS BY JUNE 1

Responses to FERC's request for detailed mitigation plans will be submitted late April through June 1, the state reported in its April 6 filing. Regulators want to know more about how the project proposes to reduce impacts during construction and operation, particularly addressing wildlife avoidance and interaction, marine mammals, soil and vegetation restoration, noxious and invasive plant control, groundwater monitoring, public land use, recreational use, and site-specific plans for residences within 50 feet of project work areas.

In its February request for detailed plans, FERC advised the state: "To date, only minimal drafts, and in most cases just outlines, of these mitigation plans have been provided." AGDC had filed its application with FERC about 10 months earlier.

Also on the list is more detailed wildlife habitat mapping, which the state said it will provide by mid-May to include grizzly bear denning and foraging habitat, along with moose, Dall sheep, and caribou habitat.

Road development and a cleared right of way for construction activities can open areas and increase access "by hunters and poachers and allow increased predation," FERC said in its Feb. 15 request for mitigation plans. It asked AGDC for "measures that would be implemented to reduce access to sensitive wildlife habitats."

"Public access will be decided by the landowner," the corporation responded to FERC on March 30. Access on state and federal lands, AGDC said, will be determined on a case-by-case basis "after evaluating the need to serve the public good with additional access balanced with (wildlife) management plans."

The corporation added: "Alaska is unique to other states in the U.S. in that land managers have a requirement to provide access to the resources in the state and will require that some access roads and portions of the right of way be accessible to the public for use of the land."

STATE FINISHING UP ON SEVERAL SUBJECTS

More information for pipeline river crossings on the North Slope will be delivered to FERC by June 1, the state said. Regulators have asked questions about erosion control, restoration challenges and open-cut trenching for some crossings.

By Aug. 1, AGDC will provide FERC with information for the project's preferred alternative to reroute several miles of the Kenai Spur Highway away from the LNG plant and marine terminal. Selection of a new route for the highway through an area of residences and undeveloped land east of the plant site has been contentious in the community of several thousand residents, with issues of traffic, noise, property values, and highway access among the main concerns.

Further analysis will be submitted by Aug. 1 for the alternative of routing the gas pipeline through the eastern edge of Denali National Park and Preserve, rather than the more expensive option of crossing the difficult, steep terrain and gorge outside the park boundary. The state has been waiting for congressional action that would make it more straightforward to permit the buried line just inside the park boundary, which could provide the benefit of easier access to gas for park facilities.

Aug. 1 is also AGDC's expected delivery date for modeling and analysis of how dredging in Cook Inlet would stir up sediment. The project will require nearshore dredging at the Nikiski site for construction and operation of the materials offloading facility (ship and barge dock) that would be used to bring in construction equipment and components for the LNG plant and storage tanks.

AGDC told FERC it will submit more details on June 1 of its plans and shoreline construction options for the pipeline to enter Cook Inlet on the west side, north of the small community of Tyonek, and then exit the water 29 miles later north of the LNG plant site.

NO COMMUNITY IMPACT AGREEMENTS

FERC has asked for information on any impact payment agreements with communities affected by the gas treatment plant at Prudhoe Bay, the LNG terminal, and the pipeline route. In its March 30 response, AGDC reported there are no such agreements to forward to FERC. Though the state in 2015-2016 discussed community impact aid payments during project construction and operation — covering additional city and borough expenses for law enforcement, social services, schools, roads, emergency services, and other items — the state and six boroughs in the project's path never reached agreement and have not met in almost two years.

AGDC has not held any group meetings with the boroughs to discuss impact aid since it took over control of the project. The corporation in its public presentations, however, has acknowledged that it expects to make impact aid payments in lieu of property taxes on the state-owned project. State legislative approval likely would be required for any such payment structure.

FERC last month published its schedule for the EIS and decision on the Alaska project. Assuming the state-led team provides the remaining information on schedule, the EIS, which would be used by all federal agencies for their own regulatory approvals, would be ready as a draft for public comment in March 2019. FERC would issue the final EIS in December 2019.

Under that schedule FERC commissioners could vote in March 2020 on the state's application for authorization to build and operate the project.

While AGDC is working its way through FERC's request list from February, federal regulators April 12 added one more work assignment: "Submit flow diagrams and corresponding hydraulic models for all proposed pipeline and compression facilities." Compressor stations along the pipeline would keep the gas pressurized for efficient movement through the pipe. Such follow-up questions during the review process are common.

FINANCING EFFORTS

While proceeding through the regulatory process, the state corporation continues to talk with potential investors, partners, and customers to pull together a business plan for the venture, and has contracted with Goldman Sachs and the Bank of China to assist with "raising equity and debt financing ... for continued development."

AGDC continues to talk with North Slope producers about participating in the project or selling gas to the state or other potential customers. The state also needs to reach an agreement with ExxonMobil, BP, and ConocoPhillips to gain rights to the more than 600 acres the producer-led venture purchased in 2015-2016 at the Nikiski LNG plant site, and rights to the producer-held federal authorization for LNG exports. The state was not a party to that 2014 export application.

The state corporation hopes to find investors, line up customers and financing and make a final investment decision after receiving FERC authorization in early 2020. Construction, the corporation has said, could start later that year with first LNG production in late 2024.

To meet that aggressive timeline, AGDC's goal is to raise as much as \$1 billion this year to pay for engineering, design, regulatory, and commercial work through to an investment decision, the management team told the corporation's board of directors meeting April 12 in Anchorage.

"The investment banks and AGDC anticipate raising the funds in multiple rounds, which will include offerings to the State of Alaska, Alaska residents, Alaska municipalities, Alaska Native corporations, and private-equity sources," management told the board. "Initial equity will be raised to meet AGDC's working capital requirements to keep the project on schedule."

AGDC is seeking state legislative authorization this year that would allow the corporation to receive and spend any funds raised from investors — a requirement of the state budget

process. At its current spending levels, the corporation would run out of available state funds early next year.

AGDC VISITS CHINESE STEEL MILLS

The management team also reported to the board April 12 that its metallurgy team visited China in March, and toured steel and pipe mills to evaluate their manufacturing capacities for the high-strength, 42-inch-diameter pipe needed for the Alaska project. Sinopec served as host for the visit, which included tours of the Shougang steel plate mill, Julong and Shashi steel pipe mills, and Bao Steel integrated mill.

“Following these visits, AGDC will formulate findings with Sinopec engineers, revise pipe specifications as necessary, prepare to procure and test pipe, and perform welding trials and full-scale validation” of pipe strength, the management team told the board.

Sinopec, also known as the China Petrochemical Corp., signed a joint development agreement with AGDC last November to possibly take 75 percent of the Alaska LNG project’s capacity of 20 million tonnes of LNG per year. The Bank of China and China Investment Corp. also signed the agreement to consider financing and/or investing in the Alaska project. The project timeline provided to the AGDC board April 12 showed Dec. 31, 2018, as the “target date to have definitive agreements submitted to China.”

AGDC staff also reported to the board that the corporation has scheduled a statewide newspaper insert for April 22 to help explain and promote the project and publicize the potential job opportunities. The corporation plans to print 115,000 copies of the full-color, multi-page inserts, similar to a publication that AGDC distributed with Alaska newspapers late last fall.