AGDC stays on schedule with latest batch of answers to FERC

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While cutting back on overall spending to preserve its money to last into 2020, the Alaska Gasline Development Corp. (AGDC) continues answering questions and providing additional information to federal regulators, submitting on March 1 the first of six batches of information it is scheduled to submit through September.

The information will be included in the Federal Energy Regulatory Commission's (FERC) safety review and final environmental impact statement (EIS), but not necessarily in the draft EIS that is scheduled for release in June.

The March 1 packet answered about 60 of FERC's information requests from January, dealing mostly with fire safety, equipment, and procedures, including trucking fuel to the facilities; mapping fault lines, unstable slopes, and other geologic hazards; and plans for a temporary access road during construction that would cross over existing buried pipelines at Prudhoe Bay.

The state-led Alaska LNG project team had told FERC it would answer the remaining questions about fire safety, spill-containment safeguards, hazard mitigation, and other design issues in monthly batches March through July. The requested information covers various details of the North Slope gas treatment plant at Prudhoe Bay and the liquefaction plant and liquefied natural gas storage tanks in Nikiski.

It will be September, however, before AGDC provides federal regulators with more information about the project's 27-mile underwater pipeline crossing of Cook Inlet to Nikiski. FERC wants more geotechnical data about the seafloor. It also wants to know if AGDC expects tidal flow and other currents will move debris and boulders across the pipeline and how the project proposes to stabilize and protect the line against tidal currents and boulders.

If all goes according to schedule between the state project team, FERC, and other federal agencies involved in preparing the EIS, the final impact statement is scheduled for release in March 2020. That allows nine months for public and agency comment, public hearings, review, and revisions between the June 2019 draft and the final EIS.

The single EIS will be used by all federal agencies involved in regulatory oversight of the proposed Alaska LNG project, which includes a gas treatment plant at Prudhoe Bay to remove carbon dioxide and other impurities, 807 miles of large-diameter high-pressure steel pipe to move gas to the liquefaction plant and LNG export terminal in Nikiski.

Though the state corporation expects to end the current fiscal on June 30 with about $20 million still available to spend, according to a staff financial presentation at the March 6 AGDC board meeting, it could run out of funds about the same time that FERC finishes work on the EIS. The corporation is cutting back on its leased office space in Anchorage, closing its Houston office, and taking other steps to stretch out its available funding. Interim AGDC President Joe Dubler told the board March 6 that the corporation also has been able to reduce its legal and contractual spending this year.

The Alaska Legislature is now working to put together the state budget for fiscal year 2020, which starts July 1, 2019, but there was no request before lawmakers as of March 11 to appropriate additional funds to AGDC. Many legislators have said they are looking for evidence that the estimated $43 billion project is commercially viable before proceeding past the EIS. Gov. Mike Dunleavy has said he opposes state control of the project — with the state taking all the risk — and he wants to see the North Slope producers back on board.

"AGDC will only pursue Alaska LNG if the project viability is assured," Dubler told the board March 6. "AGDC will seek third-party support from qualified, experienced LNG project owners and operators to build, own, and operate the project."

The state took over the project more than two years ago after North Slope oil and gas producers ExxonMobil, BP, and ConocoPhillips — citing market conditions — declined to spend the billion-plus dollars that would be required to complete permitting, final design, and engineering. The state, anxious to see the project continue at a faster pace, took over 100 percent funding of the application to FERC and the environmental impact statement.

AGDC has not contracted for construction-ready final engineering and design work, which could cost as much as $2 billion, Dubler told the board March 6.

While working to finish the EIS, the state corporation continues talking with potential investors and customers, looking to determine if the project can pass the economic-viability test.

While continuing its quest for the large-volume Alaska LNG project, the state corporation has completed its original 2010 assignment when the Legislature created AGDC: Obtain regulatory approval for a smaller-volume backup project to deliver North Slope gas to Alaskans. The U.S. Army Corps of Engineers and federal Bureau of Land Management on March 4 signed a joint record of decision for the Alaska Stand Alone Pipeline (ASAP), also known as the in-state project and the bullet line.

The 733-mile pipeline would move North Slope gas south through the state, ending at a connection point near Big Lake, north of Anchorage, to ENSTAR's gas distribution system for Southcentral Alaska. The project, estimated by AGDC several years ago at $10 billion, does not include a liquefaction plant or any other export component. The line's maximum capacity would be 500 million cubic feet of gas per day, far less than the LNG project which is designed to handle 3.5 billion cubic feet per day at the entrance to the gas treatment plant at Prudhoe Bay.

ASAP was intended to meet in-state needs for natural gas, in particular providing gas to Fairbanks and potential mining projects. The line's capacity would be more than double the average daily demand of all Southcentral gas users. The state paid 100 percent of the cost of permitting to reach the federal record of decision, but there is no money available for final engineering and design. And, like the LNG venture, the economics of the backup project are questionable.

The Legislature has appropriated about $480 million in state funds to AGDC for the two projects since 2010.

The final EIS and record of decision on the backup line are helpful to AGDC and the larger gas pipeline project, particularly the decision by the Army Corps to allow construction in wetlands, with mitigation as required. "Because ASAP and Alaska LNG share a common path for 80 percent of Alaska's LNG pipeline route, this permit and the underlying data will help the Alaska LNG project efficiently advance through the federal permitting process," AGDC said in a prepared statement.