

FERC sends final questions on draft reports to Alaska LNG

Federal review in holding pattern, awaiting project applicant responses

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(This update, provided by the Kenai Peninsula Borough mayor's office, is part of an ongoing effort to help keep the public informed about the Alaska LNG project.)

Federal regulators have added 58 more pages of questions and comments to the 362 pages already submitted to the sponsors of the Alaska LNG project, with the latest request for additional information focused on impacts to subsistence resources and users, along with detailed questions about engineering, reliability and safety.

The Federal Energy Regulatory Commission's Dec. 14 letter is the last of the comments in response to a dozen draft environmental and project construction and operations reports — called resource reports — submitted this past summer by Alaska LNG. Commission staff compiled the responses from federal and state agencies.

It's now up to the project sponsor to go through the 420 pages and prepare the answers required for a complete application to FERC to build and operate the proposed \$45 billion Alaska North Slope natural gas project. The development would include a gas treatment plant on the North Slope, 62 miles of pipeline from the Point Thompson gas field to the treatment plant at Prudhoe Bay, 804 miles of pipeline from the treatment plant to Nikiski, and a gas liquefaction plant, storage tanks and marine terminal on the shore of the Cook Inlet community.

"It is expected that our review would move into a holding pattern while we await consideration and response from the applicant," FERC staff reported in a Dec. 19 e-mail to federal and state agency personnel.

The project is transitioning from a partnership between the state of Alaska and North Slope oil and gas producers ExxonMobil, BP and ConocoPhillips to a solely state-led effort, managed by the Alaska Gasline Development Corp. The companies earlier this year told the state that weak market conditions did not warrant proceeding with the FERC application and costly design work in 2017. Alaska Gov. Bill Walker told the companies the state would take over the project to keep it on schedule, while looking to reduce financing costs with federal tax savings and searching for investors and customers for the LNG.

The Alaska legislature created AGDC in 2010 to direct the state's North Slope gas line efforts.

TRANSITION TO STATE-LED PROJECT

Negotiations continue toward the transition in project control, but are moving “slower than AGDC had hoped,” President Keith Meyer told his board of directors Dec. 8.

On Dec. 21, Meyer told the board that negotiators had finished work on two of four transition agreements, with work continuing into 2017 on the other two. The board approved without objection a resolution authorizing Meyer to sign transition agreements that:

- Provide AGDC with access to project information prepared over the past four years by the producers-led team.
- Require the producers to notify FERC to remove their names from the Alaska LNG project docket, leaving the state as the sole applicant.

Still under negotiation are agreements to provide:

- AGDC with access and an option on the almost 650 acres of land purchased by the companies in Nikiski for the LNG plant and marine terminal.
- Assignment or transfer by the producers — or some other mechanism — to get the state’s name on the LNG export authority granted the producers in 2015 by the U.S. Department of Energy.

"Those agreements will come later," Meyer told the board Dec. 21, without providing an estimated timeline.

Applicants are required to show they hold a legal right to a project site before FERC will accept an application as complete. The state was not a party to the land purchases in Nikiski or the producers’ export authority application.

EIS CONTRACTOR ON HOLD

During the transition from a producers-led to a state-led project, funding for FERC’s third-party contractor has been suspended. FERC selected the contractor, Minneapolis-based Natural Resource Group (NRG), in fall 2014 to assist with preparation of the project’s environmental impact statement. ERM, a global environmental consulting firm, purchased NRG later that year.

Under FERC procedures, the third-party contractor works at the agency’s direction, but its bills are paid by the project applicant.

In its Dec. 14 letter to Alaska LNG, asking for more information to complete the project’s resource reports, FERC repeated its past instructions to the project sponsor to either answer the questions in its application or “provide a schedule for when it will be filed with FERC or provided to the requesting agency.”

FERC explained: “These comments ask for clarifications of discrepancies and additional information that we believe necessary to continue the review of the LNG and gas treatment plant and to begin substantive preparation of a draft environmental impact statement for the project.”

FERC’s request for more information in the final resource reports included several items dealing with subsistence harvests by local residents in the project’s work areas:

- The final subsistence and traditional knowledge report should include current subsistence participation levels in project areas, identification of impacts on subsistence resources and users, and mitigation measures to lessen the impacts.
- Details on potential impacts to communities if project payroll and spending “alters the balance ... (of the mixed cash-and-subsistence economy) due to increased incomes.”
- Indicate whether the project’s Wildlife Avoidance and Interaction Plan “will address project policy regarding recreational hunting, fishing and trapping of subsistence resources” by crews brought into an area to work on the project.
- “Assess the knowledge gained from participants in the subsistence and traditional knowledge studies ... and summarize any potential temporary or permanent changes in subsistence species diversity, abundance and distribution, and habitat quality in the project area that could be attributed to direct, indirect and cumulative effects of Project construction and operational activities.”
- Provide a schedule for completion of household subsistence surveys conducted in project communities by the Alaska Department of Fish and Game.

Other FERC instructions covered safety-related issues:

- “Include a comprehensive discussion on the safety mitigation measures that would be employed to protect the general public, construction workers and wildlife during construction (such as traffic controls, public access ... and aboveground and underground utility crossovers).”
- Provide a marine vessel simulation study for LNG carrier traffic at the marine terminal in Nikiski and provide the number of tugs that would be needed based on this study.
- Provide the maximum distances for the three levels of severity (Acute Exposure Guideline Levels) for toxic-chemical dispersion scenarios at the North Slope gas treatment plant and Nikiski LNG plant, showing points on plot plans, identifying property lines and occupied building areas.

FERC also forwarded several comments to Alaska LNG from the U.S. Pipeline and Hazardous Materials Safety Administration, totaling 38 pages of technical questions about federal safety codes and specifications for pumps, equipment pressures, fluids and spill-containment systems, including:

- The proposed 50-plus-mile spacing between mainline block valves “is too much and valves would need to be remote-controlled or automatic-closure valves,” PHMSA said of the valves that can cut off and isolate a section of pipe. “Proposed mainline valve spacing would probably have to be 35 miles or less,” requiring further discussions with PHMSA. The agency added, “Mainline valve spacing and the crack-arrestor spacing changes would require a special permit.” Crack arrestors are placed on pipelines to limit and contain stress cracks.
- A special permit also would be needed, which would go through a public notice and comment process, if the project wants to proceed with its plans to use multi-layer coatings on the pipeline. Such protective coatings, PHMSA noted, can shield cathodic protections installed on the pipeline to limit corrosion.
- Describe the reliability of the pipeline and associated facilities “and the design factors intended to minimize interruption of service.”

In its Dec. 14 letter, FERC also forwarded several comments and questions from state of Alaska agencies, including:

- Are anticipated federal regulations governing greenhouse-gas emissions and fugitive emissions considered in the North Slope plant and Nikiski terminal? “These issues will have the least cost impact if they are considered early in design,” the state commented, while also asking whether the issues “need to be considered ... (or) belong in a resource report.”
- The draft report refers to a 1- to 2-foot active-layer depth of permafrost on the North Slope, sometimes with a footnote, “pending verification.” The state commented: “Some evidence indicates that permafrost warming has increased the active layer in the intervening decades, and designs should account for the trends of the facility's design life of 30 years. The active-layer depth can affect the stability of piles and pads.”
- The Nikiski marine terminal location has large tides, ice, inclement weather and strong cross-shore currents. The states asked whether the terminal could handle the LNG storage load if conditions restrict cargo marine operations. “Is there any analysis or information on the allowable loading conditions or the likelihood of delay in loading due to weather? Is there is sufficient storage capacity to avoid shutting down the Alaska LNG process and pipeline?”