

AGDC defends LNG site selection, calls Mat-Su claims ‘baseless’

By Larry Persily paper@alaskan.com

Oct. 5, 2018

The state corporation in charge of developing the proposed \$43 billion Alaska LNG project denies that it failed to undertake a good-faith analysis of the Matanuska-Susitna Borough’s Port MacKenzie as an alternative to building the gas liquefaction plant in Nikiski.

The borough last month alleged that the Alaska Gasline Development Corp. (AGDC) presented “numerous factual errors and willfully misleading statements” to federal regulators and failed to conduct “a good faith and unbiased analysis” of borough land at Port MacKenzie.

“The fact that the Matanuska-Susitna Borough disagrees with AGDC’s analysis does not indicate a lack of consultation or bad faith,” the state project team said in its Oct. 2 filing with the Federal Energy Regulatory Commission (FERC). The borough’s assertions “are devoid of merit,” AGDC said. “The incendiary accusations are baseless, entirely inappropriate and should be disregarded.”

The borough on Sept. 14 filed 193 pages with FERC, supporting its mostly unused property as a possible site for the multibillion-dollar gas liquefaction plant and marine terminal. The borough said the project team did not consider the best acreage at Port MacKenzie when it selected Nikiski as its preferred location in 2013. North Slope oil and gas producers ExxonMobil, BP, and ConocoPhillips were leading the project at that time, with the state as a minority partner. The state, through AGDC, took over the venture in 2016 and has not wavered from Nikiski as the terminus for the proposed 807-mile gas pipeline from the North Slope.

The Matanuska-Susitna Borough has long promoted Port MacKenzie, across Knik Arm from Anchorage, for industrial development. In January, the borough filed to gain intervenor status in FERC’s proceedings — which the commission later granted — giving the borough the legal right to challenge the commission’s findings in court.

In its Sept. 14 filings, the borough urged FERC “to refrain from further action” on the Alaska LNG project. “FERC must not proceed with its review of AGDC’s application” until the state team “has presented a fair and accurate analysis of Port MacKenzie as an alternative site,” the borough said.

The borough’s comments were not in the form of a motion seeking formal commission action, and FERC is not required to respond to the borough’s request that the agency stop its work.

FERC is scheduled to release the project’s draft environmental impact statement (EIS) in February 2019, assuming AGDC promptly answers the commission’s requests for additional information — including 193 questions delivered to AGDC on Oct. 2. That 63-page list covered

multiple subjects, including questions about pipeline construction through permafrost and river crossings, temporary access roads during construction, and requests for more information about Port MacKenzie’s potential as an alternative to Nikiski.

Federal law requires that the EIS consider not only the applicant’s preferred construction plans but also any economically feasible alternatives, such as pipeline routing options, stream crossing alternatives — even the LNG plant location.

The borough in January alleged that AGDC and federal regulators could be in violation of the National Environmental Policy Act for “improperly and intentionally excluding” the borough’s Port MacKenzie as a “reasonable alternative” for the proposed liquefied natural gas plant.

The Matanuska-Susitna Borough’s strong advocacy for Port MacKenzie prompted the Kenai Peninsula Borough in August to file its own intervenor motion with FERC, which the commission also granted. “Siting the Alaska LNG project within the Mat-Su Borough would be to the detriment and prejudice to the citizens and businesses of the Kenai Peninsula Borough,” said the Kenai Borough’s motion to FERC.

The city of Valdez last year joined the FERC docket as an intervenor, also in support of its community as an alternative site for the LNG plant, though Valdez has not pushed the issue as aggressively as the Matanuska-Susitna Borough.

While it’s not unusual for project opponents to sign on as intervenors in a FERC proceeding, especially for advocates that object to a particular site, the Alaska LNG review may be the first time three governments all promoting their own municipality as a project location have joined the docket.

The document fight before FERC waged by the Matanuska-Susitna Borough and AGDC includes multiple factual disputes:

- The borough said AGDC did not adequately consult with the municipality on the potential of Port MacKenzie to meet the project’s needs. AGDC said it frequently consulted with the borough.
- The borough said it identified what it called the “optimum site,” based on discussions with AGDC, but the state project team did not give the location fair consideration. The state team said it did review the optimum site but determined it “does not avoid any of the obstacles and negative impacts” of previously reviewed options at Port MacKenzie.
- Although an LNG delivery from Port MacKenzie to Asia would be 116 round-trip miles longer than from Nikiski, the borough said the LNG carriers could run a little faster to make up the time, allowing the project to avoid the need for one more ship to handle

the workload. AGDC said the additional cost of burning more fuel at faster speeds and other operational issues make that a poor choice.

- AGDC said ice conditions, tidal currents, navigational channel congestion, and operating LNG carriers in critical habitat area for endangered Cook Inlet beluga whales all would present substantial problems for building the marine terminal at Port MacKenzie. The borough dismissed all of the state's arguments, prompting AGDC in its Oct. 2 filing with FERC to call the borough's responses "meritless, and in some cases frivolous."
- The borough and AGDC disagreed on whether an extension of the Alaska Railroad would be in the way of the LNG project, or even whether the potential extension should be a factor in the site analysis.

In preparing the EIS, federal regulators have asked AGDC to answer multiple questions and provide substantial additional information about Port MacKenzie as a possible alternative to Nikiski.

In September, the borough accused AGDC of purposefully selecting poor sites at Port MacKenzie for review to show maximum environmental impacts. "AGDC chose to make no effort to find a least-damaging site," the borough alleged.

AGDC, in its Oct. 2 filing, said the optimum site "identified by the Matanuska-Susitna Borough at the 11th hour constitutes yet another moving target presented by the borough during these proceedings." The borough said it presented the option months ago.

Regardless, AGDC said, "This latest proposal by the Matanuska-Susitna Borough does not materially change the results of the environmental and engineering analysis of alternatives performed by AGDC."