

Mat-Su Borough challenges Nikiski selection for LNG plant site

By Larry Persily paper@alaskan.com

Jan. 15, 2018

The Matanuska-Susitna Borough alleges the Alaska LNG project and federal regulators may have violated the National Environmental Policy Act and federal Clean Water Act by “improperly and intentionally excluding” the borough’s Port MacKenzie as a “reasonable alternative” for the proposed liquefied natural gas plant. The project leadership team more than four years ago selected Nikiski as the preferred site for the LNG plant and marine terminal after analyzing more than two dozen possible locations in Southcentral Alaska.

The state-led Alaska LNG project is waiting for the Federal Energy Regulatory Commission (FERC) to set a timeline for its environmental impact statement (EIS), which will include analysis of project alternatives including LNG plant sites, pipeline routings and river crossings. One of the jobs of an EIS is to determine the least environmentally damaging practicable alternative. The Matanuska-Susitna Borough, in its Jan. 9 filing with FERC, asks that the EIS include an accurate assessment of Port MacKenzie, which the borough says is lacking from the project’s application and, if done properly, would determine that the port is the best option among the LNG site alternatives.

The borough alleged in its [52-page filing](#) that the Alaska LNG teams analyzed Point MacKenzie, not Port MacKenzie. The borough port property is 3 miles north of Point MacKenzie on the southeastern edge of the Matanuska-Susitna Borough across Knik Arm from Anchorage. The borough said the port site with deeper water and more developable land is far superior to Point MacKenzie.

The Mat-Su Borough included with its filing to FERC a December 2017 report it commissioned by Millcreek Engineering Co., of Salt Lake City. “Based on this review,” the company’s report said, “it is our recommendation that Port Mackenzie be considered as a viable and possible preferred site.” Millcreek also worked on a 2016 update of the borough’s master plan for Port MacKenzie.

ALASKA LNG SELECTED NIKISKI IN 2013

The Alaska LNG team in October 2013 identified Nikiski, on the Kenai Peninsula about 64 miles southwest of Port MacKenzie, as its preferred site for the natural gas liquefaction plant and marine terminal that would be constructed as part of the proposal to move North Slope gas more than 800 miles through the state to an LNG plant for export.

Nikiski also was the preferred site of an earlier, unsuccessful LNG venture in Alaska. FERC in 1978 issued a [final environmental impact statement for the Western LNG project](#), a partnership of two California utilities. Then in 1995, [FERC issued a final environmental impact](#)

[statement](#) in support of an LNG project in Valdez, proposed by a company called Yukon Pacific and later dropped. No developer has ever applied to FERC for a gas liquefaction plant at Port or Point MacKenzie.

About 180 miles of the Alaska LNG project's 807-mile natural gas pipeline south from Prudhoe Bay would be laid in the Matanuska-Susitna Borough on the route to Cook Inlet. The project's preferred routing would stay more than 30 miles west of the underused Port MacKenzie. That has been a point of contention for the borough, which has long advocated for industrial development at the port, including past efforts to encourage construction of a gas liquefaction plant at the site. The port includes a dock and 1,000 acres that could be developed as an LNG plant site, the borough said in its filings with FERC.

"This is a formal complaint regarding the Alaska LNG project, whereby the Matanuska-Susitna Borough repeatedly raised a number of issues that were completely ignored and not addressed in any manner," the borough said in a Dec. 29 letter to FERC's Dispute Resolution Service. The borough said it raised the issues with the oil-and-gas producer-led team that managed the project until late 2016, and then, after the companies stepped aside and the state took over total control of the venture, raised the same issues with the state-owned Alaska Gasline Development Corp. (AGDC).

By analyzing the uplands, tidelands, and offshore characteristics of the deficient Point MacKenzie, rather than the superior Port MacKenzie site, the project failed to fairly and adequately consider Port MacKenzie in its alternative analysis as required by the Clean Water Act and National Environmental Policy Act, the borough alleged.

Alaska LNG's filings with FERC have consistently cited several reasons that the project did not select Point MacKenzie for the LNG plant, including traffic conflicts in the waterway that also serves the Port of Anchorage, shallow water in the area of the borough location, high bluffs at shoreline, and the difficulties of working in critical habitat area for endangered beluga whales.

BOROUGH SEEKS DISPUTE RESOLUTION HELP

The Mat-Su borough requested a thorough feasibility analysis of the Port MacKenzie site. "The desire is to resolve this as an administrative matter," the borough said in its Dec. 29 letter to FERC's Dispute Resolution Service. The dispute office offers voluntary mediation services to help settle disagreements involving environmental, contractual, tariff, and rate disputes, landowners, and other matters within the commission's regulatory responsibilities.

Though the borough told FERC that it had raised the Port MacKenzie issue "on multiple occasions" with AGDC officials, its Dec. 29 complaint and its separate Jan. 9 motion to intervene in the Alaska LNG application before federal regulators was the first time the borough had formally raised the dispute with FERC.

In its Jan. 9 motion, the borough asked that FERC grant it formal status as an intervenor in the project application. Such motions were due in May 2017, and the borough's argument for the late filing is that it had believed AGDC would redo its analysis to give fair consideration to Port MacKenzie. As that has not occurred to the borough's satisfaction, it decided to go to FERC for help. "The borough has consistently argued that siting the liquefaction facility at Port MacKenzie is the best practical location because it would achieve the objectives of the project and would cause the least environmental disruption," the Washington D.C.-based attorney for the Matanuska-Susitna Borough said in the motion.

As of Jan. 15, FERC had not ruled on the late motion to intervene, nor had the Dispute Resolution Service posted a response in the Alaska LNG public docket to the borough's formal complaint.

"Unless AGDC corrects the erroneous facts and analysis contained in Resource Report No. 10 (Alternatives), the commission's draft environmental impact statement will be based on false and inaccurate information that does not reflect the real world environmental impacts of the project," the borough said in its motion to intervene.

Granting the late motion to intervene would not delay the FERC process, the borough said, adding there would be "minimal, or no, negative impact to the construction schedule." However, Alaska LNG is in the later stages of project design and engineering, and has done no detailed work for the Port MacKenzie option.

FAIRBANKS, VALDEZ ALSO OBJECTED

The Matanuska-Susitna Borough's filings are not the first municipal challenges to the proposed \$43 billion Alaska LNG project, which has been in the planning stage since 2012. The state-led effort filed its project application with FERC in April 2017, asking for an expedited environmental review in hopes of starting construction in 2019. Separate from the regulatory process, AGDC is trying to line up investors, partners, customers, and a gas supply for the project — all of which are needed before construction could begin.

The Fairbanks North Star Borough in a FERC filing in 2015 complained that the proposed gas pipeline route is too far west of the borough's built-up area, making it more expensive to bring gas to residents and businesses.

The city of Valdez in 2015 and 2017 filings with FERC challenged the selection of Nikiski as the best site for the LNG plant and argued that Valdez would be a better location. Valdez, 170 miles east of Nikiski, was the only Alaska municipality to file a motion to intervene, until the Mat-Su Borough request. The city said Valdez is a lower-risk, lower-cost option than Nikiski. Valdez was among the two dozen sites analyzed and rejected by the Alaska LNG project in favor of the Nikiski location.

In a February 2017 filing, the Alaska Gasline Port Authority, which is comprised of the city of Valdez and the Fairbanks North Star Borough, also argued to FERC that Valdez is the better site for the LNG plant. The municipal port authority, which does not operate any ports, was created in 1999 to promote a North Slope gas pipeline project that would end at an LNG plant in Valdez.

In an unrelated Dec. 29 filing with FERC, AGDC responded to an earlier challenge filed by the city of Valdez. The state team said: “The applicant strongly feels that the site evaluation process was systematic, thorough, and resulted in the selection of a liquefaction facility site that best meets the needs of the project.”

The liquefaction plant and accompanying marine terminal is the most expensive piece of the entire project, more than twice the cost of the pipeline, according to AGDC estimates.

AGDC NEARS END OF DATA REQUESTS

While now having to deal with the Matanuska-Susitna Borough’s heightened push for a change in the plant site, AGDC is nearing the end of a six-month effort to fill in data gaps and respond to questions from federal regulators putting together the project’s draft EIS.

After the state submitted its application to FERC in April, regulators started sending back questions in July, continuing into late summer and totaling 801 requests for additional information for the complex and detailed environmental review. As of its responses to FERC on Dec. 29, the state was down to 13 unanswered data requests, with those responses promised by Feb. 1. FERC, however, has consistently reminded AGDC that it “may be subject to additional data requests.”

When federal regulators determine they have sufficient information to set out a timeline for the EIS, the commission will issue a Notice of Schedule for Environmental Review, which will include a date for issuing the final impact statement. The state asked for an expedited process when it filed its application and has been pushing for FERC to issue the final EIS by December 2018.

“To allow for the construction of the project to meet that in-service date (2024), AGDC requests FERC to grant the requested authorization no later than December 31, 2018,” the state corporation said in its cover letter accompanying the application.

Though FERC has not issued a timeline for its environmental review, commission staff and its EIS contractor have been working to review the state’s responses and additional data, compiling what will become the draft EIS. Under federal procedures, FERC staff directs the third-party EIS contractor, which sends its bills to the applicant (AGDC) for payment.

AGDC staff reported to the board of directors in December that its spending on regulatory work would continue at about \$1.5 million a month in 2018, similar to 2017. Total spending would average about \$5 million a month 2018, up from a \$3 million monthly average in 2017.

AGDC's DECEMBER RESPONSES TO FERC

The state's project team in December submitted a large volume of data and additional project details to FERC, responding to questions presented by federal regulators last summer. That additional information covered a multitude of subjects, including:

Pipeline impacts. The state submitted 24 pages of schedules showing timelines for pipeline right-of-way clearing, construction and restoration activities, including revegetation.

Granular fill, such as gravel used for construction pads or temporary roads. FERC asked for more information on the project's plans to use fill material. In particular, FERC noted, if no or minimal restoration work were carried out, "the impacts could be permanent." AGDC responded that "restoration of placed granular fill for temporary-use facilities such as camp pads and temporary roads would occur at the request of the landowner, and discussed in the right-of-way agreement stipulations," such as with the federal Bureau of Land Management.

Wetlands restoration. FERC asked for more details on plans for working in wetlands, including depth of fill and surface disruptions. FERC also requested a final wetlands mitigation plan. It's too early for the final plan, AGDC responded. The U.S. Army Corps of Engineers, which regulates wetlands, "has advised other (Alaska) projects currently in the permitting stage ... that the final mitigation plan will not be accepted until the final environmental impact statement permitting phase. ... AGDC will coordinate with the Army Corps (and other appropriate agencies) to finalize the wetland mitigation plan during the final EIS/permitting phase and prior to construction."

Wildlife. "The evaluation of potential short-term, long-term and permanent impacts on the wildlife resources caused by construction and operation of the project is incomplete, and the evaluation appears to be based on public information contained in Alaska habitat atlases that are outdated," FERC said last summer. AGDC defended its work in its Dec. 29 response: "The applicant does not agree with the premise that outdated information was used in the development of project-related wildlife impacts." The state team added, "The applicant will work with the Alaska resource agencies on measures to minimize impacts to important habitat through the right-of-way permitting process."

Tourism. The Dec. 29 filing included a pledge that AGDC "would work closely with the Alaska Tourism Industry Association, Explore Fairbanks, Alaska Cruise Association, local chambers of commerce, and others to discuss the project construction timeline to minimize impacts and displacement of tourists." FERC had asked for more details on the project's potential impact to Alaska's substantial tourism industry during construction and operations. The state responded that it would consider reducing construction work during the tourism season "to the extent practicable," and "coordinate with local organizations such as Mat-Su Convention and Visitors Bureau, Explore Fairbanks, Friends of Denali, Iditarod, etc. regarding timing of local activities to reduce conflicts between activities and construction."

Ports. If the port of Anchorage cannot handle the full volume of construction material and equipment, the project would shift some cargoes to Seward. AGDC’s response included the statement: “There are no required modifications at any of these existing ports (Anchorage or Seward).”

Kenai Spur Highway relocation. AGDC provided detailed information on its route selection process for relocating almost 2 miles of the Kenai Spur Highway away from the LNG plant site, including a [map showing its two preferred alternative routes](#). The project team is expected to meet with Nikiski residents in February to discuss the selection process, the alternatives, and the path forward. The highway relocation is controversial in the community, most notably among homeowners who would be in the path of the new highway and among the entire community for the lack of any updates on the route selection process over the past two years. “The relocation project has not advanced into detailed design,” AGDC told FERC. “Once a preferred alternative is selected, detailed design will include intersection details, driveway access, and traffic control both permanent and temporary during construction.” The two preferred alternatives would both move the highway east of the proposed plant site; one route is about 5 miles long and other 7 miles, both going through developed and undeveloped parcels.