

## **Mat-Su says FERC should stop Alaska LNG review until ‘fair and accurate’ analysis of port site**

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The Matanuska-Susitna Borough alleges the state-led Alaska LNG project team has presented “numerous factual errors and willfully misleading statements” to federal regulators and failed to perform “a good faith and unbiased analysis” of borough land at Port MacKenzie for the proposed gas liquefaction plant and marine terminal.

The borough on Sept. 14 filed 193 pages with the Federal Energy Regulatory Commission (FERC), supporting its property as a possible site for the multibillion-dollar investment and extensively rebutting information the Alaska Gasline Development Corp. (AGDC) presented to FERC in July.

But more than just debating the site’s attributes — or detractors — the borough urged the commission “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 in the first page of its filing.

The borough did not file a motion seeking formal commission action, and FERC is not required to respond to the borough’s comments.

FERC is five months away from its published timeline for releasing the project’s draft environmental impact statement (EIS). The exhaustive review, as required by federal law, will consider alternatives for multiple aspects of the project, such as pipeline routing, vegetation clearing and restoration, temporary construction roads, waterway crossings — and the location of the LNG plant and marine terminal, estimated to cover as many as 900 acres.

AGDC for the past year has been working to answer hundreds of questions from FERC and other federal agencies about project construction and operations, filling in information gaps for the EIS. The state corporation’s most recent responses were submitted Sept. 14, addressing an alternative pipeline routing just inside the eastern boundary of Denali National Park and Preserve, visual impacts of the pipeline at multiple points on the route, and air quality issues.

The state team expects to answer the last of FERC’s requests in October, though follow-up questions are anticipated as the commission staff and EIS contractor work toward their February 2019 timeline for release of the draft EIS for public comment.

FERC authorization is required to construct and operate the gas pipeline from Prudhoe Bay on the North Slope due south through the state and the coastal terminal for LNG exports.

The Mat-Su borough owns the seldom used Port MacKenzie property across Knik Arm from Anchorage and has long promoted the site for industrial development. The land is about 65 air miles northeast of AGDC's preferred location in Nikiski, on the eastern shore of Cook Inlet, in the Kenai Peninsula Borough.

Both the Kenai and Matanuska-Susitna boroughs have hired expensive Washington, D.C., law firms to represent their interests at FERC, and both municipalities have been granted intervenor status at the federal agency, giving them the legal ability to seek a rehearing of FERC decisions and, if unsuccessful at that stage, to challenge the commission in federal court.

### **PROJECT SELECTED NIKISKI IN 2013**

The Alaska LNG team in fall 2013 selected Nikiski as its preferred location for the terminal and stayed with Nikiski when the project entered pre-file status with FERC in September 2014. In its Sept. 14 filing with FERC, the Mat-Su Borough said failure to recognize Port MacKenzie as a feasible or preferred site goes back six years.

In 2012 North Slope oil and gas producers ExxonMobil, BP, and ConocoPhillips initiated a review of a potential LNG project, with the state joining the effort in 2014 as a minority partner. The producer-led team settled on Nikiski as the best alternative after considering more than two dozen sites in Southcentral Alaska.

The producers pulled out in 2016 after declining to spend \$1 billion or more on further permitting and full engineering and design work in a weak market. AGDC then took over management of the \$43 billion project and applied to FERC in April 2017, using state funds to cover its costs.

The Mat-Su Borough elevated its challenges after the state took over the project, filing objections with FERC.

On Sept. 14 the borough alleged the alternatives analysis included with AGDC's application 17 months ago was flawed and unfairly excluded Port MacKenzie. "AGDC's continued delay in providing accurate information to the commission regarding Port MacKenzie serves no purpose but to further delay" the EIS, the borough said.

FERC in February asked the state to answer specific questions — not a full economic and engineering review — about Port MacKenzie for the EIS alternatives analysis. AGDC submitted its answers in July. The borough accused the state project team of purposefully presenting FERC with information on two sites that "likely would maximize environmental impacts," including high impact to wetlands, ignoring a wetlands-free "optimum site" identified by the borough.

“AGDC chose to make no effort to find a least-damaging site,” the borough alleged in its notes of a June 7 meeting with state project officials.

### **RAIL EXTENSION, KNIK ARM BRIDGE CAUGHT IN DISPUTE**

In addition, the borough dismissed as contrived AGDC’s July assertion to FERC that a proposed rail line at Port MacKenzie would be in the way of the LNG project. “Future rail development ... does not even exist at this time,” the borough said in its Sept. 14 filing.

In July, the state team told FERC that federally mandated safety zones around the liquefaction plant and storage tanks would require relocating the proposed railway and the existing port access road.

But while criticizing AGDC for raising the issue of the unbuilt railroad extension, the borough has promoted the potential rail connection as a sales point for the site. It said in a January 2018 filing with FERC: “In addition, a 32-mile rail link connecting Port MacKenzie to the main line of the Alaska Railroad is under construction. The link will shorten the distance between the Interior and tidewater, enhancing opportunities for the development of new industries with low transportation costs.”

A 2017 engineering report prepared for the borough, and submitted to FERC, also highlighted the potential rail connection: “Port Mackenzie is an ideal site for the Alaska LNG facility site. ... Favorable criteria include easy access to port, rail, and truck infrastructure.”

The state has spent more than \$180 million in the past 10 years on building segments of an Alaska Railroad extension to the port but the line is unfinished and the project needs an additional \$120 million or more to complete the job — with no ready cash available and little political support outside the borough.

As for the existing port access road, AGDC looked to avoid safety and security concerns presented by the road running through the LNG plant site. The borough’s recommended “optimum site,” however, shows a significantly longer stretch of the road passing through the property’s northern and eastern acreage.

The Mat-Su filing also challenged AGDC’s contention that ship traffic at the port to move logs from a recently approved borough timber harvest contract would conflict with the LNG project’s construction and operations. The borough said it believes there is enough room at the port to accommodate multiple users. Besides, the borough said, “There is great likelihood that timber exports will not occur given current import tariffs by foreign countries.”

Another contentious point is the proposed Knik Arm Bridge to connect Anchorage and Port MacKenzie. AGDC told FERC the nearby bridge could affect LNG carrier traffic to and from the loading berths. The borough argued that AGDC based its concern on a bridge that may not be built. “There are no current plans for an orbital launch and recovery complex in Anchorage,

and no current plans to construct a giant mermaid statue in the middle of Cook Inlet,” the borough said in what it called an “absurd analogy (that) demonstrates the meaninglessness of AGDC’s assertion.”

The borough added: “These examples are outlandish, but AGDC raising the specter of some potential unknown is likewise outlandish.”

The state has abandoned the bridge project, long promoted by the Mat-Su Borough, though advocates continue to push for its development and critics equally push to ensure that never happens.

Other disputes between the borough and AGDC include:

- The borough said it is willing to sell the land to AGDC, arguing that the state team reported the land was available only for lease.
- The borough said significantly more acreage is available at Port MacKenzie than AGDC reported to FERC.
- The borough said the project would not need to construct protective ice-management (deflection) structures at the LNG carrier loading berth; AGDC said otherwise.
- The project could use the existing barge facilities at the port, the borough said, contrary to AGDC’s position that the barge dock and trestles would need to be replaced.
- And while AGDC said the additional 116 miles round trip from Port MacKenzie, rather than Nikiski, to Asian markets would add costs by requiring one more LNG carrier in the fleet to handle the project’s constant output, the Mat-Su Borough said it is a non-issue — the ships could just run a little faster during the week-long voyage to make up the difference.

Most of the contested information was included in AGDC’s detailed filing with FERC on July 13, where the state corporation cited “significant issues” favoring Nikiski over Port MacKenzie, including:

- Conflicts with other actual and proposed uses of Port MacKenzie.
- The need to move the port’s access road and proposed railroad extension away from the LNG plant site.
- Wind, current, and sea-ice conditions that would hamper winter operations at the port site.
- The extreme tidal range at Port MacKenzie.
- Additional dredging that would be required to widen the shipping channel through the Knik Arm Shoal to allow safe two-way ship traffic through the area.
- Port MacKenzie’s location within Cook Inlet’s most protected beluga whale critical habitat area.

As to Port MacKenzie and its proximity to critical habitat for beluga whales, which are sensitive to underwater noise, the borough responded Sept. 14 it is “taking a proactive approach with beluga recovery,” including helping to fund beluga research efforts. “New research suggests

improvements to management or marine construction techniques. ... Port MacKenzie will set a new standard for port development ... and (will) be the local government leader in the recovery of beluga whales.”

A third Alaska municipality, the city of Valdez, also has filed with FERC in support of its community’s waterfront as the best site for the LNG terminal. Like the Mat-Su and Kenai boroughs, Valdez is an intervenor in the proceedings, but its filings have been less confrontational than the Mat-Su’s submissions.

In a May 2017 filing, Valdez said it would be a lower-risk, lower-cost option than Nikiski, with less “environmental degradation.” In addition, the city told FERC that bringing the project to Valdez would ensure that “its citizens and businesses have access to inexpensive natural gas.” Valdez, about 170 air miles east of Nikiski, is on Prince William Sound, and is the location of the Alyeska oil terminal.

The producer-led project team in 2012 considered Valdez, Nikiski, the Matanuska-Susitna port area, and about two dozen other potential LNG plant sites in Cook Inlet and Prince William Sound.

The state Legislature in 2010 created AGDC to promote and participate in development of a North Slope gas project.