

State looks for clarification before answering some of FERC's questions

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The Alaska Gasline Development Corp. told federal regulators on March 7 it will be early June before the state agency can finish providing most of the information required for the Alaska LNG project's environmental impact statement. However, the delivery date for still more answers is uncertain until the state can determine if additional field work will be required to gather data.

The Federal Energy Regulatory Commission (FERC) on Feb. 15 sent the state 171 pages with 569 additional data requests and questions on the state's application for federal approval of the North Slope natural gas development project. The requests were a follow-up to questions presented last summer, many of which federal regulators said the state had failed to answer in full. FERC staff said it needs the missing data for its environmental review.

The Alaska Gasline Development Corp. (AGDC) provided answers to many of the Feb. 15 questions in its March 7 response to FERC and said it would provide answers to most of the questions by the end of April, while answers to a few dozen would have to wait until June.

However, the state corporation said it could not answer about 75 of the questions until it gets clarification from federal regulators "of the scope of the field work or study needed to respond."

To help provide that clarification, state officials will meet with FERC staff March 22. The meeting — called a technical conference — is scheduled to start at 9 a.m. East Coast time and will be held at FERC offices in Washington, D.C. The meeting is open though no public comments or statements will be allowed. The FERC notice of March 8 described the meeting as "an opportunity for commission staff and representatives from the Alaska Gasline Development Corp. to discuss clarifications" of FERC's environmental data requests of Feb. 15.

The state corporation has a limited budget, and the expenditure plan presented to AGDC board members on March 8 showed no increase in the rate of spending for regulatory work through the end of the fiscal year June 30. The corporation plans to spend about \$5 million a month on regulatory, marketing, design, and corporate expenses over the next four months, ending the fiscal year with about \$30 million in its account.

The state has been paying 100 percent of the development costs since taking over the project about two years ago from North Slope oil and gas producers BP, ConocoPhillips, and ExxonMobil after the companies decided market conditions did not warrant further spending past the almost half-billion dollars the producers had spent in almost four years of work.

The state is pushing ahead talking with potential Chinese investors and LNG customers and trying to assemble partners for the estimated \$43 billion project. AGDC has consistently asked FERC to finish the environmental impact statement (EIS) by December 2018 to show the market that the project is proceeding, so that the state can stay on pace for its plan to make a final investment decision and start construction in 2019, loading its first LNG cargo in 2024.

“AGDC has much greater control over the pace of project development” than when the producers led the venture, AGDC President Keith Meyer said in his report to the board March 8.

FERC SCHEDULES FINAL EIS FOR DECEMBER 2019

However, the state’s preferred schedule looks due for a revision.

FERC on March 12 published its Notice of Schedule for Environmental Review, setting March 2019 for release of the draft EIS and Dec. 9, 2019, for the final EIS, which would create a March 8, 2020, deadline for a commission decision on AGDC’s application to build and operate the project.

Meyer’s report to his board said the corporation would need \$500 million to \$700 million for design, engineering, regulatory and financing work to get to the point of a final investment decision. The corporation is hoping to raise that money from partners, investors or others. At its current rate of spending, the corporation will need investor or partner funding, or additional state money, to participate in the regulatory process through to a FERC decision in March 2020.

The state filed its application with FERC in April 2017, working since last summer to fill in data gaps for the EIS — the same process every other LNG project and gas pipeline goes through.

“Incomplete responses and the reissuances of requests for information will affect the schedule for completing the environmental review,” FERC said in its Feb. 15 letter to AGDC.

Information requested by FERC that the state said it will submit in June includes:

- A re-evaluation of the design for the 63-mile, 32-inch-diameter pipeline that would move gas from the Point Thomson field to the project’s gas treatment plant at Prudhoe Bay. FERC had asked multiple questions of AGDC’s plans for river crossings along the route. The state responded March 7 that it “will provide updated drawings and design information ... in early June.” In particular, FERC asked for a response from AGDC to the U.S. Fish and Wildlife Service recommendation that the entire Point Thomson line be elevated on vertical supports at least seven feet high with no trenched river crossings, which the agency said can cause erosion and degrade habitat.
- More information on the effects of leaving granular fill of wetlands in place after construction vs. removing the fill.

- Updated information on erosion hazards, ground-freezing, and permafrost-thawing hazards for the latest revision to the project’s pipeline route.
- More information on AGDC’s request for a wider construction right of way along the pipeline route and its impact on wetlands, including plans to build temporary workspaces within 50 feet of wetlands or waterbodies.

DATA REQUESTS STATE WANTS CLARIFIED

The March 22 meeting in Washington likely will cover FERC’s requests for more information which the state said need clarification before it can decide whether field work or more study is required:

- An environmental and engineering analysis of Port MacKenzie in the Matanuska-Susitna Borough, across Knik Arm from Anchorage, as an alternative site to the project’s preferred location for the liquefaction plant and marine terminal in Nikiski, on Cook Inlet, about 65 air miles southwest of Port MacKenzie. The Matanuska-Susitna Borough has continued to advocate for its port as a better location for the project, even after the North Slope producers-led project team in 2013 determined Nikiski was the best of about two dozen options in the area.
- An environmental and engineering analysis of the pipeline route to Valdez, which the city of Valdez has argued to FERC would be the best site for the LNG plant. Federal environmental impact statements must look at all reasonable project alternatives, not just the applicant’s preferred option. The protests from the city of Valdez and Matanuska-Susitna Borough have not changed the rules for the EIS but have raised issues and debates not specifically addressed by federal regulatory agencies.
- Detailed plans for “avoidance, minimization and mitigation” of project impacts during construction and operation on wildlife including marine mammals, invasive plants, and vegetation.
- More details for how the project would avoid impacts to endangered Beluga whales in Cook Inlet.
- AGDC last year told regulators it would develop mitigation plans for project impacts on public lands and recreational lands after completion of the final environmental impact statement. FERC, however, on Feb. 15 restated that it needs the information to prepare the draft EIS, not after the final EIS.
- AGDC’s preferred alternative for rerouting the Kenai Spur Highway around the proposed LNG plant site in Nikiski. The state is behind schedule for selecting its preferred route to move the coastal highway east of the plant site.
- The state’s plans to stabilize the shoreline after construction is complete at the LNG plant and AGDC dismantles and removes the freight offloading facility (barge and ship dock) from the shore.

- A description of construction procedures for the proposed gravel mine on the North Slope, which would provide material for project construction.
- Sediment transport modeling in areas of open-cut pipeline crossings of “sensitive surface waters identified in the anadromous waters catalog and major waterbodies.”
- More detailed mapping of wildlife habitat with particular attention to seasonal species.
- More information on the project’s visual impacts.
- More information on whether the project would be liable for local property taxes — which has been a point of negotiation and contention for municipalities along the entire project route from the North Slope to the Kenai Peninsula. The state-owned project has said it plans to make negotiated payments in lieu of taxes, but the payment structure has not been resolved.

In its March 7 letter to FERC, the state again made note that the U.S. Army Corps of Engineers expects to complete by May 1 its environmental review of a similar gas pipeline through the state — the Alaska Stand Alone Pipeline, also known as the Bullet Line or In-State Line. AGDC has pushed FERC to “formally adopt or otherwise incorporate the environmental impact statements” issued for the stand-alone pipeline (no LNG plant) into its work on the larger project as much of the construction work would be the same for either pipeline.

The stand-alone pipeline, with a smaller diameter than the Alaska LNG project and a smaller price tag at \$10 billion, has long been promoted by supporters as a potential backup project if the more expensive development fails. The backup plan to meet in-state gas demand is on hold while AGDC presses ahead with the LNG project, and the smaller project faces the same financial challenges — cost, customers and financing — as the larger-volume project and LNG export terminal.