

Mat-Su Borough wants another review of Port MacKenzie site

By Larry Persily paper@alaskan.com

Sept. 30, 2019

Just six days before the close of public comment on the draft environmental impact statement for the Alaska LNG project, the Matanuska-Susitna Borough has accused federal regulators of failing to prepare an “adequate analysis” of the municipality’s Port MacKenzie as a potential site for the multibillion-dollar gas liquefaction plant and marine terminal.

The borough filed a motion with the Federal Energy Regulatory Commission on Sept. 27, calling on FERC to prepare a supplemental draft EIS “in order to cure the foundational defects in the current draft.”

The public comment period on the 3,800-page draft closes Oct. 3. The borough said in its Sept. 27 filing that it intended to submit additional comments before the deadline “to address technical deficiencies in the report,” but filed its separate motion for a supplemental draft EIS “in an effort to draw attention” to what it believes are “significant flaws” in the environmental review.

The alleged shortcomings in judging Port MacKenzie as an alternative to the project’s preferred LNG terminal site in Nikiski (on the Kenai Peninsula about 65 air miles to the southwest) “should be immediately addressed and corrected so that the draft EIS is able to withstand scrutiny upon review by the commission (FERC) or a federal court,” the borough said.

As an intervenor in the Alaska LNG docket at FERC, the Matanuska-Susitna Borough has the legal right to challenge the final EIS and commission decision in federal court, as do other intervenors: The Kenai Peninsula Borough, which is defending Nikiski as the preferred site, and the city of Valdez, which is promoting its community for the project.

Though Valdez has not submitted detailed objections to the draft EIS, it has asked FERC to extend the comment period. The city issued a statement back in July: “It is apparent that the draft EIS fails to rigorously explore and objectively evaluate” Valdez as an alternative site to Nikiski. The draft “ignores the substantial advantages associated with the Valdez alternative,” and “unlawfully” includes speculative impacts, the city said.

All three Alaska municipalities have hired lawyers to represent their interests before FERC. They are arguing over a state-led venture that has no firm customers for the gas in a highly competitive global market, no partners, no investors, and no financing for the proposed \$43 billion project to move North Slope gas through a pipeline the length of the state to a liquefaction plant and marine terminal for export.

The state agency in charge of the venture, the Alaska Gasline Development Corp. (AGDC), cut more than half its staff this summer as it halted its commercial and finance efforts to focus on completing the EIS.

Trustees for Alaska, an Anchorage-based environmental law group reviewing the EIS for several clients, also has asked FERC to extend the comment deadline by at least 30 days, the same as Valdez, depending on when the state project team submits additional information requested by federal regulators.

The Matanuska-Susitna Borough has long promoted the essentially dormant Port MacKenzie property, about 4 miles across Knik Arm from downtown Anchorage, as a potential site for the proposed Alaska LNG terminal. Other unsuccessful efforts over the years have included a much smaller LNG project proposed by private interests that folded in 2017.

The municipality filed its motion with FERC about 12 weeks after Mat-Su Borough Manager John Moosey told the Alaska Journal of Commerce that while his staff was still reading through the draft EIS, he thought it showed the Port MacKenzie site “in a fair and more accurate light, and that’s really what we wanted.” The borough has complained the past several years that the port was not fairly judged as a potential project site.

Nikiski was selected as the preferred site in 2013, when the project was led by North Slope oil and gas producers ExxonMobil, BP, and ConocoPhillips. The state stuck with Nikiski when it took over full control of the project in late 2016 after the companies declined to spend a lot more money on the effort.

“If the state of Alaska believes Nikiski is the best place and the project can happen, we’re all in favor of that,” Moosey was quoted in the Journal of Commerce on July 10.

The producers, when they were leading the project, and the state-created Alaska Gasline Development Corp., after it took over management, asserted that multiple factors made Nikiski a better site than Port MacKenzie. The project teams said winter sea ice, dredging of shipping channels, strong currents and tidal ranges, and conflicts with critical habitat for the endangered Cook Inlet beluga whales all counted against Port MacKenzie.

In past filings, the borough has rebutted many of the objections. In its latest filing, the borough said FERC dismissed Port MacKenzie from “full consideration as a reasonable alternative site” based on factual inaccuracies. “Even though the draft EIS lacks adequate analysis,” the borough said, “the current draft appears to show that Port MacKenzie is in fact” the least environmentally damaging practicable alternative.

For example, the borough said laying the gas pipeline to Port MacKenzie instead of to Nikiski would reduce the affected wetlands by 27 acres out of about 1,600 acres. Stopping the line at Port MacKenzie would avoid displacing about two dozen residences and businesses near Nikiski, the borough added.

“The draft EIS should be supplemented with a full ‘hard look’ analysis of the Port MacKenzie alternative,” the Mat-Su said in its motion to FERC. It also alleged the draft includes “muddled statements” about which project site would cause the least environmental damage.

If the FERC-led environmental review fails to provide “sufficient factual information to make this determination,” the borough said, the U.S. Army Corps of Engineers, with regulatory authority over wetlands, dredging, and fill, “will be required to supplement the draft EIS at a later date.”

A failure by FERC to do its job “likely is delaying the inevitable,” the borough said.

Unless FERC changes its schedule, it plans to issue the final EIS in March 2020, with a commission vote on the project application in June 2020.

While the Alaska municipalities battle over the project site, AGDC continues working to answer detailed engineering, construction and operations questions from federal regulators. AGDC submitted 295 pages of information, tables, and maps to FERC on Sept. 25.

The packet included:

- A comprehensive table of waterbodies that would be crossed by the main pipeline, the 62-mile line from the Point Thomson gas field to Prudhoe Bay, compressor stations, work camps, access roads, and other project construction activities. In addition to other details, the table lists the width of each waterbody and how AGDC would lay the pipeline, such as trenching, and at what time of year.
- Revised air dispersion modeling of emissions along the pipeline route, at the gas treatment plant at Prudhoe Bay, and at liquefaction plant in Nikiski.
- Updated annual emissions calculations for maximum LNG carrier operations at the loading terminal in Nikiski. The calculations include emissions from as many as 360 LNG carriers a year plus support vessels.