

Report
Submitted to the
United States Congress
by the Federal Energy Regulatory Commission

Seventh Report to Congress on Progress Made in Licensing
and Constructing the Alaska Natural Gas Pipeline

February 20, 2009

Seventh Report to Congress on the Alaska Pipeline

I. Executive Summary

This report by the Federal Energy Regulatory Commission (Commission or FERC) is submitted pursuant to section 1810 of the Energy Policy Act of 2005 (EPAAct 2005).¹ Section 1810 of EPAAct 2005 requires that the Commission submit to Congress semi-annual reports describing the progress made in licensing and constructing an Alaska natural gas pipeline and any impediments thereto. There has been further progress towards development of an Alaska natural gas pipeline over this reporting period.

This report provides an update from the Commission's Sixth Report, submitted on August 29, 2008. During the period covered by this report, the following major events have occurred: 1) Denali – The Alaska Gas Pipeline LLC (Denali), a partnership of BP and ConocoPhillips, continued with the pre-filing process for its project with the Commission, performed some field work, and hired a contractor to evaluate the major gas treatment plant planned on the North Slope; 2) the State of Alaska has completed the selection of TransCanada Alaska Company, LLC and Foothills Pipe Lines, Ltd. (TC Alaska), affiliates of TransCanada Corporation, as the licensee under its Alaska Gasline Inducement Act (AGIA) program; (3) the Alaskan Northwest Natural Gas Transportation Company (ANNGTC) was dissolved and it surrendered the last of its permits and approvals for the original Alaska natural gas pipeline approved by President Carter, as modified by President Reagan; and, (4) certain other complementary non-Federal jurisdiction natural gas transportation projects in Alaska continued to be developed.

Both Denali and TC Alaska are now fully working towards conducting their respective open seasons. This is a competitive, commercial development stage and much of the gathered information is expected to be regarded as proprietary until the projects' open seasons are announced in 2010.

II. Status Report

A. The Commission's Activities

1. ANGTA, ANGTS, and ANNGTC

On December 15, 2008, as supplemented on January 23, 2009, the ANNGTC notified the Commission that its underlying owners/partners had concluded that ANNGTC was no longer a viable entity and that ANNGTC could not feasibly pursue the Alaskan Natural Gas Transportation System (ANGTS) pipeline project approved by

¹ P.L. 109-58, 119 Stat. 594 (2005), 42 U.S.C § 15801 *et seq.*

President Carter, as modified by President Reagan under the Alaska Natural Gas Transportation Act (ANGTA). Those filings represented ANNGTC's surrender of the conditional certificate granted to it by the Commission in various orders issued from 1977 through 1982 under ANGTA for the Alaskan pipeline segment of the ANGTS and the Alaska Gas Conditioning Facility on the North Slope of Alaska. On February 6, 2009, the Commission issued a Notice recognizing the effectiveness of ANNGTC's surrender of its conditional certificate and the Commission terminated the proceedings concerning ANNGTC's applications.

2. Denali Continues with FERC's Pre-Filing Process

Denali plans to construct and operate a 48 to 52 inch diameter pipeline to move up to 4 billion cubic feet of natural gas per day (Bcf/d) from the Alaska North Slope to the Alberta Hub for North American consumers. In 2008, under the Commission's pre-filing process, Commission's environmental staff has been working closely with Denali and the cooperating agencies, exchanging information, and coordinating activities to ensure a timely and efficient application development and review process. All items related to Denali's proposal are placed in FERC's eLibrary under Denali's pre-filing docket, (Docket No. PF08-26-000).

The Commission continues to execute its National Environmental Policy Act (NEPA) and Natural Gas Act certificate application responsibilities for Denali's proposal. The Commission staff, working with the federal interagency team,² has engaged in the following significant activities regarding Denali's proposal.

In October 2008, the FERC staff held briefing meetings in Anchorage with the federal interagency team located in Alaska to explain the Commission's pre-filing process and its application filing requirements, specifically focusing on the Environmental Resource Reports. The staff also held its first "agency scoping meeting" with the same interagency team to provide agency representatives³ with an opportunity to identify resource issues that will need to be addressed in the environmental impact

² In June 2006, 15 federal agencies signed a *Memorandum of Understanding Related to an Alaska Natural Gas Transportation Project*. This MOU established a project management framework for cooperation among participating federal agencies with responsibilities related to the approval of an Alaska natural gas transportation project.

³ Attendees included the U.S. Environmental Protection Agency, U.S. Army Corps of Engineers, Bureau of Land Management (BLM), Joint (BLM-Alaska State) Pipeline Office, Department of the Interior/Solicitor's Office, Federal Highway Administration, U.S. Forest Service, U.S. Department of Transportation/Pipeline and Hazardous Materials Safety Administration, and Office of the Federal Coordinator.

statement and to provide feedback early in the project review process. The FERC staff also met with Denali to review its recently acquired Immersive Video, which is a 360-degree interactive video program of the planned pipeline route. Staff specifically reviewed the project route north of Fairbanks where there are potential construction-related constraints at Atigun Pass in the Brooks Range and at the Yukon River crossing. FERC staff's pre-filing activities for 2009 will include continued interagency meetings in Alaska, development of an Alaska Native Consultation Plan, additional sites visits, and participation in Denali's planned public open house meetings in Alaska.

Denali's activities in Alaska since the beginning of pre-filing included various environmental and engineering fieldwork along its planned pipeline route between Delta Junction and the Canadian border. Specifically, Denali established a field office in Tok to obtain the site-specific data needed for routing the pipeline along this segment. The 2008 field work program completed the following activities: wetland surveys along a 200-mile-long segment; archaeological surveys at 70 sites; surveys of 538 potential waterbody crossings, and hydrological surveys at valley, floodplain, and stream channel crossings. Denali's pipeline route activities also included acquiring 1,700 miles of aerial photography and 730 miles of Immersive Video.

On October 17, 2008, Denali formally filed its application with BLM and began the pipeline right-of-way process for its pipeline route across federal land in Alaska. About one-third of the 730-mile-long route in Alaska crosses federal land under BLM's administration. On December 15, 2008, Denali filed a summary report presenting the results of its investigation of outstanding Alaska resource data needed to support its numerous applications (resource data-gap analysis) and the resulting field study plans designed to capture this information over the next field seasons. This report was submitted in response to the Commission's July 25, 2008, data request, which sought information on the resource data-gap analysis that Denali had planned as a first step preceding field studies.

In February, 2009, Denali awarded an engineering contract to a joint venture led by the Fluor Corporation⁴ for a preliminary front-end engineering and design effort for a major gas treatment plant on the North Slope. Denali stated that the contract covers the services needed during the initial design phase of the project for the gas treatment plant, including a series of technical studies, development of the project design basis, project execution planning, cost estimating, schedule development, and other services.

Denali's planned pre-filing activities for 2009 include providing a public participation plan to FERC, completing additional field work along the northern segment of the pipeline route, conducting an in-state gas study for Alaska, refining the pipeline

⁴ Fluor Corporation's joint venture - Fluor WorleyParsons Arctic Solutions.

route and identifying affected landowners, and conducting public open house meetings in Alaska.

B. TC Alaska's Proposal Under the Alaska Gasline Inducement Act

The AGIA is the state's official vehicle for encouraging a project sponsor to proceed with a federal application for the construction of an Alaska natural gas pipeline. Under AGIA, a qualified project sponsor receives an exclusive and enforceable license from the State of Alaska that entitles the licensee to receive matching contributions from the state of up to \$500 million for expenditures made during the planning and preparation of a federal application and related permits for the construction of an Alaska natural gas pipeline project, and access to streamlined state administrative permitting procedures. An AGIA license also represents an agreement or a "settlement" of various project issues between the State of Alaska and the licensee.

On December 5, 2008, TC Alaska was formally issued the AGIA license by the State of Alaska. TC Alaska proposes to construct and operate a 48-inch-diameter pipeline with up to 5 Bcf/d of throughput to transport natural gas from the North Slope of Alaska to all major markets in North America via the existing Alberta Hub. The total pipe length would be about 1,750 miles from a gas treatment plant near Prudhoe Bay on Alaska's North Slope to Alberta, Canada (Alberta gas hub). TC Alaska has briefed the FERC staff and the federal interagency team on its AGIA proposal, but has not yet requested that the Commission accept its project into the pre-filing process. The commencement of pre-filing by TC Alaska's before it begins any substantial field work would allow the FERC Staff to ensure that the field work is performed in a manner which satisfies the Commission's environmental requirements and, thus, helps avoid unnecessary delays in the processing of a future license application by TC Alaska.⁵

C. Other Projects

The Alaska Gasline Port Authority (AGPA) is the sponsor of an Alaskan LNG project which contemplates delivering Prudhoe Bay gas to Valdez by pipeline, where it would be liquefied and shipped on tankers to the Asian market, the West Coast of the U.S. and Mexico, and Hawaii. FERC would have regulatory jurisdiction over any Alaska LNG project, including any pipeline dedicated to transporting gas to the LNG facility. Also, the Alaska Natural Gas Development Authority (ANGDA) and ENSTAR Natural Gas Company (ENSTAR) are developing plans to build certain intrastate pipelines to

⁵ Such a pre-filing request would be given its own pre-filing docket number, but many of the staff's pre-filing activities for TC Alaska could be combined with the existing pre-filing activities for Denali. The proponents of the two projects also might benefit by coordinating some of their pre-filing activities.

move Alaska gas to Alaskans. ANGDA is proposing to build a 460-mile long natural gas pipeline of various diameters from Beluga (southern Alaska) to Fairbanks. This pipeline would initially be used to move natural gas from southern Alaska to Fairbanks, and then later could link to either Denali or TC Alaska to bring northern Alaska gas to southern Alaska. ENSTAR proposes to build a 690-mile long, 20-inch diameter natural gas pipeline from the foothills of northern Alaska to southern Alaska to move up to 500,000 Mcf per day (0.5 Bcf/d) of expected natural gas production in the foothills of the Alaskan mountain range just south of the North Slope oil and natural gas production areas.

III. Related Federal and Canadian Activities

A. Operations of the Federal Coordinator

In accordance with section 106 of ANGPA, the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC) is responsible for (1) coordinating the expeditious actions of all federal agencies regarding a Alaska natural gas transportation projects; (2) ensuring the compliance of federal agencies with the provisions of ANGPA; (3) ensuring that implementation or enforcement actions do not exceed the limitations established in ANGPA; (4) entering into a joint surveillance and monitoring agreement with the State of Alaska for the purpose of monitoring the construction of the project; and, (5) providing a liaison function to ensure adequate communication with Congress, the State of Alaska, and Federal U.S. and Canadian agencies. The OFC meets regularly with the federal interagency team and with the Senior Intergovernmental Management Team, comprised of the Federal Coordinator and senior government officials for the State of Alaska and the Canadian federal government, as well as representatives from Denali and TC Alaska, and the other sponsors of intrastate natural gas projects in Alaska.

The OFC recently initiated negotiations with the State of Alaska regarding the joint surveillance and monitoring agreement as required in Section 106(e) of ANGPA. The agreement will be in effect during the construction of an Alaska natural gas transportation project and will be approved by the President of the United States and the Governor of Alaska.

As part of the 2006 Memorandum of Understanding Related to An Alaska Natural Gas Transportation Project (MOU) the OFC is responsible for working with a federal interagency team of agencies (the Participating Agencies) to create a project Implementation Plan. After Denali entered the FERC pre-filing process, the OFC began coordinating a federal Implementation Plan for that project. The Participating Agencies submitted their draft agency Implementation Plans to the OFC in January 2009. The Federal Coordinator will consolidate the plans detailing each Participating Agency's anticipated schedule, milestones and processes for implementing appropriate agency actions through the FERC pre-filing phase of the Denali project. The OFC anticipates the

first consolidated implementation plan will be completed by March 2009. Once TC Alaska enters the FERC pre-filing, the OFC will coordinate an implementation plan process specifically related to their project

B. U.S. Department of Energy

The U.S. Department of Energy's (DOE) program office for the federal loan guarantee program for the Alaskan natural gas transportation project monitored the developments of potential project sponsors. When a more complete commercial project emerges from TC Alaska, Denali, or other sponsor(s), DOE will proceed with structuring the loan guarantee program.

C. Developments in Canada

The Mackenzie Gas Project continues to be under regulatory review by the government of Canada but the original in-service date has been delayed. Most recently, an independent panel reviewing the environmental assessment for the project announced a further delay to the release of its report. The government of Canada is also considering ways to make a financial contribution towards the project's related infrastructure and pre-construction costs. This project includes development of natural gas fields, gathering lines, and processing facilities in the Mackenzie River Delta of Canada's Northwest Territories, and a transportation pipeline along the Mackenzie River Valley to deliver the natural gas to market. This major pipeline project consists of over 750 miles of 30-inch-diameter natural gas transmission pipeline that would transport 1.2 Bcf/d of new Arctic gas to market. The estimated capital cost of this project has risen to \$16 billion, and it is now planned to be in operation by 2016; however, it is likely that the recent delay will push the in-service date further into the future.

IV. Conclusion

Two proposals for an Alaska natural gas pipeline from Alaska's North Slope into Canada have emerged and advanced to the detailed planning and project development stage. At this point in project development, both Denali and TC Alaska are now fully working towards obtaining quality information to conduct their respective open seasons (the formal process to obtain shippers for their pipeline). In this commercial development stage of the process, both Denali and TC Alaska are expected to keep most of their information and decisions internal, yet they will also continue to work with, and inform, various levels of government, other stakeholders, and the public about their projects.

The Commission stands ready to do its part and reminds all stakeholders that construction and operation of an Alaska natural gas pipeline is the ultimate goal.