

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

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

February 25, 2010

Ninth 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 (EPAct 2005).¹ Section 1810 of EPAct 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 Eighth Report, submitted on August 26, 2009. During the period covered by this report: 1) TransCanada Alaska Company, LLC (TC Alaska) filed a request for approval of its Open Season Plan; 2) Denali – The Alaska Gas Pipeline LLC (Denali) announced its intentions to file a request for approval of its Open Season Plan in April 2010; and 3) development continued on certain other natural gas transportation projects in Alaska that would not be subject to the Commission's jurisdiction.

The Commission must review and approve a project sponsor's Open Season Plan before a sponsor can begin its Open Season. To facilitate this process, the Commission staff held workshops on January 12 and February 22, 2010, on the procedures and process for holding and commenting on an Open Season for an Alaska Natural Gas Transportation Project.

II. Status Report

A. The Commission's Activities

The Commission continues to execute its National Environmental Policy Act and Natural Gas Act certificate application responsibilities for both the Denali and TC Alaska proposals. Staff remains focused on taking the steps necessary to produce environmental impact statements (EIS) for the projects and to act on project applications on the timeline defined by the Alaska Natural Gas Pipeline Act (ANGPA).

Both Denali and TC Alaska have directed significant resources towards completing the preliminary engineering and cost estimating tasks necessary to support their respective Open Seasons. Pending the results of their open seasons, both project sponsors have delayed the gathering of the environmental data needed to analyze the

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

potential impacts of the projects; no such data was provided to the Commission during the last reporting period.

Nevertheless, the Commission staff and the federal interagency team continued working together in a streamlined and coordinated fashion to prepare for the review of both proposals. For example, the Commission staff recently distributed to the cooperating agencies a revised version of the Statement of Purpose and Need and Scope of Project Alternatives. The document was developed pursuant to section IV(C)(6) of the Memorandum of Understanding Related to an Alaska Natural Gas Transportation Project and revised after interagency review.²

In October 2009, Commission staff travelled to Anchorage to participate in the Gas Pipeline Technical Design Meeting, which included federal and state agencies evaluating the two pipeline proposals.

On November 12, 2009, the State of Alaska (State) filed a petition for a limited waiver of the Commission's capacity release regulations and related rules regarding the State's ability to transport royalty gas on any Alaska Gas Pipeline Project authorized by the Commission. The State sought permission to obtain prearranged capacity releases for transporting its royalty gas without posting the releases for bidding. Various parties filed comments in support of and opposition to the requested waiver. On January 28, 2010, the Commission granted the requested waiver, subject to certain conditions explained in the Commission's order which require the State to use its waiver without discrimination among the various shippers or the two potential projects.³

B. Denali's Proposal

Denali, a partnership of BP and ConocoPhillips, plans to construct and operate a gas treatment plant (GTP) near Prudhoe Bay and a 48-inch-diameter pipeline to transport 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, the Commission staff began working closely with Denali and the federal interagency team, exchanging information and coordinating activities to ensure a timely and efficient application development and review process. All items related to Denali's

² In June 2006, 15 federal agencies signed a *Memorandum of Understanding Related to an Alaska Natural Gas Transportation Project* (MOU). 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 See Order on Petition for Waiver in The State of Alaska - Docket No. RP10-145-000 issued on January 28, 2010; 130 FERC ¶ 61,070.

proposal are available to the public in the FERC's eLibrary under Denali's pre-filing docket (Docket No. PF08-26-000).

Since August 2009, Denali has reported progress in both outreach and development of its plans for the GTP. In September 2009, Denali held outreach meetings for landowners in Salcha and Delta Junction in southeastern Alaska. In October 2009, Denali representatives met with federal agencies in Alaska to outline preliminary plans related to offshore dredging, dredge material disposal and the causeway expansion related to the proposed GTP.

In January 2010, Denali announced that it would adjust its schedule to target the 4th quarter of 2013 for filing its application to the FERC for a Certificate of Public Convenience and Necessity. Denali stated that this schedule adjustment is necessary to conduct (in 2011 and 2012) the two full seasons of field work still needed to complete its application. Denali will not conduct any field survey activities until after its Open Season is completed.

C. TC Alaska's Proposal

TC Alaska, the licensee under the State of Alaska's Gasline Inducement Act (AGIA) Program, proposes to construct and operate facilities similar to those planned by Denali but accommodating up to 5 Bcf/d of throughput. On December 5, 2008, TC Alaska was formally issued the AGIA license by the State of Alaska.⁴

In 2009, the Commission staff began working closely with TC Alaska and the federal interagency team upon the commencement of the pre-filing process. This work entailed the exchange of information and the coordination of activities to ensure a timely and efficient application development and review process. All items related to TC Alaska's proposal are available to the public in FERC's eLibrary under TC Alaska's pre-filing docket (Docket No. PF09-11-000).

Since August 2009, TC Alaska has continued to engage the Alaska Native groups and other external stakeholders to share information about its project. In addition, TC Alaska continues to review and refine the routing options and to plan for field work during 2010 and 2011.

⁴ The AGIA is the State of Alaska's official vehicle for encouraging a project sponsor to proceed with a federal application for the construction of an Alaska natural gas pipeline. The AGIA license is a state action that does not constrain future federal actions with respect to a proposed pipeline.

D. Open Seasons for Capacity on Alaskan Natural Gas Pipelines

Congress enacted ANGPA in 2004 and, as required, the Commission approved rules that established requirements governing the conduct of Open Seasons for capacity on proposals for Alaska natural gas pipeline projects in Order No. 2005. This order fulfilled the Commission's obligations required by ANGPA's mandate to establish rules within 120 days of the law's October 13, 2004 enactment date. All of the documents related to this rulemaking are on the Commission's e-Library under Docket No. RM05-1-000 and RM05-1-001. The text of the Alaska Open Season rules is now codified in Part 157, Subpart B of the Commission's Regulations, Sections 157.30 through 157.39.

Specifically, the rules establish standards for creating Open Seasons for initial and voluntary expansion capacity and for allocating capacity to ensure nondiscriminatory access to any Alaska transportation project. Open Seasons are commercial opportunities for potential customers to compete for and acquire capacity on a proposed or existing pipeline. Open Seasons inform project sponsors of shippers' needs so that they may adjust a project design accordingly. While the Open Season is the commercial backbone for any project, it is expected that the Open Season may overlap other design and environmental efforts in a project's development. Also, individual capacity agreements can be struck between project sponsor and prospective shippers outside of an Open Season, subject to the public notification requirements in the Commission's Open Season regulations.⁵

The Commission staff held two workshops for interested persons on the procedures and process for holding and commenting on an Open Season for an Alaska Natural Gas Transportation Project. The first workshop was held on January 12, 2010, in Anchorage, Alaska, and the second workshop was held on February 22, 2010, in Washington, DC. At these workshops, the Commission staff explained FERC's Open Season regulations and the process by which each project sponsor is required to submit a detailed plan to FERC prior to conducting an Open Season.⁶ The workshops also included an explanation of FERC's Electronic Records and Filing System, and how the public and parties could get access to electronic filings and file their comments with FERC electronically.

⁵ Direct access to the Commission's Orders regarding the Open Season, Order Nos. 2005 and 2005-A, a fact sheet, and a slide presentation can be found on the FERC website at <http://www.ferc.gov/industries/gas/indus-act/angtp.asp>.

⁶ Staff's presentations for these workshops are on FERC's website in Docket No. RM05-1-000, or in the Public Calendar for the January 12 and February 22 dates.

On January 29, 2010, TC Alaska filed a Request for Commission Approval of its Plan for Conducting an Open Season. TC Alaska's Open Season Plan offers shippers the option of a mainline pipeline from the gas treatment plant near Prudhoe Bay to either (1) the Alaska/Canada border for onward delivery to Alberta, Canada, or (2) to Valdez, Alaska, for connection to a liquefied natural gas facility to be constructed by a third party. On February 1, 2010, the Commission issued a public notice of TC Alaska's filing. That notice set February 24, 2010 as the due date for public comments and March 9, 2010 as the date for reply comments. The Commission intends to act on TC Alaska's request by March 29, 2010.

E. Other Projects

The Alaska Gasline Port Authority is the sponsor of an Alaskan LNG proposal which contemplates delivering North Slope gas to Valdez by pipeline, where it would be liquefied and shipped on tankers at an LNG terminal to the Asian market, the West Coast of the U.S. and Mexico, and/or Hawaii. TC Alaska has included in its Open Season the option of transporting natural gas for this or any proposed LNG project along with the option for a mainline pipeline from the Alaska North Slope to Alberta, Canada. The Commission would have regulatory jurisdiction over any Alaska LNG terminal and over any pipeline or pipeline lateral that is dedicated solely to serving an Alaskan LNG terminal.

The Alaska Natural Gas Development Authority (ANGDA) is continuing to develop plans to build certain intrastate natural gas pipeline facilities to 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 transport Cook Inlet natural gas from southern Alaska to Fairbanks, and then later connect to either Denali or TC Alaska to bring North Slope natural gas to southern Alaska.

The State of Alaska is still considering various alternatives for delivering in-state gas to Alaskans. The selection of an alternative depends upon whether a mainline interstate pipeline or a stand-alone intrastate pipeline is ultimately built.

III. Related Federal and Canadian Activities

A. Operations of the Federal Coordinator

The Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC), pursuant to Section 106 of ANGPA, continues to coordinate the actions of federal agencies regarding Alaska natural gas transportation projects and to provide a liaison function to ensure 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 the TC Alaska.

In October 2009, the OFC established a technical review team of federal and state agency experts that will meet regularly to share engineering information and expertise related to project technical issues such as pipeline design, fire protection, best available control technology, and seismic standards. The team will also consult with the project proponents and Canadian officials when appropriate.

The OFC is developing a permitting/authorization matrix called "Eliminating and Controlling Uncertainty in the Regulatory Process." It will include an itemization of the data sets each applicant would be required to submit to secure the permits and authorizations from the federal agencies. The OFC also continues to negotiate a joint surveillance and monitoring agreement with the State of Alaska as required in Section 106(e) of ANGPA.

On December 9, 2009, President Obama announced his intention to nominate Larry Persily to be the Federal Coordinator for Alaska Natural Gas Transportation Projects, following the November 16, 2009 resignation of Drue Pearce. The Senate Committee on Energy and Natural Resources held his confirmation hearing on February 2, 2010.

B. U.S. Department of Energy

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

C. Developments in Canada

The regulatory scheme in Canada for the Canadian segments of Denali and TC Alaska has been clarified such that the role of three agencies now is being better coordinated. These agencies are the Major Projects Management Office (MPMO), Northern Pipeline Agency (NPA), and the Canadian Environmental Assessment Agency. Both the MPMO and NPA are located within the Natural Resources Canada, which is akin to the U.S. Department of Energy. The MPMO will coordinate the Denali project, while the NPA is responsible for managing TransCanada's proposal in Canada (also known as the Foothills Project). The National Energy Board of Canada (NEB) will also be involved with both projects for tariff and toll issues, as well as evaluating the merits of the proposals in Canada. Canadian officials are developing coordinated permitting

timelines for both projects such that permitting and regulatory work in Canada is expected to coincide with permitting and regulatory activity in the United States.

Since the August 2009 report, a major regulatory report regarding the Mackenzie Gas Project was issued by the Joint Review Panel in Canada which assessed the environmental and socio-economic impacts of the proposed project. Subject to the full implementation of the various recommendations, the Joint Review Panel has concluded that the adverse impacts of the Mackenzie Gas Project and the Northwest Alberta Facilities would not likely be significant, and that the project and facilities would likely make a positive contribution towards a sustainable northern future. The NEB is completing its record regarding the Mackenzie Gas Project and plans to hear final arguments in April 2010.

IV. Conclusion

Denali and TC Alaska continue to advance in their detailed planning and project design stages in the Commission's pre-filing review process. During this last reporting period, both companies concentrated the bulk of their efforts on obtaining the information necessary to conduct their respective Open Seasons in 2010. The Open Season Plan for TC Alaska was filed with the Commission in January 2010 and is currently under review. Denali has announced its intention to file its Open Season plan in April 2010.