

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

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

February 2011

Eleventh 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.

This report provides an update from the Commission's Tenth Report, submitted on August 27, 2010. During the period covered by this report: 1) Denali – The Alaska Gas Pipeline LLC's (Denali) Open Season concluded October 4, 2010, and has stated that since that time, it has been negotiating with prospective shippers; 2) TransCanada Alaska Company, LLC (TC Alaska) has stated that it continues to negotiate with the shippers that bid in its Open Season that concluded July 30, 2010; and 3) the State of Alaska made progress addressing its infrastructure needs.

II. Status Report

A. The Commission's Activities

The Commission continues to execute its National Environmental Policy Act (NEPA) and Natural Gas Act certificate application responsibilities for both the Denali and TC Alaska proposals. The Commission staff continues to work under its pre-filing process with both Denali and TC Alaska, preparing to initiate an environmental impact statement (EIS) on any project that submits a complete application to the Commission.

As the lead agency for purposes of compliance with the NEPA, the Commission staff also continues to coordinate with the federal interagency team to facilitate the early work necessary for each agency to participate in the pre-filing process and be better prepared to meet their responsibilities on the projects. For example, in December 2010, the Commission staff held an agency scoping meeting in Anchorage to provide cooperating agency representatives an opportunity to identify resource issues that will need to be addressed in the EIS and to provide feedback early in the project review process.²

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

² This is the second such agency scoping meeting the staff has conducted for the interagency team. The first was held in Fairbanks, Alaska in October 2008.

The agency scoping meeting followed a workshop held by TC Alaska to discuss its project description and pipeline routing. TC Alaska provided pipeline corridor maps for discussion; the participating agencies identified potential routing issues and suggested areas of possible impact avoidance and minimization strategies.

In October 2010, the Commission staff participated in a technical workshop on pipeline safety and infrastructure proximity that was sponsored by the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration and the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects (OFC). The workshop was attended by interested federal and state agencies and the project sponsors. The objective was to elicit discussion on a variety of safety- and engineering-related topics, including pipeline safety regulations and routing considerations. The workshop provided an opportunity for the agencies to share information needs, discuss concerns related to the projects' proximity to existing infrastructure, and increase agencies' awareness of safety regulations and industry practices.

The Commission staff also continued its review of issues surrounding the availability of data necessary to include an analysis of subsistence impacts as part of the EIS. The staff provided the project sponsors with a list of the subsistence information criteria to facilitate their development of complete FERC applications.

B. Denali's Proposal

Denali plans to construct and operate a gas treatment plant (GTP) near Prudhoe Bay and a 48-inch-diameter pipeline to transport up to 4.5 billion cubic feet of natural gas per day (Bcf/d) from the Alaska North Slope to the Alberta Hub for North American consumers. All items related to Denali's project are available to the public in the FERC's eLibrary under Denali's pre-filing docket (Docket No. PF08-26-000).

In the past six-month period, Denali concluded its Open Season and began evaluating bids and negotiating with qualified shippers. Denali's has performed continuing work on front-end engineering and design and on outreach activities in Alaska and Canada.

C. TC Alaska's Proposal

TC Alaska plans to construct and operate facilities similar to those described for Denali, a GTP near Prudhoe Bay and a 48-inch-diameter mainline pipeline that would accommodate up to 4.5 Bcf/d of throughput. All items related to TC Alaska's project are available to the public in FERC's eLibrary under TC Alaska's pre-filing docket (Docket No. PF09-11-000).

While much of its focus was on reaching agreements with qualified shippers, TC Alaska also concluded 2010 field survey work and began incorporating the survey findings into its project plans. TC Alaska has stated that it plans to conduct a large amount of field survey work in 2011 to support its goal of filing a complete application with the Commission in October 2012. TC Alaska also announced that it intends to hold its required open house meetings in various communities throughout the project area beginning in March 2011.

On December 20, 2010, APP contracted with Argonne National Laboratory to serve as the Commission's third-party contractor assisting the staff in preparing the EIS for the project.

D. Results of Open Seasons for Capacity on Alaskan Natural Gas Pipelines

Denali and TC Alaska held Open Seasons in 2010 for capacity on their planned Alaska natural gas pipeline projects. Both companies reported at the end of their respective Open Seasons that they had received bids for significant volumes from potential shippers. Neither company has provided any details about the bids or completed negotiating precedent agreements (PAs) with potential shippers.

TC Alaska had stated that it intended to announce its executed PAs by December 31, 2010; however, this self-imposed deadline was not met and the company states that negotiations continue. Similarly, Denali did not announce any executed PAs by its self-imposed deadline of February 1, 2011. Both companies state that they are continuing commercial discussions with potential shippers and working to resolve conditions on the bids.

E. Other Projects

In December 2010, the Joint In-State Gasline Development Team and Alaska Gasline Development Corporation (AGDC), both State of Alaska entities, submitted a report to Governor Sean Parnell regarding the status of work in three areas. First, AGDC reported that it is completing economic feasibility and market studies to determine if an in-state gas pipeline project is commercially viable and should proceed. The results of these studies and analyses are due in March 2011.

Second, AGDC reported that it is seeking letters of interest from private pipeline construction and operating companies to develop the project. To date, no specific results have been announced. Finally, AGDC reported that it was premature for the State to draft legislation for the "Alaska Stand Alone Gas Pipeline Project," but that it intends to approach the legislature during the 2011 session with a report and recommendations for legislation required to ensure the project moves forward to completion.

III. Related Federal, State, and Canadian Activities

A. Operations of the Federal Coordinator

The 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. In 2010, the OFC hosted agency workshops on technical issues related to the project and plans to continue these in 2011. 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.

On January 22, 2011, the OFC held a public forum in Anchorage to help Alaskans understand the supply-and-demand variables that could affect shippers' decisions on the pipeline project. The forum topics were related to different market factors that could affect the economic viability of the project.

B. State of Alaska

The Commission's Eighth Report identified long-term infrastructure improvements as a potential impediment to constructing an Alaska natural gas pipeline. Specifically, infrastructure needs assessments by Denali, TC Alaska, and the Alaska Department of Transportation and Public Facilities (DOT&PF) indicated that a large number of projects to improve or repair bridges, highways, and ports must be completed prior to initiating construction of the project. Since that report, there has been significant progress in addressing this need.

The Alaska DOT&PF has completed the majority of the required modifications to the bridges identified by Denali and TC Alaska as critical limiting elements for the projects due to insufficient bridge width and height. By 2013, all of the critical bridges will be reconstructed.

The Alaska DOT&PF has also completed work on highways paralleling the pipeline route. Some substantial portions of the highway network still need improvement, but overall, the most critical needs have been addressed. A key remaining issue is the seasonal weight restrictions that are placed on Alaska's highways requiring shippers to reduce the freight loads in each truck and increasing the number of trips.

Work has begun to upgrade Alaska's largest port in Anchorage; however, until the companies determine their final logistics plan and identify which ports will be heavily used, no improvements at other ports of entry are likely.

C. Developments in Canada

TransCanada Corporation and Denali Canada – The Alaska Gas Pipeline, Inc. completed their Open Seasons in Canada in 2010. Both companies report having received multiple bids for significant volumes of natural gas and are negotiating terms and conditions with potential shippers, but have provided no details on the bids.

VI. Conclusion

During this reporting period, Denali and TC Alaska worked on negotiating PAs with potential shippers. Both Denali and TC Alaska set self-imposed deadlines to execute PAs; however, these deadlines expired with no announcement from either company. Both companies continue to negotiate with prospective shippers.

TC Alaska has stated that it is intensifying its efforts to finalize its project design and compile the information necessary to file a complete application with the Commission in October 2012. The company conducted environmental surveys in the summer 2010 field season and plans to carry out an extensive field program in 2011. TC Alaska also plans to begin holding its required open house meetings in the project area in March 2011. Commission staff will attend the open houses to familiarize affected stakeholders with the EIS process.

Denali currently plans to file its application with the Commission in October 2013. The company's technical work activities planned for spring 2011 include continuing development of the front-end engineering and design and proceeding with its outreach activities.