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March 2, 2006

Mr. Harold Heinze
Chief Executive Officer
Alaska Natural Gas Development Authority
411 West 4th Avenue
Anchorage, AK 99501

Subject: **ANGDA Glennallen to Palmer Spur Line**
State ID No.: AK 0602-02JP
Start of ACMP Review

Dear Mr. Heinze:

The Office of Project Management and Permitting (OPMP) received the Coastal Project Questionnaire and consistency certification, applications, and supporting information you submitted for the proposed project. The OPMP is coordinating a review for consistency determination with the Alaska Coastal Management Program (ACMP) (*A.S. 46.40*). This letter initiates the State of Alaska review of this proposed project under the schedule and process described in State regulations (*11 A.A.C. 110.200-270*).

Project Description

The Alaska Natural Gas Development Authority (ANGDA) proposes to construct a pipeline to transport natural gas from Glennallen to Palmer. The proposed right of way lease would generally parallel the Glenn Highway, entering the Glenn Highway right-of-way approximately 11 miles west of Glennallen, and deviating from the highway in the Eureka area and in the Chitna Pass and Chickaloon areas where the highway right-of-way can not accommodate a pipeline. The route south of Chickaloon will primarily be within existing easements, including section line and road easements.

The spur line will be a buried pipeline that is 24-inch outside diameter, maximum. It is anticipated that the pipeline material will be API Specification 5L X80 steel. Most of the route is within areas defined by *49 C.F.R. 192* as Location Class 1, though some of the route will be located in Class 2 and 3 Locations. Therefore, the pipe wall thickness will vary according to the design factor that is assigned to each Location Class. Based on a preliminary maximum allowable operating pressure of 2500-psi the pipe wall thickness is expected to vary between

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0.562-inch and 1.031-inch. All valves and fittings will be rated for minimum ANSI Class 1500 or better.

There may be a compressor/processing/power generation facility located at each end of the pipeline. It is anticipated that the compressor facilities will also include refrigeration to chill the compressor discharge gas. Sections 4.2.1, 4.2.5, and 4.3.1 in the *Engineering Report* further discuss specifics regarding these two facilities and where they will be located. These facilities will be located on private land. The transportation capacity of the proposed pipeline will be 1,000 million standard cubic feet per day (MMSCFD)

The life cycle cost of the pipeline is designed for minimum service of 30-years. Gas will be transported at ambient temperatures. Heating and/or chilling to avoid permafrost melt will not be required.

The pipeline will be completely buried along its entire length. There is the possibility that after additional studies of the fault crossing locations a special design area would be established, which might require up to 3 aboveground segments ranging approximately between 500- and 1000-feet. At this time it is anticipated that the pipeline will be buried through those sections.

Generally, the pipeline will be buried by excavating a trench, lowering the welded pipeline into the trench, and backfilling, or burying, the pipe. In some locations the pipeline may be installed via a horizontal directional drill (HDD), or by boring. Section 8.1 of the spur line *Engineering Report* discusses the burial techniques in greater detail. It is not anticipated that bridges, trestles or other structures will be used to support the proposed pipeline.

The pipeline will cross all streams and other bodies of water using either HDD, or open cut trench techniques. Most of the streams will be crossed via the latter technique, though many of these will be required to be installed during winter months when disturbance to the stream and the surrounding area can be minimized. Crossings of rivers and streams are discussed in detail in Section 8.3.3 of the spur line *Engineering Report*.

Grades, cuts, or fills will be required in some cases to prepare the workpad prior to construction. Following construction the original grade will be restored and will be revegetated. Section 8.2 of the spur line *Engineering Report* discusses the graded workpad in greater detail.

Leak and spill prevention are significant factors that drive the design criteria for this project. The pipeline design and leak detection monitoring shall be in accordance with 49 C.F.R. 192. As mandated by federal regulations the pipeline will also be designed to accommodate in line inspection (ILI). During construction proper containment will be required for the aboveground storage of all fuel or other hazardous products.

Specific engineering design and logistic elements will be developed as the project progresses. Existing and potential material handling, staging and storage sites are identified. A Project Labor Agreement will be in-place prior to construction

Construction crews will be bussed using existing roads, existing access roads, revitalized or newly constructed access roads and the 300-ft wide construction work area to access the project. The revitalized or newly constructed access roads will be classified as temporary or permanent. ANGDA will not have any construction camps built for this project. "Local Hire" construction crews would be bussed to and from their home areas or assembly points.

It is ANGDA's intent that all pipe material will be shipped to and received at the Pt. Mackenzie Port facility and staged there for delivery by truck to the site. ANGDA will be sensitive to the Alaska Department of Transportation & Public Facilities' roadbed and right-of-way concerns during construction activities that occur within the highway right-of-way throughout the year. Existing accesses leading off of the highway to the alignment are in process of being identified for construction. No more than four additional points of entry are anticipated. Location of the new temporary access roads will be identified as the project progresses. They will be put to bed at the end of construction unless otherwise determined by the State. Whether a workpad, built for construction purposes, remains after construction is a determination the State will make. Existing permitted, private, or commercial facilities along the alignment will support the project.

ANGDA will not construct field camps. A portable Maintenance Camp with offices, kitchen, housing, maintenance building and a medical trailer will be contractor provided. Existing facilities for housing, RV hook-ups, etc. will be contractor furnished along the route for the personnel. The temporary maintenance camp will be relocated several times during construction and each time set-up and operation will be on private land. ANGDA wants to go beyond satisfying Alaska hire regulations and will encourage the construction workforce to come from local communities where living at home and working a 5 ½ day work week is practiced. It is anticipated that personnel will be housed at Glennallen, Palmer, and other locations along the route.

There will be a portable first aid trailer specifically designated for this project and it will be located with the portable Maintenance Camp. Existing Hospitals and other medical facilities exist in both Glennallen and Palmer. Contractors will be required to provide onsite health care to respond to minor medical needs. ANGDA intends to work with the local organizations and selected communities to provide vehicles, health care equipment and supplies, training and emergency response so that they can become capable of responding to medical emergencies that may occur during construction. These supplemental facilities will not obviate the responsibility of the contractor for providing first aid at the jobsite.

Estimates for the spur line construction work are that as many as 620 positions will be required for summer construction and approximately 565 during winter construction. During the Operational phase it is anticipated that a work force of only 1-2 people will be required to service, check for leaks, and identify potential danger for 1 to 2 times per month throughout the year.

ANGDA intends to be ready to start pre-construction activities involving, i.e., centerline staking, developing gravel sites and staging areas for permanent pipeline materials during the summer/fall 2006. Construction in the area that is designated for winter construction (Glennallen

to west end of the Squaw Creek drainage) will begin in November 2006 and be completed by the end of that winter season. Immediately following the winter construction season, in early spring, the summer construction season will commence and be complete by the end of the summer of 2007.

These starting dates are dependent upon how external factors beyond the control of ANGDA come into play. These factors include the outcome of the Stranded Gas Act negotiations between the administration and two applicants, the urgency of the gas shortage in Cook Inlet, and the outcome of the FERC open season and applications to build a pipeline transporting North Slope natural gas to the Lower 48. ANGDA's plan is to complete the Glennallen to Palmer Spur Line prior to field construction of either of the large line proposals. ANGDA will be prepared to build the pipeline connecting the nearest point of the Highway Line at Delta to the terminus of the Spur Line at Glennallen. The Alaska LNG proposal of the Alaska Gasline Port Authority would provide gas in Glennallen on its route from Prudhoe Bay to Valdez. If the major projects are indefinitely deferred and if the Cook Inlet needs for new sources of natural gas become urgent, then ANGDA will be prepared to build a gas line from Glennallen all the way to Prudhoe Bay following the Trans-Alaska Pipeline System Right-of-Way. *See: Engineering Report – Appendix C - ANGDA Timeline Scenarios* which provides additional information related to the planned construction schedule.

The construction duration for the spur line is expected to be from 12 to 24-months. Construction of the terminus facilities will be timed so that their completion coincides with completion of the pipeline. Landscaping and restoration will be completed after construction and when the weather or restoration technique is most suitable for these activities. For further discussion regarding the schedule, refer to the Section 9.1 of the *Engineering Report* and Appendix C – *ANGDA Timeline Scenarios*.

The ANGDA construction scheduling scenario is driven by the earliest and expected start date. Project management and scheduling is based on the concept of pre-building the Palmer to Glennallen spur line to: (1) connect to the proposed Alaska Gasline Port Authority (Port Authority) pipeline that will pass through Glennallen enroute to Valdez, (2) tie-in at Delta to the proposed pipeline to Chicago, or (3) build pipeline from Glennallen to either Prudhoe Bay or Pt. Thompson. Operations will start upon delivery of gas into the Spur Line by one of the scenarios indicated above with the earliest start to operations in 2009.

Pipeline materials for this project are expected to cost approximately \$126 million. Section 9.3 and Appendix B of the *Engineering Report* provide detailed definition of the estimated material costs. The estimated cost for construction and installation of the spur line is approximately \$361 million. This value is based on a budget "Level 0" cost estimate with a +/- 30% accuracy. Further definition is included in Section 9.2 and Appendix B of the *Engineering Report*. This estimate includes pipeline materials, a maintenance camp and medical trailer, but ANGDA does not anticipate a need for full blown man-camps for this project. The estimated annual cost for operations and maintenance of the spur line is \$1.5 million per year.

Scope of Project to be Reviewed

Per *A.S. 46.40.094(c)*, the scope of the proposed project to be reviewed for consistency with the ACMP is limited to that portion identified within the Commissioner's proposed Conditional Right-of-Way Lease as located within the Matanuska-Susitna Borough Coastal District boundaries as identified below in the Location chapter.

The Conditional Right-of-Way Lease conveys no interest in land, property or resources of the State, or any preference or priority rights to a particular right-of-way or alignment. No construction activities are authorized by the conditional lease. The Conditional Right-of-Way Lease applies to the proposed Right-of-Way on State land for a pipeline as located and described in Exhibit A of the Conditional Right-of-Way Lease, the purpose of which is for the preconstruction of one (1) 24 inch diameter natural gas transportation pipeline and related facilities. The width of the proposed Right-of-Way shall not exceed 300 feet, 150 feet on either side of the proposed centerline and shall accommodate such other related facilities outside the boundaries of the proposed Right-of-Way as may be authorized by amendment to the Conditional Right-of-Way Lease.

Preconstruction activities may be authorized under the Conditional Right-of-Way Lease. Prior to initiating any field activity on State land pursuant to the Conditional Right-of-Way Lease, the Conditional Lessee must possess a valid permit issued by the Commissioner. Each preconstruction permit shall authorize only preconstruction field activities specific to that permit. A preconstruction permit may contain such site-specific terms and conditions as the Commissioner finds necessary to implement the provisions of the Conditional Right-of-Way Lease, and the Conditional lessee shall comply in all respects with the provisions of the preconstruction permit shall be accompanied as identified in Section 3, part D of the lease.

Location

The proposed project will occur within the Matanuska-Susitna Borough Coastal District crossing Moose Creek, through the City of Palmer and south near the Parks/Glen Highway Intersection immediately outside of the Palmer Hay Flats State Game Refuge (PHFSGR). It is specifically located within:

- Moose Creek to the 1,000-foot contour level plus the width of the water course and 200 feet on each side as measured from ordinary high water mark in either Sec. 28 or 34, T19N, R2E, Seward Meridian;
- Sections 3, 4, 5, 6, 7, 18, 19, T18N, R2E, SM
- Sections 24, 23, 26, 27, 34, T18N, R1E, SM
- Sections 3, 10, 9, 16, 15, 22, T17N, R1E, SM

Review Process

The packet of information submitted was distributed to the following review participants for review under *11 A.A.C. 110.200-270. State Consistency Review Process*:

- Alaska Department of Environmental Conservation (ADEC);
- Alaska Department of Natural Resources (ADNR);
- Alaska Department of Fish & Game (ADF&G)
- Alaska Department of Commerce, Community and Economic Development (DCCED) per *11 A.A.C. 112.210(d)*;
- U.S. Army Corps of Engineers (USACE) per *11 A.A.C. 112.200(c)* and the
- Matanuska-Susitna Borough Coastal Resource District.

A notice posted on February 28, 2006 on the ACMP website (www.dnr.state.ak.us/pic/pubnotfrm) and the Joint Pipeline Office website (www.jpo.doi.gov) and in sites noted on the public notice posted on February 28, 2006 informed the public of the proposed project.

Consistency Review

Per *A.S. 46.40.094(c)* the Department of Natural Resources will conduct the consistency review and make the consistency determination for the proposed project. It must be found consistent with the ACMP under *11 A.A.C. 112* and the Matanuska-Susitna Borough Coastal District Enforceable Policies before the following authorization may be issued:

Conditional Disposal of State Interest in Lands for Commercial Activity

- *Conditional Right-of-Way Lease (ADL 229297) (ADNR/SPCO)*

Review Schedule

The OPMP is coordinating the review of this project under a modified review schedule, per *11 A.A.C. 110.270(a)(1)*, as necessary to coordinate with the State Pipeline Coordinator's Office's Commissioner's Analysis and Proposed Decision review process and per *11 A.A.C. 110.270(a)(4)*, to conduct public hearings. Please see the attached Public Notice for the listed public hearings.

Review deadlines are listed below. Deadline dates falling on a non-business day will default to the next business day per *11 A.A.C. 110.910*.

Consistency Review Start	February 28, 2006
Request for Additional Information:	April 18, 2006
Comment Deadline:	April 24, 2006 (by 5:00 p.m.)
Proposed Determination:	May 8, 2006
Final Determination:	May 15, 2006

State review participants will evaluate this proposed project for consistency with the enforceable policies of the ACMP that include statewide standards in *11 A.A.C. 112* and enforceable policies of the Matanuska-Susitna Borough Coastal Resource District with the exception of the Air, Land and Water Quality Standard (*11 A.A.C. 112.310*). The ADEC

will review any activities subject to ADEC permits, certifications, approvals and authorizations for consistency with 11 A.A.C. 112.310. The issuance of the permits, certifications, approvals, and authorizations by the ADEC establishes consistency with 11 A.A.C. 112.310 for those specific activities.

The public may also submit comments regarding the consistency of the proposed Conditional Right-of-Way Lease route with the ACMP. Any comments concerning consistency with 11 A.A.C. 112.310 must be submitted directly to the ADEC. Comments concerning consistency with all other standards and policies must be submitted to the OPMP.

The OPMP will give careful consideration to all comments. The proposed consistency determination will notify you of the OPMP's concurrence with or objection to your certification. If the OPMP objects, the consistency determination may include alternative measures required to make the proposed project consistent with the ACMP. You may choose to adopt the alternative measures or propose other modifications that would achieve consistency for review participants and the OPMP to consider.

By a copy of this letter the OPMP is informing local, State and federal agencies that the OPMP has begun its consistency review.

The OPMP encourages you to visit the office's web site for more information about the ACMP. The web site contains the State's consistency review regulations 11 A.A.C. 110, the public notice for this project, and other information. Please go to the Joint Pipeline Office website (www.jpo.doi.gov) to download the ANGDA Conditional Right-of-Way Lease application materials.

Please contact me at (907) 257-1351, or email swalker@jpo.doi.gov if you have any questions.

Sincerely,

/s/ Shane Walker

Shane Walker
Project Review Coordinator

Encl.

Public Notice

cc.

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Bruce Paulsen, MSB
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William Van Dyke, ADNR
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