STATE OF ALASKA

STATE PIPELINE COORDINATOR'S OFFICE

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☐ Department of Labor *☐ Department of Environmental Conservation* *☐ Department of Fish and Game*
☒ Department of Natural Resources *☐ Department of Public Safety Fire Marshal's Office*

April 2, 2010

Letter No.: 10-099-AS
Case File Serial No.: ADL 230928
Section/Stipulation: N/A
File Code: (30) 1.3.5
(70) 2.1
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DD.: N/A

Ed Teng, Vice President-Engineering
Anchor Point Energy, LLC
1421 Blake Street
Denver, Colorado 80202

Re: North Fork Pipeline Right-of-Way Application – SPCO Requests

Dear Mr. Teng:

The State Pipeline Coordinator's Office (SPCO) initiated the AS 38.35 right-of-way leasing process upon receipt of the North Fork Pipeline application dated February 18, 2010. Notice of the application was carried in the Anchorage Daily News, Homer Tribune and the Kenai Peninsula Clarion. The SPCO has reviewed the draft project design basis and, with some minor modifications, is near completion. The SPCO is also drafting the Commissioner's Analysis and Proposed Decision. By statute, the Commissioner's Analysis and Proposed Decision must analyze several facets of a pipeline project including:

- whether the proposed use will conflict with existing uses;
- whether the route design and pipeline engineering are in the public interest;
- whether the applicant has the technical and financial ability to protect state and private property interests;
- whether the applicant can protect the environment including avoiding damage to fish and wildlife and their habitat;
- whether the applicant can protect the interest of individuals with subsistence rights;
- whether the applicant can pay damages if the applicant becomes liable on claims arising from construction, operation, or maintenance and;
- whether the applicant has agreed to follow all laws and regulations.

In order to facilitate completion of the draft Commissioner's Analysis and Proposed Decision, the SPCO requests supplementary information for some of the questions in the Right-of-Way application. These questions are attached and the numbers used in the request correlate directly the number of the question on the ROW Application. The SPCO recognizes that you will not be able to provide some of the items requested at this time because they involve information that will be developed as you get closer to construction.

If you have any questions about this request for supplementary information please call and we can either provide information over the phone or set up a meeting at your convenience. You can reach me at 907-257-1330. If you cannot reach me, please contact Anne Brown at 907-257-1304.

Sincerely,

Frederick M. Thompson
State Pipeline Coordinator

Enclosure: North Fork Pipeline Right-of-Way Application – SPCO Requests (3 Pages)

cc: Bob Britch
Aaron Weaver

North Fork Pipeline Right-of-Way Application – SPCO Requests

Below are the SPCO requests for supplementary information to the North Fork Pipeline State Right-of-Way Lease application. The numbers correspond to the questions on the Application for Pipeline Right-of-Way Lease. If any of this information will be answered with associated plans, programs, documentation, etc to be received at a later date please state the specific associated plan as it relates to each question.

Question 7

Figure 6-1 is a good map of the proposed centerline for the pipeline right-of-way. We would like more information on your wetland identification efforts. Please provide references used for wetland identification.

Question 9, Page 12, Figure 9-1

Toward the bottom of Figure 9, a camp trailer is depicted directly within the proposed pipeline right-of-way. It will be the responsibility of the lessee to work with the owner of the right-of-way to clear any encroachments.

Question 9, Figure 9-3

In the center of Figure 11, there is a notation of a pond. The SPCO finds no other reference to this pond on any other map or figure in the application package. Please show this pond on at least one other map in relationship to the proposed pipeline right-of-way route. Also, please confirm whether this pond is permanent, or temporary?

Question 13

Please confirm that the selected site for the metering and custody transfer building is located on private property. We have been in communication with Tom Arminski, Enstar manager for right-of-way and permitting for Enstar, concerning this building, and according to Tom, it is likely this building site will be moved up to one mile from the location given in the application. If the location of the proposed metering building has changed, please provide a map with the revised location for these facilities, and note on the map the status of the property ownership.

Question 14

Please provide the references searched to conclude that there are no prior commitments on State land that prohibit pipeline right-of-way within the proposed alignment.

If additional land research is required the individual listed below may be of assistance:

Jerri Sansone
Natural Resource Mgr III Natural Resources
MLW-LAND ANCHORAGE (907)334-2552
jerri.sansone@alaska.gov
550 W 7th Ave, Ste1050a
Anchorage, AK 99501-3579

Question 19

The SPCO understands that Armstrong is working with Fiberspar to obtain a Certificate of Conformance. This certificate will show the stated design life to be consistent with the term of a 30 year lease. This can be worked through the finalization of the Design Basis with Louis Kozisek.

Question 20

This question should be addressed in greater detail as you work with SPCO Engineer Louis Kozisek on the Design Basis.

Question 22

In the application it was stated that "commercial timber (6 inches or more breast high diameter) will be cut and stacked next to the cleared corridor for use by local residents." This practice is acceptable on all state land along the right-of-way; please confer with individual property owners of any privately owned land within or abutting the right-of-way prior to making the harvested timber available to local residents.

Question 25

A Construction Plan will be required prior to initiating any work. This plan should note any excavations, surface grades, cuts, or fills, regardless of whether the surface profile is permanently changed.

Question 26

In response to question 26, the description regarding the design, construction, and placement of the pipeline is satisfactory, but it does not address a plan to respond to a leak. The SPCO needs more information about prevention control and response actions in the event of a release. With a gas release, public safety is our primary concern.

Questions 45, 46, 47, 48 and 49

Prior to the start of operations, a Safety & Training Plan will need to be provided to the SPCO for approval in addition to the Emergency Response Plan.

To minimize duplication, SPCO often accepts plans developed for other agencies.

If Anchor Point Energy LLC is going to rely on a contractor(s) safety plans to satisfy this requirement, please provide copies of their plans, at the earliest convenience, and prior to commencement of any operations.

Please note that the Final Design Basis should include details on how the pipeline will cross streams, conduct directional drilling, and other activities that have potential to impact streams or other environments discussed in the questions referenced above. We have purposely not requested further details on stream crossings here.

Question 52

SPCO expects the issues dealing with the Certificate of Conformance to be addressed in the Final Design Basis.

Question 54

The SPCO is interested in receiving more information on subsistence use in this specific area. More data may be available from the Subsistence Division of the Department of Fish and Game.

ANCHOR POINT ENERGY, LLC

April 27, 2010

Mike Thompson
State Pipeline Coordinator's Office
411 West 4th Avenue, Second Floor
Anchorage, Alaska 99501

Re: Natural Gas Pipeline Construction and Operation
Anchor Point Energy, LLC
Kenai Peninsula Borough, Alaska

Dear Mr. Thompson:

Enclosed are responses to comments and questions related to our ROW application (dated February 18, 2010) and our Design Basis Manual (dated March 17, 2010). Responses to comments and questions related to our ROW application are provided in Attachment A, and responses for the Design Basis Manual comments and questions are provided in Attachment B. We will resubmit the revised Design Basis Manual if you feel the revisions indicated in Attachment B are adequate.

Should you have any questions, you can call either me at 303-623-1821 or Bob Britch at 907-243-7716.

Sincerely,

Ed Teng
Vice President-Engineering

1421 Blake Street Denver, Colorado 80202 (303) 623-1821 Phone (303) 623-3019 Fax

Attachment A

Response to SPCO Comments of April 2, 2010
North Fork Pipeline Right-of-Way Application - SPCO Requests

Below are the SPCO requests *for* supplementary information to the North Fork Pipeline State Right-of-Way Lease application. The numbers correspond to the questions on *the* Application for Pipeline Right-of-Way Lease. If any of this information will be answered with associated plans, programs, documentation, etc to be received at a later date please state the specific associated plan as it relates to each question.

Question 7: Figure 6-1 is a good map of the proposed centerline for the pipeline right-of-way. We would like more information on your wetland identification efforts. Please provide references used for wetland identification.

Response: The wetlands data was obtained from the US Fish & Wildlife Service internet site where the official wetlands information is stored and the site has been added to the reference section in the Design Basis Manual. The site is at: http://www.fws.gov/wetlands/Data/DataDownload.html

Question 9, Page 12, Figure 9-1: Toward the bottom of Figure 9, a camp trailer is depicted directly within the proposed pipeline right-of-way. It will be the responsibility of the lessee to work with the owner of the right-of-way to clear any encroachments.

Response: The camp trailer is gone, and references to it has been removed from the most recent civil engineering drawings which are being provided to your office.

Question 9, Figure 9-3: In the center of Figure 11, there is a notation of a pond. The SPCO finds no other reference to this pond on any other map or figure in the application package. Please show this pond on at least one other map in relationship to the proposed pipeline right-of-way route. Also, please confirm whether this pond is permanent, or temporary?

Response: The "pond" is mentioned in the information for Branson Creek-Upstream in the table in Question 8 and the feature is probably better described as flooded muskeg. It is a very poorly drained area low area that is partially dry and partially submerged muskeg.

Question 13: Please confirm that the selected site for the metering and custody transfer building is located on private property. We have been in communication with Tom Arminski, Enstar manager for right-of-way and permitting for Enstar, concerning this building, and according to Tom, it is likely this building site will he moved up to one mile from the location given in the application. If the location of the proposed metering building has changed, please provide a map with the revised location for these facilities, and note on the map the status of the property ownership.

Response: APE is coordinating with Enstar to obtain a site, but we understand that the site indicated by Tom Arminski likely may not be the site ultimately chosen. We are still looking for a site and it will be in the general location as shown on Figure 1-2 in the Design Basis Manual. Several sites are currently being evaluated and these sites are all on the North Fork Road about 1,000 feet east of the Sterling Highway.

Question 14: Please provide the references searched to conclude that there are no prior commitments on State land that prohibit pipeline right-of-way within the proposed alignment. If additional land research is required the individual listed below may be of assistance:

Jerri Sansone
Natural Resource Mgr III Natural Resources
MLW-LAND ANCHORAGE (9(17)334-2552
jen-i.sansone@ataska.gov
550 W 7th Ave, Ste10l50a
Anchorage, AK 99501-3579

Response: We reviewed the following document: Alaska Department of Natural Resources, 2001. Kenai Area Plan. Alaska Department of Natural Resources, Division of Mining Land and Water (Internet: http://www.dnr.alaska.gov/mlw/planning/ areaplans/kenai/ index.htm)

We have also contacted Ms. Sansone and we understand that she will be providing her analysis directly to the SPCO in the next couple of days.

Question 19: The SPCO understands that Armstrong is working with Fiberspar to obtain a Certificate of Conformance. This certificate will show the stated design life to be consistent with the term of a 30 year lease. This can be worked through the finalization of the Design Basis with Louis Kozisek.

Response: A Certificate of Conformance is provided with each spool of LinePipe. Figure 19-1 provides Fiberspar's calculations of the MOAP for the 30-year project life.

Question 20: This question should be addressed in greater detail as you work with SPCO Engineer Louis Kozisek on the Design Basis.

Response: It is our understanding that the information as provided in the Design Basis Manual is sufficient.

Question 22: In the application it was stated that "commercial timber (6 inches or more breast high diameter) will be cut and stacked next to the cleared corridor for use by local residents." This practice is acceptable on all state land along the right-of-way; please confer with individual property owners of *any* privately *owned* land within or abutting the right-of-way prior to making the harvested timber available to local residents.

Response: Timber on private lands will be given to the private landowner and all timber on public lands will be as directed by the public owner.

Question 25: A Construction Plan will be required prior to initiating any work. This plan should note any excavations, surface grades, cuts, or fills, regardless of whether the surface profile is permanently changed.

Response: The revised construction drawings and Installation Plan are being provided separately. The construction will be accomplished so that the ground surface is unchanged.

Question 26: In response to question 26, the description regarding the design, construction, and placement of the pipeline is satisfactory, but it does not address a plan to respond to a leak. The SPCO needs more information about prevention control and response actions in the event of a release. With a gas release, public safety is our primary concern.

Response: The leak issue will be discussed in the Operations and Maintenance Manual and in the Emergency Response Plan which are required by DOT/PHMSA prior to operation. They are currently in draft form and they will be finalized and provided to the SPCO prior to operations.

Questions 45, 46, 47, 48 and 49: Prior to the start of operations, a Safety & Training Plan will need to he provided to the SPCO for approval in addition to the Emergency Response Plan.

To minimize duplication, SPCO often accepts plans developed for other agencies.

If Anchor Point Energy LLC is going to rely on a contractor(s) safety plans to satisfy this requirement, please provide *copies of* their plans, *at* the earliest convenience, and prior to commencement of any operations.

Please note that the Final Design Basis should include details on how the pipeline will cross streams, conduct directional drilling, and other activities that have potential to impact streams or other environments discussed in the questions referenced above. *We have* purposely not requested further details on stream crossings here.

Response: These issues will be discussed in the Operations and Maintenance Manual and in the Emergency Response Plan which are required by DOT/PHMSA prior to operation. They are currently in draft form and they will be finalized and provided to the SPCO prior to operations.

Question 52: SPCO expects the issues dealing with the Certificate of Conformance to be addressed in the Final Design Basis.

Response: A Certificate of Conformance (COC) is supplied to customers prior to shipment, which summarizes the results from all quality-assurance tests for a specific roll of pipe and is required by Fiberspar's quality system. LinePipe quality control tests meet or exceed the requirements of API 15 HR, API 15S, CSA Z662 Section 13.1 and ASTM D2996 specifications. A copy of the COC for each spool of LinePipe will be provided to the SPCO.

Question 54: The SPCO is interested in receiving more information on subsistence use in this specific area. More data may be available from the Subsistence Division of the Department of Fish and Game.

Response: We talked with Bill Simeone, the ADF&G Subsistence Regional Program Manager in Anchorage and he indicated based on their information from a survey during 198/99, there is low to moderate uses of wildlife by residents living along the North Fork Road. As an example, 79 percent of households surveyed along the North Fork Road said that they used wild plants, and 25 percent of the households also reported the use of wild birds. In general, the Anchor Point area and North Fork Road are in a non-subsistence area which means that subsistence activities may take place but they do not have a priority over sport hunting and fishing.