



February 15, 2011

In its continuing effort to monitor the progress of federal activities for an Alaska natural gas pipeline, the Office of Federal Coordinator for the gas line will prepare semi-annual Attention Items Updates to assist the project developers and the public in understanding permit requirements for the multibillion-dollar undertaking. The first update is attached.

The Office of Federal Coordinator for Alaska Natural Gas Transportation Projects issued its First-Phase Consolidated Implementation Plan for Denali - The Alaska Gas Pipeline in June 2009. Denali is a joint venture between ConocoPhillips and BP. The attached Attention Items Update reviews the permit issues raised in the 2009 plan and updates priority items, work essential to the critical-path forward with the project, and those items that are moving ahead without significant issues.

The Office of Federal Coordinator will issue its Attention Items Updates in February and August of each year. The schedule will change when the project developer applies to the Federal Energy Regulatory Commission for its certificate of public convenience and necessity to build and operate the natural gas pipeline from Alaska's North Slope into Alberta, Canada, to connect with existing pipelines serving North American gas markets. The environmental impact statement process will start with the application, likely necessitating more frequent updates from the Office of Federal Coordinator.

A memorandum of understanding initiated by the federal gas line office and signed by about two dozen federal agencies requires the office to prepare and maintain an implementation plan for coordinating federal permitting activities for the project. The implementation plan summarizes the roles of federal agencies involved in the project. The agreement, the first phase of the implementation plan and the first update are available at the Office of Federal Coordinator web site www.arcticgas.gov.

Attention Items Update:

During early 2010, Denali revised its date for filing a certificate of public convenience and necessity application with the Federal Energy Regulatory Commission (FERC) from the end of 2012 until the end of 2013, allowing it additional time for the FERC pre-filing process. In an effort to reach binding shipper commitments, Denali is now involved in negotiations with the prospective shippers that submitted bids during Denali's open season. Denali has indicated that it will not commence additional field work in Alaska until it has sufficient commercial support from prospective shippers.

After a robust field season in 2008 and a selective field season in 2009, Denali's efforts in 2010 focused on preparing and conducting a successful open season process. Much of the updates presented in this report are in relation to the issues themselves rather than an update on Denali's activities.

The following issues have been identified as priority issues that require additional monitoring:

Air Quality/Non-Attainment/GHG: Air quality remains a large area of concern for the project, with significant federal regulatory changes proposed in the past six months. Federal air quality regulation continues to change and will likely remain a sensitive issue nationwide throughout the permitting of this project. Several proposed changes include the tailoring rule (requiring large emitters to use best available control technology to reduce the emission of greenhouse gases) that went into effect in January 2011, more stringent sulfur oxide (SOx) and nitrogen oxide (NOx) requirements, emission limitations for construction equipment and the potential to revise air quality regulations specifically affecting the oil and natural gas industry (draft regulations anticipated in early 2011). The effects of potential, proposed and new regulations on the Alaska gas pipeline project are unknown in February 2011.

Portions of the Fairbanks North Star Borough, including the City of Fairbanks and the City of North Pole, are designated as a federal non-attainment area for exceeding the National Ambient Air Quality Standards (NAAQSs) for PM_{2.5} (particulate matter size less than 2.5 microns). Local heating emission sources, such as wood-based heating devices, distillate oil, industrial sources and mobile emissions contribute to primary and secondarily formed PM_{2.5} that violate the standard during stable weather events associated with extremely strong temperature inversions. Impacts of any activities that affect air quality within the non-attainment area have to be analyzed. This analysis may include an accounting of direct emissions (any pipeline construction and resulting activity that may occur within the non-attainment area) and indirect emissions (increase in population and other support activities due to the project, if the pipeline does not geographically pass through the non-attainment area) and how such emissions may worsen the existing air quality within the non-attainment area or hinder its efforts to making progress toward attainment of the standards. If either of these conditions is present, mitigation will be required to make the air quality emissions neutral or beneficial before the project will be allowed to proceed. Further analysis of the transportation and general conformity regulations of the Clean Air Act is required.

This issue will continue to be monitored. This issue has been identified as an attention item that remains a priority.

Bald and Golden Eagle Protection Act (BGEPA): No purposeful killings of eagles will be authorized under BGEPA; however, it does contain regulations that may permit other forms of take, such as disturbing eagles or destruction of inactive nests. Project applicants will be required to avoid and minimize the potential for take to the point where take is unavoidable. Additional compensatory mitigation may be required for: (1) multiple-take authorizations; (2) disturbances associated with the permanent loss of a breeding territory or important traditional communal root site; or (3) as necessary to offset impacts to the local area population. It will be necessary to perform eagle surveys along the pipeline route and in areas of associated support facilities to identify the location of nests and to determine if management practices can be implemented to avoid a take. Applicants should begin engaging the United States Fish and Wildlife Service (USFWS) regarding this issue and identifying data collection needs and future mitigation options as this issue could influence routing considerations. Updated information on the Alaska Region Eagle Permit Program can be found at <http://alaska.fws.gov/eaglepermit/index.htm>. Coordination with USFWS regarding this issue is a separate process from Section 7 consultation under the Endangered Species Act (ESA).

Denali has identified the need for raptor surveys in its data gap analysis and field survey plan submitted to FERC and plans to include the surveys in its next field season.

This issue has been identified as an attention item that remains a priority.

Climate Change: The Council on Environmental Quality (CEQ) in February 2010 released draft guidance with respect to the role of greenhouse gas (GHG) emissions and climate change in federal agency decisions. The draft guidance suggests ways in which federal agencies can strengthen their consideration of the effects of GHG emissions and climate change in evaluating proposals for federal actions under the National Environmental Policy Act (NEPA). CEQ proposes to advise federal agencies to consider, in scoping their NEPA analyses, whether analysis of direct and indirect GHG emissions from proposed actions would provide meaningful information to decision makers and the public. The comment period for this draft guidance ended in May 2010; however, CEQ has yet to issue its final guidance. In addition, the Interagency Climate Change Adaptation Task Force submitted a progress report to the White House on October 5, 2010, summarizing recommended actions for the federal government to take to address climate change issues. It is uncertain if or when recommendations from CEQ or the task force will be put forth as final guidance.

This issue has been identified as an attention item that remains a priority due to the evolving regulatory landscape and uncertainty of the data needs.

Contaminated Sites: Numerous contaminated and potentially contaminated areas exist along the proposed gas pipeline corridor. The potential of contaminated sites to affect the project includes borrow sources, camps, laydown yards, storage areas, access roads and incidental contamination along the route. The Alaska Department of Environmental Conservation (ADEC) regulates all contaminated sites within the State of Alaska. Some of these sites may be listed on the National Priority List (NPL) under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), or may be sites identified under the Resource Conservation and Recovery Act, and the Toxic Substances Control Act, which would require Environmental Protection Agency (EPA) oversight. After consulting with both ADEC and EPA, the applicant will be required to perform due diligence to identify areas of known

contamination. The applicant will likely be required to submit a soil handling plan to ADEC that will outline the proposed approach to address contaminated soil if unknown contamination is encountered during construction. FERC intends for the environmental impact statement (EIS) to include an approved contaminated site discovery/disposal plan.

In the event that the pipeline would be routed through a known CERCLA site, which falls under EPA jurisdiction, a more in-depth plan would be needed and site-specific arrangements would need to be made with EPA. The fence lines of Eielson Air Force Base, Fort Greely and Fort Wainwright, all near Fairbanks, have been identified as CERCLA sites that could be in the pipeline right-of-way. If the pipeline crosses these property boundaries, coordination with the Bureau of Land Management (BLM), EPA, environmental offices at the bases and ADEC will be required to address potential contamination that could be discovered. The CERCLA process also has specific requirements for complete site investigations, public participation and remediation, which may delay construction. The applicant should consult and coordinate with EPA, ADEC and the Department of Defense (DOD) installations regarding each of these areas and be prepared to conduct thorough investigations on the CERCLA NPL sites in order to avoid delays.

Contaminated sites are known to exist along the Trans-Alaska Pipeline System (TAPS) corridor, and ADEC has identified the Alyeska Pipeline Service Company (Alyeska) as the responsible party for many of these sites. Coordination with ADEC, BLM and Alyeska will be required to address how these sites will be handled (or avoided) and when/if cleanup activities will occur (before or after gas pipeline construction). In addition, contaminated sites are known to exist along the Canol Pipeline and the Haines – Fairbanks military pipeline.

During the summer of 2008, Denali conducted contaminated site surveys between Delta Junction and the Canadian border and identified 130 areas which require further evaluation because of known or suspected contamination.

This issue will be monitored and will require additional studies and coordination. This issue could be a potential critical routing selection issue.

Cultural Resources/ Prehistoric and Historic Properties: Identification of cultural resources along the pipeline route will be critical for routing and construction activities. FERC is the lead agency for purposes of Section 106 of the National Historic Preservation Act (NHPA) and has initiated consultation with the Alaska State Historic Preservation Office (SHPO) for both projects. Project proponents have begun field surveys; however, confirmation that survey protocols were reviewed and approved by the SHPO is pending. The FERC will coordinate development of a programmatic agreement to document the topics such as the Section 106 review process, approved field survey protocols and an unanticipated discovery plan. This document requires coordination between agencies, the applicant and outside stakeholders, and it can be a time-consuming process. It is critical that the development of a programmatic agreement be initiated early enough to gain consensus between all parties.

Following survey activities, the project proponents will submit reports with recommendations of eligibility and effect to SHPO, FERC, land-managing agencies, etc., for review. The project proponent's coordination with agencies to ensure that all applicable survey protocols and other requirements will be met is critical. Additionally, it is possible that following field surveys and routing considerations,

unanticipated cultural resources may be encountered during construction activities. A plan for dealing with these will be required and it is recommended that this be included in the programmatic agreement.

During 2008, Denali conducted cultural resource field surveys along the pipeline corridor in coordination with the SHPO, and this information was submitted to SHPO as privileged and confidential.

This issue will be monitored and additional work needs to be performed. The completion of all necessary field surveys and site testing in accordance with an approved methodology will be required. The timely completion of a programmatic agreement is very important.

Geological Studies: Geological concerns such as active faulting, earthquake ground shaking, subsidence and landslides are prevalent along the proposed pipeline route. In June 2010, Canadian and U.S. personnel met in Whitehorse, Yukon Territory, to review the body of knowledge of geological studies along the pipeline and identify concerns of different agencies. Continued coordination and communication between these groups is being conducted. In general, consensus needs to be reached between the applicant and the agencies, particularly between USGS, PHMSA, FERC, and the Alaska Division of Geological & Geophysical Surveys, over the location of the geohazard areas and the appropriate construction practices (including mitigation measures) that will be allowed in these areas.

Denali has gathered considerable geotechnical data along its pipeline route, including boreholes and LiDAR for fault areas.

This issue will be monitored and will require additional studies and coordination. This could be a potential critical path issue.

Human Health: Evaluation of human health impacts from development projects is gaining increasing concern across Alaska. Several large-scale projects in the state have received comments from stakeholders that potential human health impacts are a major concern; therefore, it is likely that human health impacts will need to be addressed in the NEPA process for this project. Although no federal agency, including CEQ, has established any guidance on this issue, the state has taken an initiative to develop a program for conducting human health impact assessments in Alaska. Because of the sensitive and confidential nature of health data, the only organizations that have complete access to this information are the Alaska Department of Health and Social Services and the Native health agencies. The state anticipates publishing guidance on conducting a health impacts analysis in early 2011 based on its recent experiences in this effort. The ability to incorporate this guidance into the federal NEPA process will need to be carefully evaluated. Data needed in order to complete the assessment should be evaluated early to ensure that data are collected at the appropriate time to minimize any delays in the NEPA process.

This issue has been identified as an attention item that remains a priority.

Landowner and Land Access Issues: Until the exact route of the pipeline is determined, a full analysis of landowner and access issues cannot be completed. In general, Native allotments, Native and state land conveyances, mining claims, military bases, private land and conservation system units (e.g., wildlife refuges, wild and scenic rivers) are the landowner issues of potential concern.

If the pipeline will cross patented Native allotments, the Bureau of Indian Affairs (BIA) has trust responsibilities and must review and approve the right-of-way. The BIA has in several instances also delegated some of its review authorities to local non-profit groups. This approval process can take a significant amount of time (approximately one to two years), especially if there are multiple owners. Therefore, early coordination with BIA will be critical. Also, access to military bases, mining claims and private land for field studies or pipeline routing can be difficult to coordinate.

The Denali route will cross numerous private properties, including Native allotments, Native corporation land, agricultural leases and other individual private properties. Denali engaged the affected private landowners in 2010 to provide an update on the progress of the project and to communicate the potential for the pipeline to cross their lands. Denali's route will avoid all federal conservation system units.

In addition to the individual landowner approvals required for the pipeline, Denali will also need individual land-access authorizations from these same landowners in order to conduct future field surveys. This land access authorization process can be lengthy and should originate at least six months prior to the time a field survey would commence.

This issue has been identified as an attention item that remains a priority.

Native Land Conveyances: Currently, there are 28 pending Alaska Native or Alaska Native Veteran allotment applications located near the proposed pipeline route. Some of these applications encompass land conveyed to the state by BLM prior to BLM receiving the allotment application. BLM must determine that these applications are valid prior to requesting the state to reconvey the land encompassed by these applications. When the state is asked to voluntarily reconvey the land to BLM, it must make a best-interest determination, which includes agency review and public notice. Once it is determined to be in the state's best interest to reconvey the land, the land is quitclaimed to BLM. In the particular cases near the proposed pipeline route, a best-interest determination cannot be made at this time as the location of the pipeline is uncertain. Until the route is determined, the state cannot proceed with the necessary best-interest findings. Allotments not on state land near the pipeline route are in various stages of processing for conveyance. BLM continues to adjudicate those applications accordingly.

In August 2010, Denali conducted meetings in Anchorage, Fairbanks, Northway and Tok with owners of private parcels that might be in the crossed by the pipeline.

This issue will require additional coordination and effort and depending on the route selected by the pipeline company and could become a critical path issue. The OFC will continue to monitor the status of this issue.

PHMSA Special Permits: In the event that a pipeline would be constructed differently than those parameters specified in 49 CFR 192, a special permit would be required by the Pipeline and Hazardous Materials Safety Administration (PHMSA). Some parameters that could be different from those specified in the regulations include: spacing of crack arrestors, pressure testing, strain-based design, mainline valve spacing and depth of cover. Additionally, changing regulations regarding pipeline safety could

impose additional requirements for consideration under a special permit. PHMSA will need at least 12 months to review the information submitted under a special permit application and may require additional testing or data before a special permit would be issued. Communication with PHMSA, FERC and the applicant must occur to ensure the submittal of an application to FERC is complete regarding information needed for permits and is presented in the EIS.

In the event that Denali will need a special permit from PHMSA, it is prepared to coordinate with the agency and ensure sufficient information is provided prior to NEPA analysis.

This issue has been identified as an attention item that remains a priority because of the timeline constraints.

Subsistence: Effects on subsistence along the pipeline route will be considered during the NEPA process. The EIS will evaluate the project effects on subsistence in two ways: 1) as the term refers to the Alaska Native way of living; and 2) as the government definition that involves the use of and access to sources of wild foods. The BLM will use the EIS to prepare the required the Alaska National Interest Lands Conservation Act (ANILCA) 810 finding on the project's potential to restrict subsistence activities.

In order to evaluate effects to residents' subsistence way of life and resources, data will need to be collected along the length of the corridor. Although agencies have been collecting hunting and fishing data for several other energy projects in the state through the years, in no community has data been gathered for all of the subsistence uses and needs. In fact, much of the existing subsistence and community data throughout the project area are at least 20 years old and the need for updated data has been identified by FERC and other agencies as a critical-path issue. Alaska Department of Fish and Game (ADF&G) has been collecting these data for several other energy projects in the state and estimates that with their current staff working full time, it would likely take two years to collect these data for the entire pipeline route.

This issue has been identified as a critical-path item because of the timeline constraints.

Threatened and Endangered Species: As of November 8, 2010, there were 14 animal species and one plant species listed as threatened or endangered in Alaska under the ESA. Not all of these species will necessarily be present in the project area because the geographic scopes of analysis for ESA consultations are uncertain at this time. Additional protective measures are also being considered for several more Arctic marine species that could be within the geographic scope of the project activities. On November 24, 2010, the USFWS designated critical habitat for the threatened polar bear, and on December 6, 2010, NOAA published a notice for a public comment period ending February 8, 2011, for the listing of four subspecies of ringed seals found in the Arctic Basin and the North Atlantic, and two population segments of bearded seals in the Pacific Ocean as threatened <http://www.fakr.noaa.gov/protectedresources/seals/ice.htm>.

Because the project is a major construction activity and listed species and critical habitat are present in the action area, it is likely that formal consultation involving a biological assessment completed by FERC and a biological opinion completed by USFWS and/or NMFS under Section 7 of the ESA will be required for some species. The guidelines for preparing both of these documents and the timelines for issuing the biological opinion are defined in the implementing regulations of the ESA. Specifically, the USFWS can

take up to 135 days to issue an opinion after completion of the assessment by FERC. Under certain circumstances the time frame can be extended. FERC is the lead agency for conducting the ESA consultation for the projects. FERC currently intends to present USFWS and NMFS with a biological opinion and, if necessary, a request to initiate formal consultation concurrent with the issuance of the draft EIS.

Because several species in Alaska are currently proposed or candidates for listing under the ESA, it is uncertain which species will be listed at the time this project is permitted and construction begins. Section 7 consultations are required when the proposed action may affect listed species, and a Section 7 conference is required when the proposed action is likely to adversely affect a candidate species or destroy or adversely modify proposed critical habitat. Federal agencies may elect to conference on proposed species or proposed critical habitat; moreover, the information prepared and discussed during conferencing can expedite a consultation in the event that the species is listed or critical habitat is later designated. If the project description changes or designations are made following conferencing, coordination with USFWS and/or NMFS should be conducted to ensure that all consultation requirements have been fulfilled. Additionally, coordination with USFWS and NMFS will be needed to ensure integration of the ESA process into the Alaska Natural Gas Pipeline Act (ANGPA) mandated NEPA timeline. Updated information on species listed by USFWS can be found at:

http://ecos.fws.gov/tess_public/pub/stateListingAndOccurrenceIndividual.jsp?state=AK.

Updated information on species listed by NMFS can be found at:

<http://www.fakr.noaa.gov/protectedresources/>.

This issue has been identified as an attention item that remains a priority.

Ocean Dumping of Dredged Material: The modules constructed for the North Slope gas treatment plant will likely be larger and heavier than any modules previously brought into the existing docking facilities. The area's deepest docking facility is currently West Dock. To meet the needs of these larger modules; however, dredging may be required. The volume of material dredged to accommodate the modules may exceed the amount feasible to use for fill or beneficial purposes, so the excess material may need to be disposed of in ocean waters. If the material is transported and dumped in ocean waters, the activity would be subject to the Marine Protection, Research and Sanctuaries Act (MPRSA) under the jurisdiction of EPA, the U.S. Army Corps of Engineers (USACE) and the U.S. Coast Guard (USCG).

EPA designates sites and time periods for ocean dumping and, in conjunction with USACE, develops a Site Management Plan (SMP) for each dredged material disposal site designated, consistent with Section 102 of the MPRSA. USACE may select an alternative site (with EPA concurrence) and may issue permits (with EPA concurrence) for the transportation of dredged material for the purpose of dumping it into ocean waters, as provided in Section 103 of the MPRSA. USCG conducts surveillance and other enforcement activity, pursuant to Section 107 of the MPRSA.

There are two regulatory paths for the ocean dumping of dredged material either under Section 102 and 103 of the MPRSA or under just Section 103. The two paths vary in a few ways: the lead regulatory agency (either EPA or USACE), the public notice requirements and the duration of the approvals. There are some similarities as well. Both paths require the same criteria and procedures for site selection, disposal site monitoring, the evaluation of permit applications and the review of dredged material permits.

EPA, USACE and the applicant will coordinate to determine the appropriate regulatory path for this project. EPA, USACE, FERC, OFC and the applicant will coordinate the respective schedules under the MPRSA, NEPA and ANGPA.

Denali has conducted several coordination meetings with EPA and USACE regarding the removal and disposal of dredged materials. They have also developed a dredge material handling, disposal and dock expansion plan outlining the procedures and location they would use to perform these activities. Denali will continue discussions with the applicable agencies regarding the best approach for disposal of the materials.

This issue is a critical-path issue that requires continued coordination between agencies and definition of data needs moving forward.

The following is a status update on issues that are not currently considered a permitting concern of the project. Unless the status is elevated again, these issues will no longer appear in the Attention Items Update:

Bridges: The USCG has identified 79 potential major waterways that require navigability determinations in order to determine federal jurisdiction associated with permitting activities under the General Bridge Act of 1946, as amended, for the pipeline. As of October 1, 2010, sufficient data have been collected and/or compiled by USCG for all 79 of these waterways. Data analysis and processing is an ongoing activity that should be completed by June 2011. USCG approvals will be required for crossings of all navigable waters under the General Bridge Act of 1946, as amended.

Significant progress has been made on filling data gaps and thus this issue is not seen as a critical-path issue at this time.

Coastal Zone Management: The State of Alaska has a federally approved Coastal Management Program called the Alaska Coastal Management Program (ACMP). ACMP jurisdiction would include activities occurring within the North Slope Borough District, and would require completion of a Coastal Project Questionnaire (CPQ) by the applicant. The CPQ process allows for a multidisciplinary review of components within the coastal district. The review is coordinated by the ACMP and the state Division of Coastal and Ocean Management (DCOM). The DCOM will eventually make a determination as to whether the proposed project is consistent with the state's coastal management policies.

This issue will require an additional process and coordination but is not seen as a critical-path issue at this time.

Efficient Use of Government Resources: A number of federal agencies are legally authorized to enter into cost-recovery and/or reimbursable-service agreements with pipeline applicants, while others are not. Federal agencies have reviewed their legal and regulatory authorities as well as their budgetary needs related to authorizing an Alaska gas pipeline, and have determined their authority to enter into a cost-recovery agreement (or if one is necessary). Some agencies, such as the USACE, have only temporary authorizations to enter into cost-recovery agreements that are due to expire during the

course of the project (e.g., the Water Resources Development Act Sec. 214 allows USACE to enter into such an agreement and the authorization will expire December 31, 2010).

This issue will be monitored but is not seen as a critical-path issue at this time.

Emergency Response Plan: The oil and gas industry's emergency response capabilities are under increasing federal and public scrutiny following the April 2010 deep-water drilling rig disaster in the Gulf of Mexico. The capability of response teams in Alaska's Beaufort and Chuckchi Seas is of concern, especially to Native organizations and local governments in the region. Monitoring of this issue and potential regulatory requirements will continue.

State and federal regulators nationwide are also reviewing their pipeline rules following the deadly September 2010 gas pipe explosion outside San Francisco (San Bruno) and the July 2010 million-gallon oil pipeline leak in Michigan. The issues of emergency response and pipeline safety will likely be of public concern for some time, possibly adding uncertainty to any oil or gas project's regulatory requirements. Currently, the Department of Transportation's (DOT) regulations in 49 CFR 192 require a pipeline operator to establish a written emergency plan that includes procedures to minimize the hazards in a natural gas pipeline emergency. The operator must also establish a continuing education program to enable customers, the public, government officials and those engaged in excavation activities to recognize a gas pipeline emergency and report it to appropriate public officials. Additionally in December 2010, the Transportation Security Administration, Division of Pipeline Security released updated pipeline security guidelines for industry to use during design and operation of pipelines. These guidelines were developed as a joint effort of government and the pipeline industry. These guidelines can be found at http://www.tsa.gov/assets/pdf/guidelines_final_dec2010.pdf.

Another concern regarding emergency response is in relation to construction of the pipeline itself and the ability of available emergency personnel and equipment to respond to an incident. Lack of emergency response equipment and facilities in some remote areas of the pipeline could potentially impact the response time.

This issue will be monitored and will have to be addressed by the project applicant but is not seen as a critical-path issue at this time.

Fish Habitat: Fish habitat is protected by two different agencies, the National Marine Fisheries Service (NMFS) and the ADF&G, depending on the location and type of the habitat. Essential fish habitat (EFH) as defined in the Magnuson-Stevens Act requires NMFS to coordinate with and provide information to other federal agencies regarding the conservation and enhancement of EFH. EFH has been identified for several federally managed species along the project route. Based on the current project information, NMFS has identified EFH to encompass streams that support salmon runs. If the lead federal agency (FERC) determines that an action will adversely impact EFH, an EFH assessment and consultation with NMFS is required. NMFS will make conservation recommendations based on the EFH assessment. The lead federal agency in a project's environmental impact statement, however, does not have to incorporate these recommendations as permit conditions. If the conservation recommendations are not incorporated as permit conditions, the lead federal agency must provide a written response to NMFS recommendations and must include a description of measures taken to avoid, mitigate or offset impacts.

Fish habitat permits will be issued by ADF&G for activities within habitats described in AS 16.05.841 (Fishway Act) and AS 16.05.871 (Anadromous Fish Act). Activities requiring a fish habitat permit from ADF&G may also require additional permits and approvals by other agencies such as USACE, EPA, ADEC and the U.S. Forest Service. As a pipeline route is selected, coordination with these agencies addressing activities within and/or adjacent to these habitats will be essential.

Denali began fisheries habitat surveys along its route during 2008. The 2008 survey will be expanded during future field surveys to include the identification of all EFH areas.

This issue will be monitored but is not seen as a critical-path issue at this time.

Floodplains: Floodplains are a concern in relation to Executive Order 11988 of 1977 in which federal agencies are required to avoid adverse impacts to floodplains and/or limit authorizations to develop in these areas to the extent practical. After a project sponsor shares its preferred pipeline route with federal agencies, the agencies will evaluate the routing in relation to floodplain potential. As part of its evaluation of a project's effects, FERC seeks to avoid the placement of aboveground facilities in designated floodplains.

This issue will be monitored but is not seen as a critical-path issue at this time.

Government-to-Government Consultation: On April 12, 2010, FERC, as the lead agency for government-to-government (G-to-G) consultation activities, sent all federal cooperating agencies a draft of its Alaska Native Consultation Plan for Alaska Pipeline Projects. Additionally, on July 2, 2010, FERC sent a letter to all the federally recognized tribes in the state, providing project updates and information regarding the NEPA, Section 106 of the NHPA and G-to-G consultation processes. The manner in which G-to-G consultation is conducted may vary along the pipeline route, depending on the preferences of individual tribes. During summer 2010 visits, some tribes told FERC and OFC that they would like to be involved after the project is better defined, while other tribes said they would like more involvement earlier in the process. The G-to-G plan provides the federal permitting agencies a strategy to fulfill their legal requirements for G-to-G. The plan includes a list of activities related to the consultation process that will begin before initiation of the NEPA scoping process. As stated in the plan, FERC will confer with the other federal agencies and the relevant tribal governments to determine the appropriate level of consultation, location, timing, transportation logistics and possible language translation needs.

Project proponents continue to reach out and participate in stakeholder engagement; however, these activities do not constitute formal G-to-G consultation. FERC will initiate its formal G-to-G consultation closer to the start of the NEPA scoping process.

This issue will be monitored but activities are in progress to ensure that consultation is conducted and it is not seen as a critical-path issue at this time.

Infrastructure Projects and Challenges: Many of the existing roads and bridges that will likely be used during the construction of a large-diameter natural gas pipeline may need upgrades to accommodate the heavy freight haul for equipment, construction materials and pipe. The Alaska Department of

Transportation and Public Facilities (DOT&PF) has met with Denali to learn about their logistic plans and transportation needs including routes for construction. The parties also reviewed the near-term planned construction projects for the major highways in Alaska. With the recent and planned improvements, both projects have determined that they could proceed without any upgrades to the current infrastructure. Regardless whether the gas pipeline project proceeds; however, the state is actively pursuing upgrades to much of the transportation system that serves Alaska's oil and gas industry. Maintenance of the roads and bridges is essential to existing oil and gas projects and is not linked to the gas pipeline project. DOT&PF has been working on several projects independent of the gas line and anticipates all construction on load-limiting bridges along TAPS and to the Canadian border to be completed by 2013. A significant amount of work has been conducted and is planned to be addressed along the Dalton Highway to accommodate increased traffic to Alaska's oil and gas fields on the North Slope — again, DOT&PF has requested state funding for these improvements, regardless of the gas line. One major concern that will need to be addressed for the gas line project is the probability of elimination of seasonal weight restrictions on the Parks Highway in order not to impede the hauling of construction materials in the spring.

Once the project sponsors share their pipeline and transportation logistics plans with the agencies, additional analysis by DOT&PF and the applicants will likely be performed to ensure that ports, airports and harbors have sufficient capacity to handle either project's freight load. Several communities already are working to upgrade their port facilities, separate from the gas line project.

This issue will be monitored but is not seen as a critical-path issue at this time.

Scope of Project Alternatives/Statement of Purpose and Need: On March 17, 2010, FERC provided the cooperating agencies with a Purpose and Need and Scope of Alternatives Statement in accordance with Section IV C (5) of the Memorandum of Understanding Related to an Alaska Natural Gas Transportation Project. The purpose and need for the project was generally described in ANGPA 2004. FERC will develop a list of specific alternatives after the project sponsor(s) provide project descriptions and maps. To ensure the final NEPA document meets the regulatory requirements of all the cooperating agencies, it is critical that FERC continues communication with the cooperating agencies as alternatives are developed.

Denali does not anticipate development of alternatives and project scoping to begin before fourth quarter 2011 or first quarter 2012, depending upon its outcome from the negotiations with prospective shippers.

This issue is not seen as a critical-path issue at this point.

Water Quality Certificate: If an activity may involve a discharge of fill and/or dredged material into a water of the U.S., requiring a Section 404 of the Clean Water Act (CWA) permit from USACE, a water quality certificate of reasonable assurance under Section 401 of the CWA must be obtained from ADEC prior to issuance of a Section 404 permit. Through the application and public notice process, ADEC will gather the information they need to certify that the project will likely be able to meet CWA and state water quality standards. Once ADEC issues or waives the certificate, USACE can proceed with issuing the Section 404 permit. Coordination when USACE issues a public notice between the agencies will be critical to ensure the review processes are concurrent and both parties have adequate information for

timely reviews. FERC will seek opportunities to consolidate public notice requirements of other agencies into its public notice issuances.

This issue will be monitored but is not seen as a critical-path issue at this time.

Wetlands: A significant portion of the pipeline route will cross jurisdictional wetlands. Coordination between USACE, EPA and FERC has already occurred to establish field survey protocols and data required for Section 404 permitting and NEPA analysis. USACE will require complete maps from the applicant delineating waters of the U.S., including wetlands, out to a specified corridor width. USACE has approved a desktop study of aerial photography and existing information followed by field studies to verify results of the desktop work for input into the delineation maps. FERC requires complete field verification of wetlands and will also review the preliminary desk-top protocol. Coordination with FERC, USACE and EPA will be critical to ensure that sufficient data are collected to meet both Section 404 and FERC's NEPA requirements. Likewise, mitigation requirements and rehabilitation strategies may differ between USACE and FERC, so continued coordination between the agencies and the applicants will be essential.

During 2009 and 2010, Denali worked with USACE, FERC and EPA to establish an acceptable protocol in the field and acceptable corridor widths to be mapped. On January 25, 2010, the USACE concurred with Denali's proposed wetlands delineation corridor widths.

This issue will require continued coordination; however, at this time activities are being conducted to move the issue forward. The OFC will continue to monitor the issue.