



The Commonwealth of Massachusetts
Executive Office of Energy and Environmental Affairs
100 Cambridge Street, Suite 900
Boston, MA 02114

Deval L. Patrick
GOVERNOR

Timothy P. Murray
LIEUTENANT
GOVERNOR

Ian A. Bowles
SECRETARY

Tel: (617) 626-1000
Fax: (617) 626-1181
<http://www.mass.gov/envir>

March 21, 2008

CERTIFICATE OF THE SECRETARY OF ENERGY AND ENVIRONMENTAL AFFAIRS
ON THE
NOTICE OF PROJECT CHANGE

PROJECT NAME: Neptune Deepwater Port Project
PROJECT MUNICIPALITY: Off-Shore Waters of Manchester-by-the-Sea, Beverly,
Salem and Marblehead
PROJECT WATERSHED: Massachusetts Coastal
EEA NUMBER: 13641
PROJECT PROPONENT: Neptune LNG, LLC
DATE NOTICED IN MONITOR: February 20, 2008

Pursuant to the Massachusetts Environmental Policy Act (M. G. L. c. 30, ss. 61-62H) and Section 11.10 of the MEPA regulations (301 CMR 11.00), I have reviewed the Notice of Project Change (NPC) submitted on this project and hereby determine that it **does not require** further MEPA review. The project change involves a minor design change to shuttle regasification vehicle (SRV) buoy locations and anchor orientations and a construction schedule change whereby the port would be constructed in two phases; pipeline construction in 2008 and buoy/moorings installation in 2009.

Project Description

The proposed project entails the construction of a Deepwater Port (DPW) in Massachusetts Bay, located in the federal waters of the Outer Continental Shelf (OCS) block NK 19-04 6525 and NK 19-04 6575, approximately 22 miles northeast of Boston and approximately 7 miles south-southeast of Gloucester, in a water depth of approximately 250 feet. The deepwater port, to be named Neptune, would receive and vaporize Liquefied Natural Gas (LNG) from a purpose-built and dedicated fleet of SRVs equipped with vaporization equipment that would

convert the LNG to natural gas. The Neptune Deepwater Port would be capable of mooring up to two LNG carriers, with a capacity of approximately 140,000 cubic meters, by means of a submerged unloading buoy system. The DWP will be owned and operated by Neptune LNG, LLC.

The Port would have an average throughput capacity of 500 million standard cubic feet per day (MMscfd) and a peak capacity of 750 MMscfd. Natural gas would be sent out by means of two flexible risers and a subsea flowline. The project pipelines would consist of a 24-inch flowline approximately 2.5 miles long from the southern riser manifold to the northern riser manifold. From the northern riser manifold a 24-inch gas transmission line approximately 10.9 miles long would carry the gas from the unloading buoys to the existing 30-inch HubLine in Massachusetts Bay. From shore, natural gas would be transported to serve residential, commercial, industrial and electricity generation consumers, primarily in the New England area.

The Proponent proposes to use the post-lay plow technique to install the pipeline for nearly its entire route. The Pipeline is proposed to commence at the HubLine at a point approximately 3 miles offshore of "Marblehead Neck" in Marblehead, travel approximately 9.9 miles through the waters of the Commonwealth offshore of Salem, Beverly and Manchester-by-the-Sea and an additional one mile through federal waters where it connects with the Neptune Port's flowline. The preferred pipeline route would travel through approximately 52,000 feet of the South Essex and North Shore Ocean Sanctuaries.

MEPA History and Jurisdiction

The project has undergone a thorough MEPA review through the submission of an Environmental Notification Form (ENF) in October 2005; a Draft Environmental Impact Report (DEIR) in June 2006; and a Final EIR in November 2006. In a Certificate dated December 12, 2006, I determined that the FEIR adequately and properly complied with the MEPA regulations and that the project did not require any further review. The Secretary also established a Special Review Procedure (SRP) for the project to facilitate coordination among state and federal permitting agencies and to maximize opportunities for public participation. Pursuant to the SRP, the project underwent coordinated review under MEPA and the National Environmental Policy Act (NEPA).

The DWP was subject to environmental review pursuant to the following sections of the MEPA regulations:

- 301 CMR 11.03(3)(a)(1)(b) Alteration of ten or more acres of any other wetlands, in this case Land Under the Ocean; and
- 301 CMR 11.03(7)(a)(3) Construction of a new fuel pipeline more than 10 miles in length.

The DWP requires numerous state and federal permits. At the federal level, the DWP requires approvals by the U.S. Coast Guard (USCG), U.S. Department of Transportation (USDOT), the Federal Energy Regulatory Commission (FERC), the U.S. Army Corps of Engineers (USACE), and the U.S. Environmental Protection Agency (EPA). The DWP is also

undergoing review pursuant to the National Environmental Policy Act (NEPA), with USCG as the lead federal agency.

At the state level, the project requires the approval of the Governor under the Deepwater Port Act, and a Chapter 91 License and a 401 Water Quality Certificate (WQC) from the Department of Environmental Protection (MassDEP). The DWP also requires federal consistency review by the Office of Coastal Zone Management (CZM) and Orders of Conditions from local Conservation Commissions (and hence, Superseding Orders of Conditions from DEP if the local orders are appealed). Given the large number of state permits required and the comprehensive subject matter of the required state permits, MEPA jurisdiction over the project is equivalent to full scope jurisdiction.

Project Change Description

Design Changes

The proposed design changes are a slight shift in the unloading buoy/mooring locations and pipeline/flowline alignment, and reconfiguration of the riser manifold. The proposed changes were made after the deep boring geotechnical program conducted in August 2007 confirmed suitable substrate conditions for suction pile anchors. The pile-driven anchor option has been eliminated from consideration. In addition the new buoy/mooring locations are positioned in a manner that avoids mooring line sweep over hardbottom surfaces. All of the proposed changes occur in federal waters; there are no changes to the proposed project components in state waters.

Schedule Changes

The second proposed change would reschedule the construction of the port into two phases: the pipeline installation would be undertaken in summer 2008 and the buoy/anchoring system would be installed in 2009. The Proponent originally proposed to start construction of the port facilities in May 2009. The first phase of construction scheduled for July 2008 includes installation of the pipeline and hot tap into the Algonquin Hubline. The second phase scheduled for 2009 will include installation of the manifolds and buoy systems. Both construction phases will be performed within the permitted May through November construction window.

Review of the NPC

The Proponent undertook an evaluation of each potentially affected resource area with respect to the NPC changes. The reevaluation indicated that the proposed changes will not result in significant impacts and will actually result in an overall decrease in environmental impacts. Because the gas transmission line and flowline will be shorter in length, the construction time will be accordingly reduced. The reduced construction timeline will have beneficial impacts to water quality and marine resources. According to the NPC, the proposed changes would also

improve the buoy/anchoring design of the port and lessen environmental impacts in the following manner:

- A reduction in the overall pipeline length of 1,434 feet;
A reduction in impacts to sea bottom from pipeline trenching and anchor line sweep by 13.6 acres or 591,080 square feet;
- The elimination of anchor cable sweep over hard-bottom habitat; and,
- The elimination of any pile-driving activities.

The benefits of the proposed schedule change are:

- \$23.5 million in mitigation payments to recipients would be available one year earlier; and,
- Construction completion within the permitted window would be ensured and no extensions would be required.

The U.S. Coast Guard (USCG) and Maritime Administration (MARAD) have provided comments to the MEPA office indicating approval of the proposed changes. No additional environmental analysis will be required under NEPA for the proposed changes, and the proposed changes fall within existing DWP license conditions. The USCG comment letter outlines a list of License conditions that the Proponent must meet in advance of commencing and during construction for the construction phases proposed in 2008.

The 401 Water Quality Certificate was issued for the project on June 19, 2007 and the Chapter 91 License was issued on August 8, 2007. MassDEP states in its comments on the NPC that because there are no substantive changes to the project, no additional permitting action is necessary. MassDEP will reissue the Chapter 91 License to reflect the new construction start dates. All mitigation commitments outlined and approved in Section 61 Findings will not change as a result of the changes proposed in the NPC.

The Proponent should note comments from the Massachusetts Historical Commission (MHC) regarding materials that are required as part of consultation required under Section 106 of the National Historic Preservation Act of 1966 (36 CFR 800). The Proponent should consult with MHC to determine what is necessary in order to proceed with required MHC review.

Conclusion

Based on a review of the information provided in the NPC, and after consultation with the relevant public agencies, I find that the potential impacts of this project change do not warrant the preparation of an EIR. No further MEPA review is required at this time.

March 21, 2008

Date



Ian A. Bowles

Comments Received:

3/4/2008 Massachusetts Historical Commission
3/7/2008 United States Coast Guard
3/11/2008 **Department of Environmental Protection**

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