

December 9, 2016

Mr. Christopher A. Smith  
Assistant Secretary  
U.S. Department of Energy Office of Fossil Energy  
Docket Room 3F-056, FE-50  
Forrestal Building  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

Re: DOE/FE Docket No. 16-22-CGL

Dear Mr. Smith:

We are writing to correct the record in the above referenced proceeding in order to fulfill the final prerequisite for DOE/FE's approval of SeaOne's application for export approval. Such approval will enable SeaOne to take needed steps to serve customers in non-FTA countries and thereby assist Caribbean nations in the development of sustainable energy economies in fulfillment of commitments made by President Obama, Vice President Biden, Secretary Moniz and other high level officials of our government.

On September 18, 2015, SeaOne Gulfport, LLC ("SeaOne") filed an application with DOE/FE seeking authorization to ship a portion of the natural gas contained in CGL previously authorized for shipment to FTA countries by DOE Order 3555, to non-Free Trade Agreement ("NFTA") countries. The application under consideration here does not seek any approval for export volumes in addition to those already approved.

After waiting for nearly a year for DOE/FE to act on this application for authority to ship to non-FTA countries, SeaOne filed, on August 5, 2016, a motion requesting expedited approval of the long-pending application, noting that the record in the proceeding is complete and there are no material issues outstanding – no third party has intervened in the proceeding, no comments opposing the project were submitted, and no request for additional procedures was

filed, As the motion further notes, and as uncontroverted statements in the record show, the Gulfport Facility will be built and placed into operation pursuant to existing authority, and is economically sustainable under the FTA authorization (DOE Order 3555).

In DOE/FE Order No. 3905, issued October 17, 2016, DOE denied the motion for expedited approval, concluding that “SeaOne has not established that DOE/FE’s approval of the proposed exports from the Gulfport Facility would be eligible for a categorical exclusion (“CATEX”) under NEPA” and that, therefore, the agency is unable to decide at this time.<sup>1</sup> We do appreciate that the Order indicates that SeaOne is welcome to present additional evidence and that DOE/FE is willing to reconsider its determination based on additional evidence, and therefore offer this information for your consideration.

Section 3(a) of the NGA creates a presumption that an application for export of natural gas is in the public interest, and mandates the DOE/FE to grant such application unless it finds that the proposed export is not in the public interest. Because the record in this proceeding is complete, and includes no information that could lead to the conclusion that granting the requested authorization is not in the public interest, DOE’s obligation to act on 16-22-CGL is non-discretionary. It is well established that non-discretionary agency actions are exempt from NEPA review,<sup>2</sup> and DOE should therefore act without further delay.

Furthermore, as noted above, there is nothing in the record to support a conclusion that SeaOne’s Gulfport Facility will not be built absent authorization to ship to FTA countries. To the contrary, the record supports a conclusion that the facility is sustainable based on shipments to FTA countries and U.S. territories and the authorization requested in 16-22-CGL allows no

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<sup>1</sup> There is no information in the record to support the position that the facility cannot be built unless the non-FTA authorization is issued and this argument was never advanced by DOE/FE prior to the closure of the record. SeaOne stands ready to present evidence of Heads of Agreement and other commitments supporting the conclusion that the facility does not depend on any non-FTA authorizations to support the economics of the facility (Confidential and sealed Annex A is a partial summary of the status of SeaOne’s progress in advancing the Port project. Please note that this is Confidential Business Information and not for circulation or distribution.).

<sup>2</sup> 10 C.F.R. §1021.102. *See generally, Sierra Club v. Babbitt*, 65 F.3d 1502, 1512 (9th Cir. 1995) (collecting cases demonstrating that nondiscretionary agency action is excused from the operation of NEPA). *See also National Ass'n of Property Owners v. U.S.*, 499 F. Supp. 1223 (D. Minn. 1980), *aff'd*, 660 F.2d 1240 (8th Cir. 1981), *cert. denied*, 455 U.S. 1007 (1982). 3. In applying the regulations’ categorical exemption approach to the SeaOne facility, it needs to be kept in mind that the Gulfport Facility is nowhere near comparable in size or scale to the typical LNG plant but, instead, is of a size and scale comparable to many of the smaller, less complex facilities which the regulations treat as categorically exclusions.

<sup>3</sup> CATEX B1.31, Installation or Relocation of Machinery and Equipment, may also be applicable to the Gulfport Facility.



additional exports. Application of CATEX B5.7 is clearly appropriate to the extent that any environmental review requirement applies to the project.<sup>3</sup>

Moreover, even if were to be determined that no categorical exclusion is available for the Gulfport facility, any required environmental review has already been completed. The Port of Gulfport has long conducted intensive and continuous environmental reviews of its operations and development plans. Anticipated activities within the Terminal 4 area in which SeaOne's equipment will be installed were extensively considered by the U.S. Army Corps of Engineers ("USACE") in an Environmental Assessment ("EA") and a Finding of No Significant Impact ("FONSI") issued in connection with approval of the development plan for port facilities including Terminal 4, the terminal where SeaOne's gas plant will be located.

In reviewing the status of that EA as it pertains to SeaOne's Gulfport Facility, the Executive Director and CEO of the Port, in consultation with the Port's environmental consultants and the Mississippi Development Authority, has concluded that no additional action or modification of that EA or FONSI is necessary in order to address SeaOne's Terminal 4 activities (see letter and supplemental analysis attached as Annex B). This conclusion is clearly correct: the Gulfport Facility consists of modular equipment that will be installed in an existing terminal at the Port to serve a function (exports) which is within the scope of activities contemplated at the time the EA and FONSI were processed.<sup>4</sup> Additionally, in connection with the Port of Gulfport's continuous and intensive environmental review process, the Corps of Engineers, in late 2015, prepared a Draft EIS for the Port of Gulfport Expansion Project and, at that time saw no need to augment or supplement the EA or FONSI documents discussed above. Similarly, there is no valid reason at this time to revise, supplement or duplicate environmental analyses that have already been completed. DOE is obligated by law and its own regulations to adopt any existing NEPA document that covers the Gulfport Facility,<sup>5</sup> and thus, has no justification here to impose additional, duplicative environmental review requirements.

Of additional import, the U.S. Coast Guard, in a December 2015 "Preliminary Waterway Suitability Assessment (PWSA) for Compressed Gas Liquid (CGL) Marine Traffic" prepared in support of the Gulfport Facility, further supports the conclusion that additional environmental review of the Gulfport Facility is unnecessary. In summary, the report concluded that CGL is a radically different product than LNG, and that CGL vessels and facilities will be significantly safer and more secure than LNG vessels and facilities.<sup>6</sup> The Coast Guard concluded that SeaOne

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<sup>4</sup> Based on the Port's conclusions, CATEX B1.31, B1.31, installation or relocation of machinery and equipment, may also be relevant to the Gulfport Facility.

<sup>5</sup> 10 C.F.R. 1021.200(d).

<sup>6</sup> The Preliminary Waterway Suitability Assessment contains Sensitive Security Information (SSI). Therefore, we have included only a general reference to the document, and note that any reference to the report should be redacted if this memorandum is publicly released, under FOIA or otherwise.

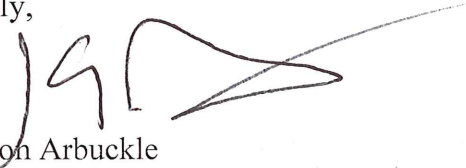
will be required to submit only basic information for their final WSA, as opposed to the extensive requirements that apply to LNG facilities.

It should go without saying that ongoing delays in acting on 16-22-CGL is causing not only additional, unwarranted costs to SeaOne, but, even more importantly, unnecessary confusion among SeaOne's customers and delayed achievement of the greatly needed and substantial environmental and economic benefits which the project offers. The Executive Director and CEO of the Port has concluded that environmental review of the Gulfport Facility has already been completed through its existing environmental review process. Extensive NEPA documentation which already exists has adequately considered the installation and operation of equipment at the site of the SeaOne Gulfport Facility. This fact alone should resolve the issues which DOE/FE presented in Order 3905 as preventing an immediate decision.

We hope and trust that the information provided here will enable DOE/FE to reassess its conclusion that it cannot decide on SeaOne's application without conducting a duplicative and unnecessary environmental review (which, ironically, could be environmentally destructive by fostering added delays to a region greatly in need of prompt, sustainable solutions). By way of this letter, we request a meeting with you, relevant DOE/FE staff and counsel to reach a consensus as to how to proceed to timely approval of 16-22-CGL.

Thank you for your consideration.

Sincerely,



J. Gordon Arbuckle

Enclosures



## **Annex B**

### **Environmental Review of Terminal 4 and the SeaOne Gulfport Facility**

The environmental impact of the Gulfport Facility has already been thoroughly assessed and is covered by existing NEPA documents.

The construction and utilization of Terminal #4, where the Gulfport Facility will be located, was reviewed in the Environmental Assessment and Environmental Review Record for the 24-Acre Fill, New Tenant Terminals and Infrastructure Project prepared for the Mississippi Development Authority in December, 2010. The construction of Terminal 4 is depicted in the Conceptual Site Plan included in the EA. That project is Phase III of a previously permitted 84-acre fill and development project that had already been the subject of an intensive environmental review, completed in April, 2009, and which is subject to an extensive mitigation plan. The 2010 EA validated and updated the earlier environmental review and mitigation plan and resulted in a Finding of No Significant Impact (FONSI).

In October 2014, the Mississippi Development Authority completed a Supplemental Evaluation and Updated Environmental Review Record covering the inclusion of a Maritime Commerce Center in the Port's development and expansion plans. This Supplemental Evaluation again validated the existing NEPA documents for the Port of Gulfport, which include the construction and utilization of Terminal 4, summarizing them as follows:

The 2009 and 2010 EAs conclude that the [Port of Gulfport Restoration Project] is compatible with local zoning and will not negatively impact the urban setting. The project is also compatible with plans by the MSPA to restore and revitalize the Port after Hurricane Katrina. The EAs also indicate that completion of the PGRP will not cause any substantial cumulative effects.

Even more recently, in late 2015, the U.S. Army Corps of Engineers prepared a Draft EIS for the Port of Gulfport Expansion Project, again finding no need to augment or supplement the EA or FONSI documents discussed above.

In reviewing the status of that EA as it pertains to SeaOne's Gulfport Facility, the Director of the Port, in consultation with the Port's environmental consultants and the Mississippi Development Authority, has specifically concluded that no additional action or modification of the existing EA or FONSI is necessary in order to address SeaOne's Terminal 4 activities (see letter from the Executive Director and CEO of the Mississippi State Port Authority dated Nov. 21, 2016 included in this Annex). The 2014 Supplemental Evaluation found that the MCC was "consistent with the land uses of the Port and surrounding area," would "complement the Port activities and the usage of the surrounding areas" and "will not change the impact code

given to Conformance with Comprehensive Plans and Zoning.” The Director clearly applied this same logic to the Gulfport Facility, which consists of modular equipment that will be installed in an existing terminal at the Port to serve a function (exports) which is clearly within the scope of activities contemplated at the time the EA and FONSI were processed.

There is therefore no reason to revise, supplement or duplicate environmental analyses that have already been completed. DOE is obligated by law and its own regulations to adopt any existing NEPA document that covers the Gulfport Facility, and should not attempt to impose additional, duplicative environmental review requirements.



## MISSISSIPPI STATE PORT AUTHORITY AT GULFPORT

JOHN K. RESTER  
Commissioner  
ROBERT J. KNESAL  
Commissioner  
JAMES C. SIMPSON, JR.  
Commissioner

JACK NORRIS  
Commissioner  
E.J. ROBERTS  
Commissioner  
JONATHAN DANIELS  
Executive Director / CEO  
[www.shipmspa.com](http://www.shipmspa.com)

21 November 2016

Dr. Bruce Hall  
SeaOne Gulfport, L.L.C.  
333 Clay Street, Suite 4890  
Houston, TX 77002

Dear Dr. Hall,

Thank you for taking the time to outline your continued efforts in the development of a compressed gas liquids export terminal in Mississippi. Pursuant to our discussion regarding the status of the environmental assessment (EA) as it pertains to your proposed project at the Port of Gulfport, I have consulted with both our environmental consultants and the Mississippi Development Authority to gain additional perspective.

Upon review, it was determined that no additional action or modification is required under the current EA. It is important to note that this does not relieve you of any obligations to secure additional federal or state permits for the actual construction of the project, as may be required.

Please let me know if you have any questions or comments as we move forward. I can be reached at 228-865-4300, at your convenience.

Respectfully,

Jonathan T. Daniels  
Executive Director and CEO



# SEAONE

## SEAONE GULFPORT, LLC

SeaOne Gulfport, LLC, an affiliate of SeaOne Holdings, LLC, of Houston, has signed a Lease Option Agreement with the Port of Gulfport and the Mississippi Development Authority on property defined as Terminal 4 with plans to build a compressed gas liquids (CGL™) production plant. The Port's strategic location allows direct access to target export markets and connectivity to existing natural gas infrastructure while offering available land for growth, thereby positioning the Port of Gulfport SeaOne's preferred location.

## OPPORTUNITY OVERVIEW

While the U.S. benefits from low-cost natural gas, many Caribbean and Central American countries struggle to meet their energy needs. Countries in this region rely on high cost liquid fuels which limits economic growth and negatively impacts the socio-economic fabric of the region.

**SeaOne will provide these markets with the opportunity to obtain a much lower cost, cleaner energy source.**

Approximately 92% of the current power generation in these markets relies upon oil based fuels, while households generally use natural gas liquids for cooking and heating.

The planned rich gas and natural gas liquids (NGLs) being exported will provide rich gas for power plants and also provide propane and Liquid Petroleum Gases (LPGs) for household and other uses.

SeaOne will use its patented and proprietary CGL™ technology to solvate, export and deliver rich gas, propane, butane, and ethane to international markets in the Caribbean and Central America.

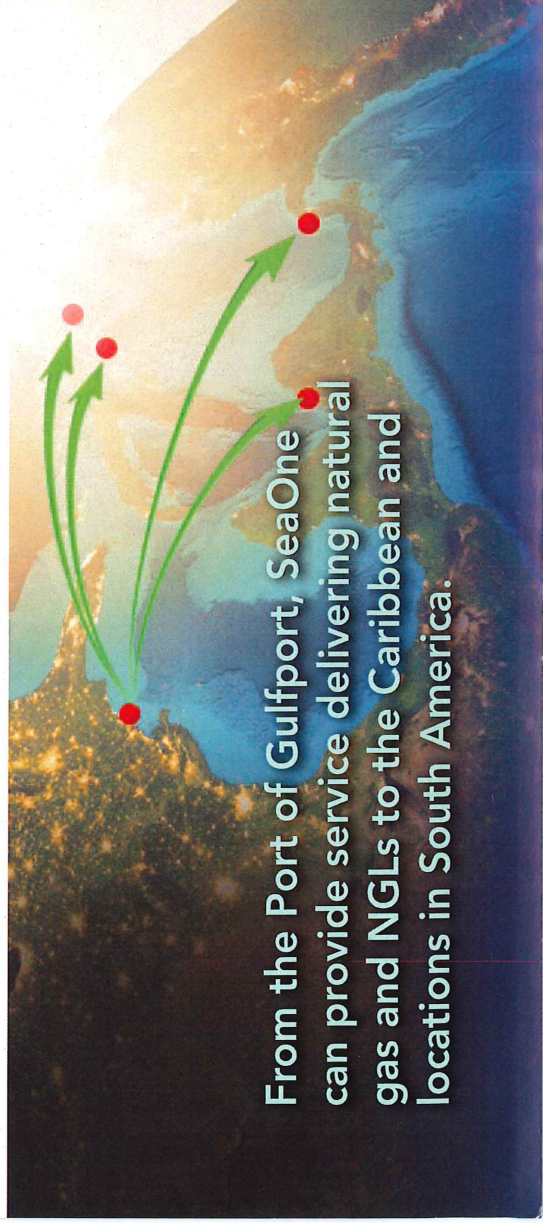
**SeaOne's CGL** production and export facility will use a refrigeration process to chill the gas to form a solvated product called Compressed Gas Liquid (CGL™). The CGL product will be transferred to Articulated Tug and Barge marine transportation vessels that will deliver the CGL cargo to market.

This method provides a safe, cost-efficient way to deliver CGL and the commodities it contains to Free Trade and non-Free Trade Agreement (FTA and NAFTA) member countries that include: the Dominican Republic, Panama, Costa Rica, Colombia, El Salvador, Guatemala, Honduras, Mexico and U.S. Territories such as, Puerto Rico, and the U.S. Virgin Island.



## SeaOne Gulfport At-A-Glance

- Compressed Gas Liquids (CGL) production and export facility:
- Phase 1 capital expense is currently estimated to be \$450 million and at Phase 4, at an estimated \$1.6B investment.
- Compliments the strategic vision for the Port, capitalizing on regional gas and NGLs production and infrastructure:
- Only CGL facility of its kind on the Gulf Coast
- SeaOne Gulfport would substantially increase Port of Gulfport tonnage from current rate of 6,000 mt/d:
- Phase 1 CGL production would increase tonnage by approximately 25,000 mt/d, and when fully expanded to Phase 4 is projected to generate 347,000 mt/d.
- Project will create a significant economic impact benefitting the Port of Gulfport, Gulfport, Harrison County and the State.
- Local suppliers and vendors will benefit:
- Substantial business opportunity for Mississippi Power for an initial electrical load of 70 MW expandable to approximately 280 MW.
- SeaOne has already secured a granted Order of U.S. Department of Energy (DOE) Export Order for 30 years.
- With export permit in hand and pending a final investment decision, the company is prepared for timely construction, startup and operation.
- SeaOne has completed its pre-project development work and Front End Engineering and Design for the project.



**From the Port of Gulfport, SeaOne can provide service delivering natural gas and NGLs to the Caribbean and locations in South America.**



## ENVIRONMENT & SAFETY

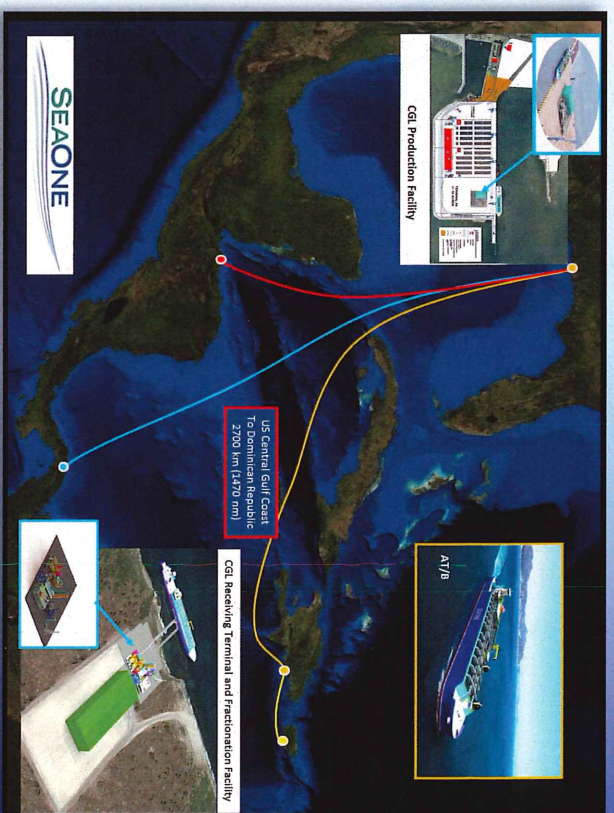
### Benefits include:

- Displaces heavy fuel oil and diesel fuels currently being used in the Caribbean and other nations in the region.
- SeaOne Gulfport's CGL Production and Export Facility will have a zero carbon footprint at site, using no process water, creating no process effluent or wastewater runoff.
- Well-proven gas plant technology would assure minimal nitrous oxide or sulfur oxide emissions.
- The environmental regulatory program for SeaOne Gulfport's CGL Production and Export Facility to be located at Terminal 4 in the Port of Gulfport, MS is expected to be administered by the Mississippi Department of Environmental Quality (MDEQ). The United States Coast Guard, U.S. Environmental Protection Agency, OSHA, and potentially other Federal, State and Regional agencies may also receive notification of the project.
- The American Bureau of Shipping will handle Class Approval of the CGL marine transportation vessels (AT/Bs).
- Lloyd's Register Safety Consulting finds:
  - The CGL process modules are inherently safe in design and utilize "familiar" technologies that have well-known safety/risk profiles within the gas processing industry.
  - Risk associated with any potential hazards (including noise control) have been or will be assessed and are as low as reasonably practicable.

NGL Attribute Summary			eia	
Natural Gas Liquid	Chemical Formula	Applications	End Use Products	Primary Sectors
Ethane	<chem>C2H6</chem>	Ethylene for plastics production; petrochemical feedstock	Plastic bags; plastics; anti-freeze; detergent	Industrial
Propane	<chem>C3H8</chem>	Residential and commercial heating; cooking fuel; petrochemical feedstock	Home heating; small stoves and barbecues; LPG	Industrial, Residential, Commercial
Butane	<chem>C4H10</chem>	Petrochemical feedstock; blending with propane or gasoline	Synthetic rubber for tires; LPG; lighter fuel	Transportation
Isobutane	<chem>C4H10</chem>	Refinery feedstock; petrochemical feedstock	Alkylate for gasoline; aerosols; refrigerant	Industrial
Pentane	<chem>C5H12</chem>	Natural gasoline; blowing agent for polystyrene foam	Gasoline; polystyrene; solvent	Transportation
Pentanes Plus*	Mix of <chem>C5H12</chem> and heavier	Blending with vehicle fuel; exported for diluents production in oil sands	Gasoline; ethanol blends; oil sands production	Transportation

C indicates carbon, H indicates hydrogen. Ethane contains two carbon atoms and six hydrogen atoms. Pentanes plus is also known as "natural gasoline." Contains pentane and heavier hydrocarbons. Graph Source: EIA

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### PRODUCTION OF COMPRESSED GAS LIQUIDS (CGL)

- Lean and rich gas and NGLs will arrive at the plant by pipeline where the CGL Production Facility will produce a solvated solution by chilling and pressurizing the gas and NGLs to create a solvated product called CGL that includes: methane, ethane, propane, butane, isobutane, pentane and pentane plus. The CGL product will be loaded onto the AT/Bs for transportation and delivery to markets in the Caribbean and Central America.

### OVERVIEW OF CGL USES & TERMS

Natural Gas Liquid (NGL) - Most gas contains low molecular weight hydrocarbons (methane, propane, butane, etc.). When brought to the surface, processed and conditioned after the natural gas has been separated, the remaining-products are referred to as NGLs.

Compressed Gas Liquid (CGL) -The solvated solution is created when gas and NGLs are combined at a moderate temperature of -40°F and a moderate pressure of 1400 psig.

- Articulated Tug and Barge - An articulated tug and barge, or AT/B, is a marine transportation vessel that consists of a non-motorized barge section which has a notch located in the stern that permits an articulated connection to a tug boat enabling the tug boat to maneuver and push the barge across open seas.
- MMscf -Million standard cubic feet per day - a unit of measurement used in natural gas industry.
- Bcf - Billion standard cubic feet per day - a unit of measurement used in natural gas industry.
- MW - Mega-watt. Estimated power required at the CGL Production and Export Facility to solvate, store and transfer CGL.
- Mt/d - Tonnage of CGL cargo in metric tons, loaded and shipped from SeaOne Gulfport, LLC.

SeaOne Gulfport, LLC

[www.seaonecorp.com/gulfport](http://www.seaonecorp.com/gulfport)

SEAONE



## ***SeaOne's Compressed Gas Liquid/ CGL ~ Benefits At-A-Glance***

- Manufacturing process creates significant economic benefits and jobs for Gulfport, Mississippi region.
- Provides cleaner, lower cost, more reliable fuels and feedstocks to Caribbean and Central American countries hampered by high electricity rates and energy costs.
- CGL offers prospect of delivering clean burning fuel to replace Diesel and heavy fuel oil currently used in many plants in the Caribbean region.
- CGL's "custom blend" capability allows for delivery of the full range of light petroleum products ranging from ethane for petrochemicals and plastics, to propane for home use and vehicle fuels to "richer", higher BTU blends of natural gas and NGLs that are capable of use in currently existing power plant burners in most Caribbean operations.
- Long term economic advantage to energy-isolated countries because the use of CGL can reduce overall operating costs and extend the operating lives of many power plants thus saving billions of dollars in capital costs required to build new plants.
- The CGL system can provide gas and gas liquid transportation fuels - which accounts for a major proportion of total fuel use in the Caribbean islands.
- Substantial economic, safety and environmental benefits of CGL. It's milk-run delivery plan is more adaptable to small-scale Caribbean operations. The Articulated Tug/Barges (ATBs) allow delivery to smaller ports with shallower water depths than more conventional, large-scale vessels - with less risk to environmentally sensitive marine areas, less dredging, and smaller, less costly reception facilities.
- Provides clean, economic baseline power that complements increased renewable energy on the small islands.
- Provides for American know-how that can play a role in reducing the risk that Caribbean and Central American nations will make long-term commitments to less beneficial options, such as coal from China and elsewhere.

*November 2016*