91-103-NG
PHILLIPS ALASKA NATURAL
11/26/91 - 2/2/93
UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

In the matter of

PHILLIPS ALASKA NATURAL GAS CORPORATION
and
MARATHON OIL COMPANY

Docket No. 91-103 LNG

APPLICATION TO AMEND AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS

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November 22, 1991
UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
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APPLICATION TO AMEND AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS

Phillips Alaska Natural Gas Corporation ("PANGC") and Marathon Oil Company ("Marathon") hereby request, pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. §717b, and 10 C.F.R. Part 590, that the Office of Fossil Energy ("FE") of the Department of Energy ("DOE") amend the authorization granted by Economic Regulatory Administration ("ERA") Opinion and Order Nos. 261 and 261-A ("Order No. 261") to increase the quantities of liquified natural gas ("LNG") authorized for export. The currently allowed export volumes are referenced in Phillips 66 Natural Gas Company's ("P66NGC") and Marathon's "Application to Amend Authorization to Export Liquefied Natural Gas" dated April 7, 1988, ERA Docket No.88-22-LNG ("1988 Application"). PANGC and Marathon request the FE amend Order No. 261 to permit PANGC and Marathon to export about twelve percent (12%) in additional volumes of LNG annually as provided in the "Second Amendatory Agreement" among Sellers, PANGC.
and Marathon, and their LNG Buyers, The Tokyo Electric Power Company, Incorporated ("Tokyo Electric"), and Tokyo Gas Company, Ltd. ("Tokyo Gas"). PANGC, Marathon, Tokyo Electric and Tokyo Gas are collectively referred to as "Parties."

PANGC and Marathon also request that PANGC be authorized to assume participation in the Kenai LNG project and that the export authorization extended in Order No. 261 be transferred from ("P66NGC"), which is PANGC's parent and a subsidiary of Phillips Petroleum Company ("Phillips"), to PANGC. PANGC requests that this transfer from P66NGC to PANGC be authorized effective as of January 1, 1991.

In support hereof, applicants submit the following:

I. GENERAL INFORMATION

The exact legal name of PANGC is Phillips Alaska Natural Gas Corporation. PANGC is a Delaware Corporation with principal offices in Bartlesville, Oklahoma. PANGC is a wholly-owned subsidiary of P66NGC, a Delaware Corporation, which in turn is a wholly-owned subsidiary of Phillips Petroleum Company, a publicly traded Delaware Corporation. PANGC is authorized to do business in Alaska, Oklahoma, and Delaware.

The exact legal name of Marathon is Marathon Oil Company. Marathon is an Ohio corporation with principal offices in Houston, Texas. The outstanding shares of common stock of Marathon are
owned by USX Corporation (98%) and Texas Oil & Gas Corp. (2%). Marathon is authorized to do business in all states which it does business, including the State of Alaska. P66NGC and Marathon are not affiliated with each other.

All correspondence and communications regarding this application, including service of pleadings and notices, should be directed to the following persons:

PANGC: Mr. Dennis J. Ryan
Manager - Regulatory Affairs
Phillips 66 Natural Gas Company
P.O. Box 1967
Houston, Texas 77251-1967
Phone: (713) 669-7027

Mr. Larry Pain, Attorney for Phillips Alaska Natural Gas Corporation
1256 Adams Building
Bartlesville, OK 74004
Phone: (918) 661-6355

Marathon: Mr. F.R. Adamchak, Manager
International Natural Gas
Marathon Oil Company
P. O. Box 3128
Houston, Texas 77253
Phone: (713) 629-6600

Ms. Lauren Boyd, Attorney
Marathon Oil Company
P. O. Box 3128
Houston, Texas 77253
Phone: (713) 296-2539

The applicants hereby certify that the undersigned persons and those named above are the duly authorized representatives of the
applicants. There are no other proceedings related to this application pending at any other part of the DOE. A petition is pending at the Department of Transportation's Research and Special Programs Administration ("RSPR of DOT"), Docket No. P-47, requesting a finding of continued exemption from the design, construction, and siting regulations of the DOT in 49 C.F.R. Part 193 and for approval of designs for certain modifications at the Kenai LNG Plant. The DOT petition was filed on August 27, 1991, and copies have been provided to the FE for its information and review in connection with this application.

II. AUTHORIZATION REQUESTED

PANGC and Marathon request that FE amend the export authorization granted in Order Nos. 261 and 261-A to approve the two unrelated changes described below.

A. PANGC and Marathon request that the FE grant export authorization for the increased LNG sales contract quantity as provided in the Second Amendatory Agreement. Applicants have attached an executed Letter of Intent and an unexecuted copy of the Second Amendatory Agreement as Appendix A to this Application. The Second Amendatory Agreement has now been fully agreed and is not to be further revised before final execution. A copy of the executed amendment will be filed with the FE when available. The Second Amendatory Agreement amends the June 30, 1988, Liquefied Natural Gas Sale and Purchase Extension Agreement ("Extension Agreement")
by: (1) increasing the base Annual Contract Quantity ("ACQ") to 56.0 Trillion Btu's for the contract year beginning April 1, 1993; (2) increasing the base ACQ to 64.4 Trillion Btu's per year effective as of the contract year beginning April 1, 1994, through the end of the term on March 31, 2004; (3) providing a right of Sellers to cancel the increases of up to 12% in the base ACQ by written notice by March 31, 1994, to be effective as of April 1, 1997; and (4) changing the agreed Accumulated Annual Underlift Quantity provision in Section 5.2c, which limits the cumulative underlift, relative to ACQ, which the LNG Buyers are entitled to exercise. Current provisions for annual sales of up to 106% of the base ACQ's remain unchanged.

B. Applicants also request approval of a July 25, 1991, "Assignment Agreement" which has been approved by all parties and which assigns P66NGC's interest in the Extension Agreement, as amended, to its subsidiary PANGC effective as of January 1, 1991. A copy of the Assignment Agreement is attached as Appendix B to this application and is incorporated by reference.

III. BACKGROUND

In November 1969, Phillips and Marathon began exporting LNG manufactured from Alaskan natural gas to Japan. The exports originally commenced pursuant to the April 19, 1967, order of the FPC in Docket Nos. CI67-1226 and CI67-1227, 37 FPC 777 (1967). In
that order, the FPC found that the export of LNG by Phillips and Marathon would not be inconsistent with the public interest and authorized the export of LNG by applicants for a fifteen-year period ending May 31, 1984.

The original Liquified Natural Gas Sales Agreement dated March 6, 1967, among Phillips and Marathon as sellers and Tokyo Electric and Tokyo Gas as buyers provided that the term could be extended for an additional period of five years under certain circumstances. The parties agreed to a five-year extension, and on May 10, 1982, Phillips and Marathon filed a joint application with the Economic Regulatory Administration to extend the initial export authorization granted by the FPC for an additional five years from May 31, 1984. In granting the authorization to amend and continue the LNG export in Order No. 49, 1 ERA ¶70,116 (December 14, 1982), the ERA found the extension was not inconsistent with the public interest. 1/

The parties entered into the Extension Agreement dated as of June 17, 1988, to continue the LNG sales for an additional fifteen years through March 31, 2004. On April 11, 1988, P66NGC and Marathon filed a joint application with the Economic Regulatory Administration in Docket No. 88-22-LNG requesting approval of a 15 year extension and modification of their existing authorization. In granting the authorization to amend and continue the LNG export

1/ In ERA Order No. 49-A, 1 ERA ¶70,128 (April 3, 1986), the authorization previously granted to Phillips to export LNG was transferred to P66NGC effective as of January 1, 1986.
in Order No. 261, 1 ERA ¶70,130 (July 28, 1988), the ERA concluded inter alia, (1) that there is no domestic need for the gas involved in this export over the term of the extended authorization; (2) that the export arrangement is in accord with the DOE's international gas trade policy; (3) that the exports contribute favorably to the U.S. balance of payments; (4) that the pricing formula is reasonable and provides flexibility to respond to market conditions; and (5) that the extension is not inconsistent with the public interest. Recently, in DOE/FE Order No. 261-A, Docket No. 91-10-NG (June 18, 1991), the FE approved certain changes to the LNG pricing formula designed to keep the price competitive with other LNG prices and with world energy prices.

The Extension Agreement contemplates that applicants will replace their existing LNG tankers with two new and larger LNG tankers before June 1994. Applicants now expect deliveries of the new tankers to occur in June and December 1993. Under the Extension Agreement at the time of replacement of the tankers, the contractually authorized base export volumes are to increase from 52 trillion Btu's per year to 57.5 trillion Btu's per year. The Extension Agreement also allows deliveries of an additional six percent (6%) above the base contract quantities in certain circumstances. The Kenai LNG Plant as presently constructed can accommodate these increased export volumes, which are presently authorized. However, the parties now desire to take advantage of additional LNG delivery capability of the new LNG tankers, which exceeds that contemplated in the Extension Agreement. The
incremental increase in export volumes will require some minor modifications to the existing Kenai LNG Plant.

The natural gas used to manufacture LNG for export to Japan is produced from the Cook Inlet Basin area of Alaska. Historically, seventy percent of the annual wellhead requirement has been produced by Phillips from reserves which it owns or controls in the North Cook Inlet Unit, and thirty percent has been produced by Marathon from reserves which it owns or controls principally in the Kenai Field. The total additional wellhead reserves required to meet the incremental LNG export volumes, for which authority is being requested herein, is approximately 90 Bcf over the remaining term of the Extension Agreement. These reserves will be produced from gas fields owned or controlled by applicants in the Cook Inlet area, supplemented as necessary by the acquisition of reserves or purchases of gas from other fields. Recently, PANGC commenced purchases of about 5 MMcfd of natural gas to be used for LNG manufacture from CIRI Production Company's West Fork Field in the Cook Inlet area.

IV. THE ADDED EXPORTS SERVE THE PUBLIC INTEREST.

PANGC and Marathon request FE authorization for an incremental increase in the Annual Contract Quantity (ACQ) of LNG to be exported in accordance with an agreement between applicants and the buyers, which will be referred to as the Second Amendatory Agreement. The Amendment has not yet been executed by the Parties,
but the parties have agreed to the volume changes and other terms as set forth in the Letter of Intent and Second Amendatory Agreement attached as Appendix A.

When signed, the Second Amendatory Agreement will amend the Extension Agreement under which applicants currently sell LNG to Tokyo Electric and Tokyo Gas. Under the Second Amendatory Agreement, applicants will increase by up to twelve percent (12%) the LNG manufactured at the Kenai LNG Plant in the Cook Inlet area of Alaska and exported to the buyers in Japan commencing April 1, 1993, and ending March 31, 2004. The principal differences in the terms of the Extension Agreement as previously amended and the new Second Amendatory Agreement are:

(1) Commencing April 1, 1993, the base Annual Contract Quantity will be increased from 52.0 trillion Btu's per year to 56.0 trillion Btu's per year for the contract year 1993. The base ACQ quantity will increase to 64.4 trillion Btu's per year beginning in the April 1, 1994, contract year when the new tankers are expected to be in service. If deliveries of the new LNG tankers are delayed, the parties recognize that some deferral of the increase in quantities may be required. The ACQ will remain at 64.4 trillion Btu's per year until the contract term ends on March 31, 2004, unless the Sellers exercise an option by March 31, 1994, to reduce the ACQ's beginning with the contract year starting April 1, 1997,
back to the presently authorized base ACQ for that period of 57.5 trillion Btu per year. In addition to the above changes in the ACQ, as currently provided in the Extension Agreement, the LNG buyers may request additional deliveries up to a maximum of 6% of the ACQ during any contract year. Therefore, export authorization is requested for up to 106% of the increased ACQ's stated above.

(2) The amendment also revises Section 5.2c, which limits the cumulative quantity of LNG underlifted by the LNG buyers. The cumulative underlift quantity allowed is a function of the changed ACQ.

The existing Alaskan LNG export project has been a safe and reliable operation for all parties concerned for over twenty-one years. Applicants seek approval for a relatively small increase in the level of LNG exports (approximately 12%).

Section 3 of the Natural Gas Act ("NGA"), in addressing natural gas imports and exports, provides in part, "The Commission shall issue such order upon application, unless, after opportunity for hearing, it finds that the proposed exportation or importation will not be consistent with the public interest." For the reasons stated herein, PANGC and Marathon believe that there continues to be no basis in fact or law for conclusion other than that reached by the FPC in 1967, and again by ERA in 1982 and 1988, that the
export of Kenai liquefied natural gas to Japan by PANGC and Marathon from the Cook Inlet area is wholly consistent with the public interest.

The export project has for the past twenty-one years improved the economy of the State of Alaska and the balance of payments between the United States and Japan. The requested amendment to incrementally increase LNG exports is not inconsistent with the public interest; rather, it would enhance the project by more fully using the facilities.

A. CONTINUED EXPORT OF ALASKAN LNG BENEFITS ALASKA, THE AMERICAN PUBLIC AND JAPAN.

In connection with the 1988 Application for extension of the Kenai Project, P66NGC and Marathon contracted Dames & Moore (D&M), an independent consulting firm to make a comprehensive economic analysis of the regional and national interest with respect to the Kenai LNG export project. Although this report is dated April 5, 1988, we believe the positive conclusions reached in the report are still relevant and would only be improved by the requested increase in export volumes. The D&M report reviews in detail the benefits, both direct and indirect, derived by the local-regional economy as a result of the Kenai export project.

The State of Alaska continues to benefit significantly from the project. The operation of the liquefaction plant and natural gas production facilities provides employment for workers in the area and economic benefits for suppliers and businesses in the area. The State of Alaska and its citizens, as well as the federal
government, also benefit from royalty payments on the natural gas used by the project as well as associated tax revenue. This project generates millions of dollars a year in Alaskan personal income and state and local taxes (Table 6-1, D&M report).

This export has provided a beneficial impact on the balance of payments between the United States and Japan and will continue to do so. Although small in comparison to the total U.S.-Japanese trade balance (D&M table 6-7), this project provides a steady and continuous offset to the trade imbalance between the two countries. Under the Second Amenity Agreement, exported volumes will increase slightly, thereby increasing the favorable balance of trade effect to the United States.

While this source of LNG is not the largest source of imported energy consumed in Japan, it is one of the most secure and reliable energy sources available to that country. During the twenty-one years that this project has been in operation there have been no major accidents or interruptions of service. This export has benefitted the sellers, their customers, and the trade relations between the two countries, and will continue to do so.

B. THERE IS NO NATIONAL OR REGIONAL NEED FOR THE NATURAL GAS WHICH WILL BE EXPORTED.

The prospects for shipping LNG to the lower forty-eight states are remote, considering both the economics and the absence of need for this gas in the lower forty-eight states. The supply of gas in the lower forty-eight continues to exceed demand. Even if economic
conditions were such that LNG could be shipped to the lower forty-eight at market clearing prices, the constraints of building LNG receiving terminals on the West Coast would likely prevent such interstate sales over the great majority, if not the entire period, of the proposed export of the additional volumes sought here. There are no LNG receiving facilities on the West Coast of the lower forty-eight states, and none are now anticipated. (D&M report at 1-13). Movement of Kenai LNG to existing terminals on the East Coast or Gulf Coast is economically improbable due to the distance and the necessity of employing smaller U.S. registered tankers to pass through the Panama Canal. No such appropriately sized LNG tankers currently exist. In addition, Canada has and will continue to have huge gas reserves available for export to the lower forty-eight states and will continue to be able to provide gas to the U.S. market at lower costs than those necessary for Alaskan LNG.

With respect to the regional need for natural gas, the Cook Inlet area continues to have a large oversupply with resulting low prices. Even with greater local market demand, it is estimated that there will be more than ample gas reserves remaining to supply the local and regional need for gas well beyond the current term of the export authority. The D&M study reports the results of various supply/demand analyses to determine their effect on the Alaska Railbelt Region. Under the expected supply/demand scenario, estimated Cook Inlet area remaining proved, probable, and possible reserves total in excess of 3.5 trillion cubic feet at the end of
2004 (D&M Chapter 5.0, Railbelt Region Supply/Demand Balance). The most unfavorable low supply/high demand scenario examined in the D&M study shows estimated Cook Inlet area remaining reserves in 2004 in excess of 1.2 trillion cubic feet. Further, the Alaska Railbelt Region is blessed with huge oil, coal and hydroelectric energy resources.

The estimates of natural gas supplies in the Cook Inlet area utilized in the D&M study are corroborated by more recent estimates of the Cook Inlet area resource base described below, including those of the Alaska Department of Natural Resources ("ADNR") in its report of Historical and Projected Oil and Gas Consumption dated June 1991 (ADNR Report). Therefore, the results of the 1988 D&M study remain valid today.

The D&M study included estimates of probable and possible gas resources as well as proven gas reserves. According to estimates by the Alaska Department of Natural Resources, in addition to the 1990 year end total Cook Inlet region proven gas reserve base of 3,417 Bcf, prospects are good for the discovery of additional gas reserves in the Cook Inlet Basin area. The ADNR estimates that there is an 80% probability that at least 1,490 Bcf remain to be discovered and a 50% probability that at least 3,070 Bcf of unproven gas reserves remain to be discovered. (D&M Table 4.3.)

These ADNR estimates are consistent with projections developed by ICF Incorporated in an August, 1988 report to the Alaska Power Authority, entitled Fuel Price Outlooks: Crude Oil, Natural Gas, and Fuel Oil. In this detailed analysis of Cook Inlet gas supply
potential, ICF projects that 1,450 Bcf of additional gas reserves remain to be discovered (at wellhead prices less than $2.00/Mcf in constant 1987 dollars) through further development in existing fields and exploration in new fields.

Another study providing evidence of the potential for discovery of additional gas reserves in the Cook Inlet area is the Potential Supply of Natural Gas in the United States as of December 31, 1990, published in May 1991 by the Potential Gas Committee ("PGC") through the Colorado School of Mines. The PGC is made up of volunteers from the gas industry, government agencies and academic institutions. The PGC has prepared and published biennial estimates of the potential supply of natural gas in the United States since 1964. Three categories of potential gas resources are recognized and reported by the PGC: probable, possible, and speculative. These three categories are differentiated on the basis of variation in available geologic, geophysical and engineering information.

The PGC's May 1991 study (Table 15 at 129 - 130) estimates that the "most likely" quantity of gas reserves remaining to be discovered, both onshore and offshore, in the Cook Inlet area is 3,150 Bcf for the "Probable" and "Possible" categories. The "Speculative" category estimate would add another 3,400 Bcf of potential reserves. The PGC's estimates are consistent with ADNR and ICF estimates.

The 1990 total annual demand for natural gas from the Cook Inlet region is approximately 210 Bcf. According to the 1991 ADNR
Report, demand for gas from the Cook Inlet is estimated to decrease from the 1990 levels and then increase by less than 1% annually until again reaching 210 Bcf/year in 1999. (ADNR Report Table 7.2 at 27.) Of the total annual demand for gas from the Cook Inlet region, only 26-27 Bcf are attributable to Cook Inlet area residential and commercial space heating needs, and only about 35-39 Bcf are required for electrical generation. Id. These relatively high priority demands thus account for only about 31% of the total annual gas consumption in the Cook Inlet area.

Since 1988, the region's electric and gas utilities -- Enstar Natural Gas Co., Chugach Electric Association, and the City of Anchorage Municipal Light & Power -- have entered into long term gas supply contracts with Cook Inlet producers. The gas reserves dedicated under these and previous contracts are projected by the utilities to meet their annual gas requirements well beyond the expiration of the current export authority.

Based on the most recent ADNR projections of total annual Cook Inlet area gas demand of 210 Bcf/year and also taking into account additional volumes for manufacturing LNG pursuant to the export authority requested herein, it is estimated that total gas consumption in the Cook Inlet area will be less than 2,900 Bcf during the period from January 1, 1991 through the end of the term of the export authority in 2004. Considering the current total Cook Inlet area proven reserves (See Table 1 of the ADNR Report) and even the most conservative estimate of probable reserves discussed above, it is evident that ample gas exists to meet local
and regional needs well beyond 2004 if the present application is granted.

Natural gas is now in surplus of domestic needs both in Alaska and in the lower 48 states. The proved reserves to production (or RP) ratio for the Cook Inlet area based on the ADNR report stands at 16.2, much higher than the lower 48 states' RP ratio of 9.8 derived from DOE EIA statistics. Furthermore, the various data and studies described herein clearly indicate that Cook Inlet area gas resources will be more than adequate to meet the local and regional need for gas in the foreseeable future. The studies discussed above provide strong evidence that substantial additional gas reserves will be added to the resource base in the future to meet area gas needs in the more distant future.

Applicants submit that there is no evidence of a domestic need, either national or regional, for the incremental volumes of natural gas for which applicants are requesting export authority herein. Therefore, the proposed incremental increase in the LNG export volume is not inconsistent with the public interest and should be approved in all respects.

C. THE PRICE TO BE CHARGED FOR THE INCREASED LNG DELIVERED TO JAPAN IS CONSISTENT WITH THE PUBLIC INTEREST.

The price to be charged for increased LNG deliveries is unchanged from the Extension Agreement as previously amended and
will be determined by the same method approved in Order No. 261-A, and therefore as concluded in Order 261-A, is not inconsistent with the public interest.

V. ENVIRONMENTAL IMPACT

The applicants' LNG manufacturing facilities will require modification to accommodate the incremental increase of LNG production. The modifications planned for the Kenai LNG Plant will increase its efficiency and reliability. The maximum daily inlet capacity will not be materially increased. However, the plant's ability to manufacture LNG is impacted by ambient air temperature. Therefore, the plant is capable of producing higher volumes of LNG during the winter than during the summer. The modifications planned will somewhat smooth out the plant's production capability and increase LNG production capability materially in the summer months.

The essence of the planned modifications to the Kenai LNG Plant follows. Applicants plan to:

1. Improve the efficiency of the fuel gas system;
2. Add cooling water capacity to improve summer LNG production capability;
3. Replace one or both existing LNG transfer pumps between the LNG manufacturing trains and the storage tanks;
4. Expand and upgrade fire water and fire protection systems; and
5. Consider adding a new waste heat boiler for steam
generation to reduce loads on existing boilers, improve fuel efficiency, and reduce flue gas emissions.

As an example of the changes contemplated within the fuel gas system, a new LNG storage tank vapor blower will decrease the loss of methane gas from the three existing LNG storage tanks and will recover natural gas equivalent to approximately two percent (2%) of inlet volumes. This will in turn decrease natural gas production and inlet volume requirements by a similar amount. This significant increase in plant efficiency will also largely eliminate present methane emissions to the air from the LNG storage tanks. Also if constructed, the addition of a waste heat recovery boiler would reduce the load on existing boilers and therefore would reduce flue gas emissions.

The specific plant modifications to be made are outlined in full in the application filed by Applicants with the RSPA of the DOT in Docket No. P-47 on August 27, 1991. Copies of that petition have been furnished to the Office of Fossil Energy for its information and review in connection with this application. The DOT petition seeks confirmation of the continued grandfathered exempt status of the Kenai LNG Plant after the above mentioned modifications. The DOT's approval is also requested for the design of the proposed plant modifications. The petition includes a narrative of the proposed plant modifications resulting from a 1990 Kenai LNG Plant efficiency study and a series of plot plans and process flow diagrams that illustrate the contemplated changes in
more detail.

With the exception of the replacement of LNG transfer pump(s), the mechanical design of the LNG liquefaction process is unaltered by the proposed changes. The majority of the modifications are to the utility systems. The changes allow the facility to operate year round at a production level closer to the plant's maximum daily inlet capacity. The cost of the modifications is less than ten percent (10%) the estimated cost of replacement of the Kenai LNG Plant with new facilities, which may range from $250 million to $300 million. For these reasons and for the reasons outlined in detail in the Appendices to the DOT application, Applicants do not believe that the proposed changes to the Kenai LNG Plant process make a significant alteration to the existing facility.

The facilities have operated safely without major disruption of supply or accident from start-up in 1969, and the planned modifications will not in manner reduce this reliability. All of the modifications will occur at the Kenai LNG Plant, an existing industrial facility. The primary environmental effect of the FE's approval in this case will be the production and use of about 90 Bcf of added gas supplies. We have demonstrated above that this added production is consistent with the public interest. Therefore, applicants request FE find that approval of this application is not a major Federal action significantly affecting the quality of the human environment within the meaning of National Environmental Policy Act of 1969, 42 U.S.C. §4321 et seq. (1976), and that neither an environmental impact statement nor an
environmental assessment is required.

VI. THE TRANSFER OF P66NGC'S PARTICIPATION IN THE EXPORT PROJECT TO PANGC SHOULD BE APPROVED.

PANGC and Marathon request FE to amend the authorization currently held by P66NGC to reflect the assignment of P66NGC's interest in the Extension Agreement and related contracts to its wholly-owned subsidiary, Phillips Alaska Natural Gas Corporation, effective as of January 1, 1991. Marathon will continue to retain the same interest it currently holds.

P66NGC has been and is now involved in a restructuring of its operations designed to more closely align operating group responsibilities with ownership of business assets, to better identify results of its operating groups, and to enable management to react more quickly to changing business environments. As one part of the overall restructuring, PANGC has assumed responsibility for the Kenai LNG operations, subject to the regulatory approval sought here. These operation transfers were provisionally made to PANGC by the July 25, 1991, Assignment Agreement and related assignments subject to FE approval, with the assignment to be effective as of January 1, 1991. Most of the assets and operations involved in the export of LNG covered by Order No. 261 are included in those operations to be transferred to PANGC. The parties agreed in principle to the transfer of P66NGC's participation in the LNG export to PANGC early in 1991; but the formal "Assignment

PANGC will assume and perform P66NGC's obligations under the Extension Amendment as amended. P66NGC's stock interests in the affiliates owning the liquification plant, 1/ the LNG tankers 2/ and related facilities have been transferred to PANGC subject to regulatory approval. Employees of P66NGC or Phillips will continue to administer and operate the Kenai LNG Plant pursuant to service agreements between PANGC and P66NGC or Phillips.

The reorganization will have no impact on the export operation; therefore, approval of the requested transfer to PANGC is not inconsistent with the public interest. This transfer does not differ materially from the transfer of Phillips' participation in the export project which was approved in ERA Order No. 49-A 3/ retroactively to January 1, 1986.

1/ The Kenai LNG Plant is owned by Kenai LNG Corporation, which has been owned 70% by P66NGC and 30% by Marathon.

2/ The Arctic Tokyo is owned by Arctic LNG Transportation Company. The Polar Alaska is owned by Polar LNG Shipping Corporation. Each corporation has been owned 70% by P66NGC and 30% by Marathon.

3/ DOE/ERA Opinion and Order No. 49-A (1 ERA ¶ 70,127, April 3, 1986).
VII. APPENDICES

Attached hereto and incorporated by reference herein are the following appendices:

Appendix A: Letter of Intent and Second Amendatory Agreement.
Appendix B: P66NGC - PANGC Assignment Agreement
Appendix C: Opinions of Counsel

VIII. CONCLUSION

For the foregoing reasons, PANGC and Marathon respectfully request that FE amend Order Nos. 261 and 261-A, and authorize (1) the incremental increase of LNG exports pursuant to the conditions set forth in this application and (2) the transfer of P66NGC's participation in the export to PANGC.

Respectfully submitted,

PHILLIPS ALASKA NATURAL GAS CORPORATION

By [Signature]
Mr. Dennis J. Ryan
Regulatory Affairs Agent
P.O. Box 1967
Houston, TX 77251-1967
(713) 669-7027

MARATHON OIL COMPANY

By [Signature]
Mr. F.R. Adamchak
Manager, International Natural Gas
P.O. Box 3128
Houston, Texas 77253
(713) 629-6600

November 22, 1991

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STATE OF OKLAHOMA
COUNTY OF WASHINGTON

BEFORE ME, the undersigned authority, on this day personally appeared DENNIS J. RYAN, who, having been by me first duly sworn, on oath says that he is Regulatory Affairs Agent for Phillips Alaska Natural Gas Corporation and is duly authorized to make this Verification; that he has read the foregoing instrument and that the facts therein stated are true and correct to the best of his knowledge, information and belief.

Dennis J. Ryan

Subscribed and sworn to before me, a notary public, this 25th day of November, 1991.

Notary Public

My Commission expires:

JEANNE W. HINES
Notary Public

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VERIFICATION

STATE OF TEXAS  }  SS:
COUNTY OF HARRIS  

BEFORE ME, the undersigned authority, on this day personally appeared F. R. ADAMCHAK, who, having been by me first duly sworn, on oath says that he is Manager of International Natural Gas of Marathon Oil Company and duly authorized to make this Verification; that he has read the foregoing instrument and that the facts therein stated are true and correct to the best of his knowledge, information and belief.

F. R. Adamchak

Subscribed and sworn to before me, a notary public, this 2nd day of November, 1991.

My Commission expires:

November 8, 1993
APPENDIX A

LETTER OF INTENT AND
SECOND AMENDATORY AGREEMENT
LETTER OF INTENT REGARDING SECOND AMENDATORY AGREEMENT TO JUNE 17, 1988 EXTENSION AGREEMENT

By letter dated April 30, 1991, the Buyers, The Tokyo Electric Power Co., Inc. and Tokyo Gas Co., Ltd., indicated their interest in purchasing additional volumes of LNG from the Sellers, Phillips Alaska Natural Gas Corporation and Marathon Oil Company, under the June 17, 1988, LNG Sale and Purchase Extension Agreement. We have further discussed the increased volume commitments and have substantially agreed on the terms of a Second Amendatory Agreement to the Extension Agreement, the latest draft of which is attached as Exhibit A to this Letter of Intent and incorporated by reference.

The parties are executing this Letter of Intent to signify their substantial satisfaction with the attached Second Amendatory Agreement and their intent to recommend final approval of the amendment, subject to such further modifications as may be agreed among the parties.

EXECUTED this 31st day of October, 1991.

PHILLIPS ALASKA NATURAL GAS CORPORATION

By R. D. Wimer, Vice President

MARATHON OIL COMPANY

By F. R. Adamchak, Manager International Natural Gas

THE TOKYO ELECTRIC POWER CO., INC. TOKYO GAS CO., LTD

By K. Nemoto, General Manager LNG Project Office

By M. Nose, General Manager Gas Resources Department
EXHIBIT A
SECOND AMENDATORY AGREEMENT

THIS AGREEMENT made and entered into by and between Phillips Alaska Natural Gas Corporation (Phillips) as successor to Phillips 66 Natural Gas Company and Phillips Petroleum Company, corporations incorporated under the laws of the State of Delaware, the United States of America and Marathon Oil Company (Marathon), a corporation incorporated under the laws of the State of Ohio, the United States of America, hereinafter collectively referred to as "Sellers", and The Tokyo Electric Power Company, Incorporated (Tokyo Electric) and Tokyo Gas Co., Ltd. (Tokyo Gas), corporations incorporated under the laws of Japan, hereinafter collectively referred to as "Buyers".

WITNESSETH:

Sellers and Buyers have discussed increasing annual contract quantity (ACQ) applicable under the Liquefied Natural Gas Sale and Purchase Extension Agreement dated the 17th day of June, 1988, (hereinafter referred to as "Extension Agreement"). Sellers are undertaking modifications to manufacture incremental LNG and will have surplus shipping capacity upon delivery of the new LNG tankers now under construction. Buyers have expressed their interest in purchasing such incremental LNG. Now, therefore, in consideration of the mutual and dependent promises herein contained, Sellers and Buyers shall agree as follows:

1. Article V, Sections 5.1 and 5.2c in the Extension Agreement shall be deleted and replaced with the following:

5.1 ANNUAL CONTRACT QUANTITY

The annual contract quantity of LNG which Sellers agree to sell and deliver and Buyers agree to purchase and receive under this Extension Agreement shall be denominated in BTU's and shall be as per the following table for the contract years commencing April 1 of the years shown:
<table>
<thead>
<tr>
<th>Contract Year</th>
<th>TOTAL</th>
<th>TOKYO ELECTRIC</th>
<th>TOKYO GAS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Btu's</td>
<td>Metric Tons</td>
<td>Btu's</td>
</tr>
<tr>
<td></td>
<td>Trillion</td>
<td>Thousand</td>
<td>Trillion</td>
</tr>
<tr>
<td>1989-1992</td>
<td>52.0</td>
<td>988.0</td>
<td>39.0</td>
</tr>
<tr>
<td>1993</td>
<td>56.0</td>
<td>1,064.0</td>
<td>42.0</td>
</tr>
<tr>
<td>1994-2003</td>
<td>64.4</td>
<td>1,224.0</td>
<td>48.3</td>
</tr>
</tbody>
</table>

Metric Tons are approximations for information purposes and shall in no way affect this Extension Agreement.

In reference to Section 4.1 of the Extension Agreement, Sellers have contracted for the purchase of two new LNG tankers scheduled for delivery during June and December 1993. If Sellers anticipate any material delay in new LNG tankers introduction beyond these dates, Sellers shall notify Buyers of the delay, and Sellers and Buyers shall meet and discuss the necessary changes to the annual contract quantity for the contract years 1993 and 1994.

On or before March 31, 1994, Sellers shall have the option, upon written notice to Buyers, to change the annual contract quantity from contract year 1997 through contract year 2003. Prior to providing such written notice to Buyers, Sellers and Buyers shall meet to discuss Sellers decision to change the annual contract quantity. Thereafter, the annual contract quantity of LNG which Sellers agree to sell and deliver and Buyers agree to purchase and receive under this Extension Agreement shall be as per the following table:

<table>
<thead>
<tr>
<th>TOTAL</th>
<th>TOKYO ELECTRIC</th>
<th>TOKYO GAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Btu's</td>
<td>Metric Tons</td>
<td>Btu's</td>
</tr>
<tr>
<td></td>
<td>Trillion</td>
<td>Thousand</td>
</tr>
<tr>
<td>57.5</td>
<td>1,092.0</td>
<td>43.125</td>
</tr>
</tbody>
</table>

Metric Tons are approximations for information purposes, and shall in no way affect this Extension Agreement.
Prior to the arrival of a cargo of LNG at the LNG berthing facilities used jointly by Buyers, Buyers shall declare together to Sellers the ratio, totalling one hundred percent (100%), in which such cargo is to be allocated between Buyers.

For the purpose of calculating the quantity delivered in a contract year, delivery and receipt of all LNG unloaded from any LNG tanker shall be deemed to have been made on the day on which unloading of that LNG was commenced.

5.2c ACCUMULATED ANNUAL UNDERLIFT QUANTITY

All annual underlift quantities and annual overlift quantities shall be accumulated at the end of each contract year and the accumulated annual overlift quantity shall be subtracted from the accumulated annual underlift quantity to determine the net accumulated underlift quantity, if any. Buyers shall limit the net accumulated underlift quantity to a maximum of sixty trillion, five hundred thirty-four billion (60,534,000,000,000) Btu's, as for Tokyo Electric to a maximum of forty-five trillion, four hundred billion, five hundred million (45,400,500,000,000) Btu's and as for Tokyo Gas to a maximum of fifteen trillion, one hundred thirty-three billion, five hundred million (15,133,500,000,000) Btu's. If pursuant to Section 5.1 above, Sellers provide notice to change the annual contract quantity from the contract year 1997, Buyers shall limit net accumulated underlift quantity to a maximum of fifty-seven trillion, three hundred fourteen billion (57,314,000,000,000) Btu's, as for Tokyo Electric to a maximum of forty-two trillion, nine hundred eighty-five billion, five hundred million (42,985,500,000,000) Btu's and as for Tokyo Gas to a maximum of fourteen trillion, three hundred twenty-eight billion, five hundred million (14,328,500,000,000) Btu's.

Buyers shall not exercise their rights under Section 5.2a above at any time during any contract year if such exercise would result in a net accumulated underlift quantity exceeding the maximums mentioned above at the end of that contract year. Buyers shall endeavor to bring the net accumulated underlift quantity to zero (0) by the end of this Extension Agreement.
2. The provisions of the Extension Agreement other than those specified in this Agreement shall remain as they are.

3. APPROVAL AND AUTHORIZATION OF GOVERNMENTAL REGULATORY BODIES:

3.1 Endeavors to obtain Approvals and Authorizations:

Sellers shall use their best endeavors to obtain forthwith any and all approvals and authorizations required by any legally constituted regulatory bodies of the United States of America, or deemed necessary by Sellers to allow Sellers to commence and continue deliveries of LNG to Buyers under this Agreement, furnishing Buyers with certified copies of all such governmental approvals and authorizations, together with certified copies of rules, regulations and restrictions promulgated by each regulatory body in connection with such approvals and authorizations.

If Sellers fail to obtain by December 31, 1992, the necessary governmental approvals and authorizations to modify the plant as necessary and to increase the annual contract quantity in conformance with this Agreement, Sellers or Buyers may terminate this Agreement at any time thereafter by written notice to the other of their intent to terminate, so long as such notice is given prior to obtaining of such approvals and authorizations. Such termination will not affect the terms and conditions of the Extension Agreement. Further, if any governmental approval or authorization issued imposes terms or conditions unreasonable to Sellers, then Sellers may terminate this Agreement by written notice to Buyers within thirty (30) days after issuance of the said final government approval or authorization.

Both of Sellers or both of Buyers shall act jointly in terminating this Agreement under this Section.
3.2 Liability of Termination:

Should either Sellers or Buyers exercise the right under Section 3.1 to terminate this Agreement, the parties exercising the right shall not be liable to the other parties for any losses, damages or expenses incurred by such other parties as a result of the termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in good faith, by their respective duly authorized officers as of the date set forth below.

BUYERS:  SELLERS:

THE TOKYO ELECTRIC POWER COMPANY, INCORPORATED  PHILLIPS ALASKA NATURAL GAS CORPORATION

BY: ___________________________  BY: ___________________________
    President & Director  President

TOKYO GAS CO., LTD.  MARATHON OIL COMPANY

BY: ___________________________  BY: ___________________________
    President & Director  President

DATED: ________________________, 1991
APPENDIX B

P66NGC - PANGC ASSIGNMENT AGREEMENT
ASSIGNMENT AGREEMENT

This Assignment Agreement is entered into this 25th day of July, 1991, but effective as of January 1, 1991, by and between PHILLIPS 66 NATURAL GAS COMPANY, a Delaware corporation ("Assignor") and PHILLIPS ALASKA NATURAL GAS CORPORATION, a Delaware corporation ("Assignee").

WHEREAS, Assignor is a party seller to the "Liquefied Natural Gas Sale and Purchase Extension Agreement" ("Extension Agreement") dated as of June 17, 1988, among Assignor, Marathon Oil Company, The Tokyo Electric Power Company, Incorporated, and Tokyo Gas Co., Ltd., under which sales of liquefied natural gas produced in Alaska are made to the buyers in Tokyo, Japan; and

WHEREAS, Assignor desires to assign its interest in the Extension Agreement to Assignee, a wholly owned subsidiary of Assignor;

NOW THEREFORE, for and in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor does hereby assign to Assignee all of Assignor's right, title, and interest as a party to the Extension Agreement. Assignor retains its rights and obligations under the Agreement as to the period prior to January 1, 1991, and agrees to remain responsible for the performance of its obligations under the Extension Agreement for the period on and after January 1, 1991, thereby waiving the release provision of the second paragraph of
Section 20.1 "Assignment" of the Extension Agreement. Assignee agrees to assume, honor, and perform all obligations of Assignor under the Extension Agreement effective as of January 1, 1991.

IN WITNESS WHEREOF, this Assignment is executed by the duly authorized officials of the parties effective as of the date set forth above.

ATTEST

D. L. Cone, Assistant Secretary

PHILLIPS 66 NATURAL GAS COMPANY

By ________________  
K. L. Smalley, President

ATTEST

By ________________  
C. B. Friley, Vice President

PHILLIPS ALASKA NATURAL GAS CORPORATION

CONSENT TO ASSIGNMENT

In consideration of the covenants set forth in the Assignment Agreement above, Marathon Oil Company hereby consents to the above assignment and to the modification of the release provision of the second paragraph of Section 20.1 "Assignment" of the Extension Agreement for purposes of this assignment.

ATTEST

MARATHON OIL COMPANY

By ________________  
Vice President

- 2 -
UNITED STATES OF AMERICA

Department of Transportation
Research and Special Programs Administration

Phillips Alaska Natural Gas Corporation
and
Marathon Oil Company,

Petitioners.

Docket No. P-47

PETITION OF PHILLIPS ALASKA NATURAL GAS CORPORATION
AND MARATHON OIL COMPANY FOR CONTINUED EXEMPTION
AND FOR APPROVAL OF MODIFICATIONS AT KENAI LNG PLANT

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Counsel for
MARATHON OIL COMPANY

August 26, 1991
UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

Phillips Alaska Natural Gas Corporation and Marathon Oil Company

PETITION OF PHILLIPS ALASKA NATURAL GAS CORPORATION
AND MARATHON OIL COMPANY FOR CONTINUED EXEMPTION
AND FOR APPROVAL OF MODIFICATIONS AT KENAI LNG PLANT

Phillips Alaska Natural Gas Corporation ("PANGC") and Marathon Oil Company ("Marathon"; both are "Petitioners") petition the Research and Special Programs Administration of the Department of Transportation ("RSPA" of "DOT") for a finding that certain modifications planned for the Kenai LNG Plant near Nikiski, Alaska, are not significant and will not cause the Kenai LNG Plant to lose its grandfathered exempt status under the DOT's regulations in 49 C.F.R. Part 193 applicable to the siting, design, installation, and construction of LNG facilities. This petition is filed pursuant to 49 U.S.C. App. §§1672(d) and 1674a and 49 C.F.R. §193.2015. In the alternative, should the RSPA find that the grandfathered status of the Kenai LNG Plant is in any way impaired by the modifications proposed, Petitioners request a waiver or amendment of the applicable requirements as to the Kenai LNG Plant. Petitioners also request a determination that the attached designs for the replacement or new components and parts of the Kenai LNG Plant...
are consistent with 49 C.F.R. Part 193 or are otherwise acceptable to the Director of the RSPA.

I.

CORRESPONDENCE

Correspondence regarding this petition should be addressed to:

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Mr. Ken C. Campbell, Director
Upstream Process Branch, Corporate Engineering
Phillips Petroleum Company
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Ms. Lauren Boyd, Attorney
Marathon Oil Company
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Mr. F. R. Adamchak, Manager
International Natural Gas
Marathon Oil Company
P. O. Box 3128
Houston, TX 77253
(713) 629-6600

PANGC is a Delaware corporation with its principal place of business in Bartlesville, Oklahoma, and is an affiliate of Phillips Petroleum Company. PANGC has just assumed participation in the Kenai LNG project from Phillips 66 Natural Gas Company, which is its parent and a subsidiary of Phillips. Marathon is an Ohio corporation with its principal offices in Houston, Texas, and is an affiliate of USX Corporation.
II.

BACKGROUND

PANGC and Marathon transport natural gas produced in the Cook Inlet area of Alaska, manufacture liquid natural gas ("LNG") in the Kenai LNG Plant near Nikiski, Alaska, load the LNG onto LNG tankers at the Kenai LNG Plant, and export LNG for sale to customers in Tokyo, Japan. Construction of the Kenai LNG Plant was commenced in 1967 following Federal Power Commission authorization for LNG exports to Japan under Section 3 of the Natural Gas Act, 15 U.S.C. §717b ("NGA"). Phillips Petroleum Co., 37 FPC 777 (1967). The Kenai LNG Plant commenced operations in 1969 and has been operated continuously since then for the purpose of the Japanese export sales. Regulatory authorizations for extensions and modifications of the sales agreements with the Japanese customers have been extended and amended on several occasions.\(^1\)

\(^1\) Presently, PANGC and Marathon are making sales to The Tokyo Electric Power Company, Incorporated, and Tokyo Gas Co., Ltd. under a Liquefied Natural Gas Sale and Purchase Extension Agreement dated June 17, 1988. The contract and the present export authorization under Section 3 of the NGA are for a term ending in 2004.

The 1988 Extension Agreement contemplates that Petitioners will replace their existing LNG tankers with new and

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\(^1\) DOE/ERA Opinion and Order No. 49 (1 ERA §70,116, December 14, 1982); DOE/ERA Opinion and Order No. 49-A (1 ERA §70,127, April 3, 1986); DOE/ERA Opinion and Order No. 206 (1 ERA §70,128, November 16, 1987); DOE/ERA Opinion and Order No. 261 (1 ERA §70,130, July 28, 1988); and DOE/FE Order No. 261-A (June 18, 1991).
slightly larger LNG tankers before June 1994. At the time of replacement of the tankers, the contractually authorized base export volumes are to increase from 52 trillion Btu’s per year to 57.5 trillion Btu’s per year. The 1988 Extension Agreement also allows deliveries of an additional six percent (6%) above the base contract quantities in certain circumstances. The Kenai LNG Plant as presently constructed can accommodate these increased export volumes, which are presently authorized; but Petitioners desire to make changes to improve the efficiency of the Kenai LNG Plant and to provide a more constant year-round margin in the plant’s ability to produce required LNG volumes. Finally, the parties are contemplating an additional incremental increase in export volumes which will be within the capabilities of the Kenai LNG Plant as modified.

III.
MODIFICATIONS PLANNED

The modifications planned for the Kenai LNG Plant will increase its efficiency and reliability. The maximum daily inlet capacity will not be materially increased. However, the plant’s ability to produce LNG is impacted by ambient air temperature as the seasons of the year change. The plant is capable of producing higher volumes of LNG during the winter than during the summer. The modifications planned will somewhat smooth out the plant’s production capability and increase LNG production capability materially in the summer months as indicated in the following chart:
KENAI LNG PLANT OPTIMIZED CAPACITY

Delivered Volume, TBU/yr

MONTH

OPTIMIZED CAPACITY

EXISTING PLANT

PLANT TURNAROUND

0
10
20
30
40
50
60
70
The planned modifications materially decrease the June to September summer downturn in LNG production capability. The significant decrease in production in May of each year shown on the chart is due to annual plant turnarounds for maintenance purposes that normally occur each year in May.

The essence of Petitioners' plan to modify the Kenai LNG Plant follows. Petitioners plan to:

1. Improve the efficiency of the fuel gas system;

2. Add cooling water capacity to improve summer LNG production capability;

3. Replace one or both existing LNG transfer pumps between the LNG manufacturing trains and the storage tanks;

4. Expand and upgrade fire water and fire protection systems; and

5. Consider adding a new waste heat boiler for steam generation to reduce loads on existing boilers, improve fuel efficiency, and reduce flue gas emissions.

As an example of the changes contemplated within the fuel gas system, a new LNG storage tank vapor blower will decrease the loss of methane gas from the three existing LNG storage tanks and will recover natural gas equivalent to approximately two percent (2%) of inlet volumes. This will in turn decrease natural gas production and inlet volume requirements by a similar amount. This significant increase in plant efficiency will also largely eliminate present methane emissions to the air from the LNG storage tanks.
The specific plant modifications to be made are outlined in full in Appendix "A" attached to and incorporated by reference in this petition. Appendix "A" includes a narrative of the proposed plant modifications resulting from a 1990 Kenai LNG Plant efficiency study and a series of plot plans and process flow diagrams that illustrate the contemplated changes in more detail.

With the exception of the replacement of one LNG transfer pump, the mechanical design of the LNG liquefaction process is unaltered by the proposed changes. The majority of the modifications are to the utility systems. The changes allow the facility to operate year round at a production level closer to the plant's maximum daily inlet capacity. For these reasons and for the reasons outlined in detail in Appendix "A", Petitioners do not believe that the proposed changes to the Kenai LNG Plant process make a significant alteration to the existing facility.

IV.
ARGUMENT
A. THE EXISTING KENAI LNG PLANT FACILITIES RETAIN THEIR GRANDFATHERED EXEMPT STATUS FOLLOWING THE PROPOSED MODIFICATIONS.

1. Statutory Exemption. Congress amended the Natural Gas Pipeline Safety Act of 1968 ("NGPSA") in 1979 to provide for safety regulation of LNG facilities. As to matters of design,
location, construction, initial inspection, and initial testing, previously constructed LNG facilities were exempted from regulation. Congress was concerned that already-constructed facilities should not be required to meet the new regulations, since they had not been sited, designed or constructed in accordance with the new requirements. In adopting the 1979 LNG safety amendments to the NGPSA, Congress required the Secretary of the DOT to formulate regulations applicable to future LNG facilities not later than 1980, but provided the following exemption for existing LNG facilities:

(c) **Effect on existing LNG facilities**

(1)(A) Except to the extent provided under subparagraph (B), any standard issued under this chapter after March 1, 1978, affecting the design, location, installation, construction, initial inspection, or initial testing shall not apply to an existing LNG facility either--

(i) under the authority of this chapter; or

(ii) under the authority of any other Federal law if such standard was not issued at the time such authority was exercised.

(B) Any such standard (other than one affecting location) may be made applicable under the provisions of such standard to any replacement component or part thereof of an LNG facility if that component or part is placed in service after the date of the issuance of that standard, but only if such applicability

(i) would not render such component or part incompatible with the other components or parts of the facility involved; or

(ii) would not otherwise be impracticable.

No standard issued under this chapter after March 1, 1978, affecting location shall apply to any replacement component or part thereof of an existing LNG facility.
(1) Standards affecting the design, installation, construction, initial inspection, and initial testing shall not be applicable to LNG facilities in existence on the date such standards are adopted.

49 U.S.C. App. §1674a(c).

Subsections (c)(1)(A) and (c)(3) above provide a clear, unqualified statutory exemption from LNG safety regulation of siting, construction, and related matters as to LNG facilities constructed prior to March 1, 1978. The Kenai LNG Plant is such a "grandfathered" LNG Plant.

Subsection (c)(1)(B) addresses the subject of replacement components or parts of LNG facilities. Even as to replacement components or parts, LNG safety regulation as to design and construction is not to apply unless DOT finds that applicability of the LNG safety regulations would not render the component or part incompatible with the other components or parts of the existing LNG facility, or would not otherwise be impracticable. The statute further states that no siting approval requirements are to apply to any replacement components or parts of pre-March 1, 1978, existing LNG facilities.

Given this statutory exemption, Petitioners submit that the current petition for clarification presents no substantial or difficult issue. Petitioners do not seek a determination that the replacement parts or components need be or should be exempt from LNG safety regulation. The replacement parts and components have been designed and will be constructed in accordance with the applicable regulatory requirements of 49 C.F.R. Part 193. Petitioners simply seek confirmation from the DOT.
that the existing unmodified parts of the Kenai LNG Plant will remain exempt from the design, location, installation, construction, initial inspection and initial testing requirements of the LNG facility safety regulations.

2. DOT-RSPA Regulations. In accordance with the 1979 LNG safety amendments to the NGPSA, the DOT adopted LNG facility safety regulations in 1980, 49 C.F.R. Part 193. Subsection (a) of 49 C.F.R. Section 193.2005 echoes the statutory exemption for pre-March 1, 1978, LNG facilities. An exemption as to siting, design, installation and construction applies to:

(1) LNG facilities under construction before the date such standards are published; or

(2) LNG facilities for which an application for approval of the siting, construction, or operation was filed before March 1, 1978, with the Department of Energy (or any predecessor organization of that Department) or the appropriate State or local agency in the case of any facility not subject to the jurisdiction of the Department of Energy under the Natural Gas Act (not including any facility the construction of which began after November 29, 1979, not pursuant to such an approval).

49 C.F.R. §193.2005(a)(1) and (2).

The Kenai Plant meets the exemption criteria in both subsections of the regulation. The facility was under construction years before the date of publication of the standards adopted in Part 193; and Petitioners or their predecessors in interest had filed for and secured approval for LNG exports under Section 3 of the NGA with the Department of Energy or its predecessor agency the Federal Power Commission well before adoption of the LNG safety amendments to the NGPSA.
Subsection (b) of 49 C.F.R. §193.2005 deals with the matter of replacement parts or components of existing LNG facilities in language that differs somewhat in tone from the statutory provisions, but is generally consistent with the statutory terms discussed above:

(b) If an LNG facility listed in paragraph (a) of this section is replaced, relocated, or significantly altered after February 11, 1980, the replacement, relocated facility, or significantly altered facility must comply with the applicable requirements of this part governing siting, design, installation, and construction, except that:

(1) The siting requirements apply only to LNG storage tanks that are significantly altered by increasing the original storage capacity or relocated, not pursuant to an application for approval filed as provided by paragraph (a)(2) of this section before March 1, 1978; and

(2) To the extent compliance with the design, installation, and construction requirements would make the replaced, relocated, or altered facility incompatible with other facilities or would otherwise be impracticable, the replaced, relocated, or significantly altered facility may be designed, installed, or constructed in accordance with the original specifications for the facility, or in a manner that the Director finds acceptable.

With respect to replacement parts and components, the DOT in subparagraph (b)(2) apparently presumes that the replacement parts and components will not be incompatible with the existing LNG facilities if designed and constructed in accordance with the LNG safety regulations. To the extent that compliance with the safety regulations as to the replacement parts and components would make the replacement parts and components incompatible with the pre-existing facilities or would be impracticable, the replacement parts and components are to be designed "in a manner that the Director finds acceptable."
The opening subparagraph of 49 C.F.R. §193.2005(b) includes a phrase that raises an interpretation question:

[T]he replacement, relocated facility, or significantly altered facility must comply . . . .

While this statement is subject to the exceptions in the following subparagraphs (b)(1) and (b)(2) that reflect exemptions in the statute, it carries at least a potential implication that even the unaltered portions of a grandfathered LNG plant must be brought into compliance with the design and construction portions of the LNG facilities regulations if another component of the plant is "significantly altered."

The RSPA should clarify that this is not the regulation's intent. First, the statutory provisions discussed above grant an unqualified continuing exemption for the unaltered portions of grandfathered LNG facilities. A contrary interpretation of the regulation would conflict with the statute. Second, when read in conjunction with the definitions contained in 49 C.F.R. §193.2007, the "significant alteration" phrase does not affect the continuing exemption for grandfathered LNG facilities, but addresses only the replacement components and parts that constitute the alteration of the plant. In Section 193.2007, "LNG facility" is defined as a "pipeline facility that is used for liquefying or solidifying natural gas." The term "LNG plant" is defined "an LNG facility or system of LNG facilities functioning as a unit." This definition establishes that an LNG plant such as the Kenai LNG Plant may consist of a number
of "LNG facilities." Finally, "pipeline facility" is defined as follows:

**Pipeline facility** means new and existing piping, rights of way, and any equipment, facility, or building used in the transportation of gas or in the treatment of gas during the course of transportation.

"Pipeline facility" refers to specific items of equipment, buildings, lengths of pipe, and the like. For these reasons, "LNG facility" as used in Section 193.2005(b) in practice refers to the particular replacement parts and components that may be significantly altered rather than to the entire Kenai LNG Plant.

In any event, the Kenai LNG Plant will not be "significantly altered" by the current planned modification. Our outline above and Appendix "A" demonstrates that the modifications are minor in relation to the overall Kenai LNG Plant facilities. The estimated cost of the modifications is approximately $18.7 million. This figure is small in comparison to the estimated cost of replacement of the Kenai LNG Plant with new facilities, which may range from $250 million to $300 million. The modifications do not address the primary liquefaction process, and affect the existing LNG storage tanks only by making improvements in handling of boil-off natural gas vapors. Under the ordinarily understood meaning of the term, no "significant alteration" of the overall Kenai LNG Plant will occur as a result of the planned modification.

Petitioners submit that under both the statute and the RSPA's regulations, unaltered portions of grandfathered exempt
LNG plants are to remain exempt from regulations as to design, construction, location, and related matters. Since Petitioners do not assert that the replacement components and parts are exempt from the design and construction criteria, no substantial issue under 49 C.F.R. §193.2005(b)(2) is presented.

B. THE REPLACEMENT COMPONENTS AND PARTS SHOULD BE APPROVED AS CONSISTENT WITH PART 193; ALTERNATELY, A WAIVER SHOULD BE GRANTED.

Petitioners request that the RSPA review the outline of the proposed Kenai LNG Plant changes in Appendix "A" and determine that the replacement parts and components have been designed in a manner that either satisfies applicable 49 C.F.R. Part 193 regulations or is acceptable to the Director of the RSPA. Waivers or modifications of the LNG safety regulations are clearly authorized in the NGPSA at 49 U.S.C. App. §1674a(e) and in the regulations at Section 193.2005(b)(2). In the alternative, to the extent that a waiver of applicable regulatory requirements is necessary to grant the determinations and approvals requested above, Petitioners hereby request such a waiver so that the benefits of the improvements contemplated may be realized at the earliest possible date.

V.

CONCLUSION

WHEREFORE, Petitioners respectfully request that the foregoing Petition be granted, that the RSPA find that the existing Kenai LNG Plant facilities will continue to be exempt under 49 C.F.R. Part 193, and that the replacement parts and

- 13 -
components contemplated in this Petition satisfy Part 193 design standards or are otherwise acceptable to the RSPA.

Respectfully submitted,

PHILLIPS ALASKA NATURAL GAS CORPORATION

By

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NARATHON OIL COMPANY

By

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August 26, 1991
APPENDIX A TO PETITION
FOR CONTINUED EXEMPTION

KENAI LNG PLANT EFFICIENCY STUDY
PROPOSED PLANT MODIFICATIONS

INTRODUCTION

During 1990, a process review of the Kenai LNG Plant located near Kenai, Alaska was completed. The results of the study indicated the plant efficiency and reliability could be increased by implementing certain modifications to the plant. This summary presents a narrative description of the planned modifications to the following systems at the Kenai LNG Plant:

- Fuel Gas
- Cooling Water
- Steam Generation
- LNG Transfer
- Fire Water

Details of these modifications are outlined in the schedules and diagrams that follow.

SAFETY CONSIDERATIONS

The Kenai LNG Plant has had an exemplary safety record over many years of operation. As one of the oldest continuously operating LNG plants in the world, the Kenai Plant still serves as an LNG role model for safe and reliable operation. Since the beginning of operation, the plant has been maintained with a rigorous program which includes regular inspections by company and outside experts. An in-depth plant review is conducted at the annual plant turnaround (major maintenance and inspection operation during a scheduled plant shutdown). In over 20 years of operation, only one DOT reportable equipment failure has occurred. This failure resulted from erosion of the J-T valve body (flashing LNG from high pressure to final flash tank pressure). The valve was replaced with a valve with a stellite coated body, and there have been no problems since as indicated by the annual inspection of the valve. Petitioners' commitment to safety began in the early stages of project development and continues throughout the project life.
Safety and hazard reduction will be given high priority in the design and installation of all the planned modifications. Safety and hazard design reviews will be conducted during key phases of the engineering and construction. Specific hazard analyses are shown as milestones on the proposed Summary Job Schedule for the engineering and construction. (Refer to Attachment 1).

Petitioner's reviews include a process design hazards review, a mechanical design hazards review (using one or more recognized methodologies such as 'What If' check or Hazop), and a precommissioning operations hazards review. The process design hazard review has been completed and documented. It should be noted that both the process and mechanical design hazards review procedures are presently being reviewed for revision to meet the requirements of the OSHA proposed 29CFR 1910 Rules.

**Process Modifications**

The proposed process modifications for the fuel gas system, the cooling water system, the steam system, and the LNG transfer system are discussed in this section. For each system, a description of the proposed revision, the basis for completing the revision, and impact on the plant operation is provided. Attachment 2 contains diagrams which show simplified flow of the main liquefaction, storage and fuel system before and after the modifications. Attachment 3 contains the Process Flow Diagrams for the plant. All new modifications are shown encircled in clouds on the flow diagrams. Since the design is affected by both summer and winter operations, both operational cases are shown on separate flow diagrams.

- **Fuel Gas System**

The existing fuel gas system consists of a storage vapor blower, two methane refrigerant to fuel gas exchangers, and a gas driven fuel gas compressor. The storage vapor blower recovers LNG vapors from three storage tanks. This LNG vapor is combined with flash gas from the 1 flash tank in the liquefaction train. The combined stream is heat exchanged with methane refrigerant in the Methane Refrigerant Subcooler and then the Methane Refrigerant Economizer. The warmed gas is then compressed by the fuel gas compressor into the fuel gas header. A letdown of dry liquefaction feed gas is used to maintain pressure in the fuel gas header as loads vary.

The existing fuel gas compressor and the storage vapor blower do not have sufficient capacity to recover all of the flash and storage vapors. This has been exhibited by venting of storage tank vapors to atmosphere.
To eliminate venting of this vapor to atmosphere and raise the overall plant efficiency by reducing losses, the following modifications are proposed.

1. Replacing the existing storage blower with a higher capacity blower. The blower will be driven by a variable frequency drive motor controlling the suction pressure of the blower by varying the motor speed.

2. The installation of an auxiliary fuel compressor to recover the higher fuel gas flows that will be available from the new storage vapor blower. This compressor would also utilize a variable frequency drive motor.

The installation of this equipment would also provide the benefit of reducing the dry feed gas which is used as fuel make-up volume. The proposed modifications to the fuel system are illustrated on the following PFDs in Attachment 3:

- P-B-006 - Final Flash And Fuel Gas System
  Summer Design Case

- P-B-026 - Final Flash And Fuel Gas System
  Winter Design Case

- U-B-001 - LNG Storage (new storage vapor blower)
  Summer Design Case

- U-B-021 - LNG Storage (new storage vapor blower)
  Winter Design Case

**Cooling Water System**

The existing cooling tower and cooling water pumps have never performed as originally specified. It has been determined that the existing equipment could be brought up to the original design specifications with only minor modification. Currently, there is insufficient cooling water to condense the maximum propane refrigerant from the propane compressors during the warm summer months. This is due in part to low cooling water rates and high cooling water supply temperatures. This has caused high propane compressor discharge pressures and reduced plant capabilities during summer operations. To correct these problems, an upgrade and expansion of the cooling water system is proposed. The modifications would include the following:
1. Replacement of the existing cooling tower fan blades with new fan blades of higher efficiency.

2. The addition of two new cooling tower cells.

3. The addition of four cooling water pumps and a new pump pit for those pumps. (Three operating pumps and one spare). These pumps would be attached to the new cooling tower cells basin. The pumps would be for service flow for both the existing and new cooling tower cells.

The proposed cooling water system modifications are shown on the following PFDs in Attachment 3.

U-B-002  - Cooling Water System
U-B-005  - Cooling Tower Modifications

- **Steam System**

To reduce fuel gas requirements, a waste heat boiler is proposed. The boiler would utilize the exhaust gas from the existing fuel gas compressor's gas turbine driver to generate saturated 400 psig steam. The addition of the boiler would reduce the duty on the existing fired boilers so that fuel gas required for steam production is reduced. The addition would also lower the flue gas emissions to atmosphere.

This modification is being handled as a stand alone project with the fuel savings for project justification. If acceptable economics are not generated, it is possible this portion of the project may not be implemented.

The proposed modifications for the steam system are shown on the following listed PFDs in Attachment 3.

U-B-003  - Steam Balance
U-B-004  - Wasteheat Boiler
LNG Transfer System

In reviewing the existing LNG transfer pumps, it was determined the pumps may be operating near their upper limit of stable operation with the efficiency improvement items implemented. To enhance the safety and reliability of the transfer system, the following modifications are proposed:

1. Purchase two new LNG transfer pumps sized for the revised process conditions.
2. Replace one existing LNG transfer pump with a new pump sized for the revised process conditions. The pump will be designed to fit into the existing suction pot.
3. Replace the second existing LNG transfer pump with the remaining new pump when satisfactory operation is achieved with the first replacement LNG transfer pump.

The proposed modifications to the LNG transfer system are shown on the following listed PFDs in Attachment 3.

- P-B-006 - Final Flash And Fuel Gas System
  Summer Design Case

- P-B-026 - Final Flash And Fuel Gas System
  Winter Design Case

Fire Water System

The existing fire water system was determined to need modifications to provide adequate protection for the plant with the process modifications installed. The major modifications proposed for the fire water system are as follows:

1. Install three new fire water deluge systems. The new systems will be installed in the following locations;
   a. The new cooling tower cells
   b. The new auxiliary fuel gas compressor building
   c. The new storage vapor blower building.

2. Install two additional 2500 GPM diesel engine driven fire water pumps, and replace two existing 750 GPM gasoline engine driven pumps with one 1500 GPM diesel engine driven pump.
The equipment layout for the proposed modifications is provided on Drawing D-A-001 "Efficiency Study Overall Plot" in Attachment 4.

**Summary**

Modifications planned for the Kenai LNG plant will increase the efficiency and reliability of the existing plant. The modifications as outlined in this letter will allow the facility to operate safely year round at a production level closer to its maximum production capacity.

Except for the replacement of the LNG transfer pumps, the mechanical design of the liquefaction process is unaltered by the proposed changes. The majority of the modifications are to the utility systems. Petitioners do not believe that the proposed changes to the Kenai LNG Plant process make a significant alteration to the existing facility, therefore: the siting, design, installation and construction portions of 49 C.F.R. Part 193 do not apply.
APPENDIX C

OPINIONS OF LEGAL COUNSEL REGARDING CORPORATE AUTHORITY TO EXPORT LNG
PHILLIPS ALASKA NATURAL GAS CORPORATION  
Bartlesville, Oklahoma 74004  

November 14, 1991  

Office of Fuels Programs  
Fossil Energy, U. S. Department of Energy  
Docket Room 3F-056, FE50  
Forrestal Building  
1000 Independence Avenue, SW  
Washington, D.C. 20585  

Re: Phillips Alaska Natural Gas Corporation / Marathon Oil Company Application for LNG Export Authorization, Opinion of Counsel Regarding Corporate Powers  

Ladies and Gentlemen:  

In accordance with the requirements of 10 C.F.R. §590.202(c), I have examined the Certificate of Incorporation and Bylaws of Phillips Alaska Natural Gas Corporation, a Delaware corporation, the Delaware corporation law and other authorities as necessary, and have concluded that the proposed exportation of natural gas by Phillips Alaska Natural Gas Corporation, one of the applicants, is within the corporate powers of Phillips Alaska Natural Gas Corporation. Further, Phillips Alaska Natural Gas Corporation is authorized to do business in Alaska and to engage in foreign commerce. Phillips Alaska Natural Gas Corporation is a wholly-owned subsidiary of Phillips 66 Natural Gas Company, which in turn is a wholly-owned subsidiary of Phillips Petroleum Company, a Delaware corporation, which has similar corporate powers and authority.  

Very truly yours,  

[Signature]  
Larry Pain  
Attorney for Phillips Alaska Natural Gas Corporation  
1256 Adams Building  
Bartlesville, OK 74004  
(918) 661-6355  

LP/jk
November 21, 1991

Office of Fuels Programs, Fossil Energy
U.S. Department of Energy
Forrestal Building, Room GA-076
1000 Independence Avenue, S.W.
Washington, D.C. 20585

RE: Phillips Alaska Natural Gas Corporation/
Marathon Oil Company
Application to Amend Authorization
to Export Liquefied Natural Gas,
Opinion of Counsel Regarding
Corporate Powers

Ladies and Gentlemen:

In accordance with the requirements of 10 C.F.R.
§ 590.202(c), as counsel for Marathon Oil Company, I have
reviewed the relevant corporate documents and have concluded
that the proposed exportation of natural gas by Marathon Oil
Company, one of the applicants, is within the corporate
powers of Marathon Oil Company. Further, Marathon Oil
Company is a corporation duly organized under the laws of the
State of Ohio and is authorized to do business in Alaska and
to engage in foreign commerce.

Very truly yours,

Lauren D. Boyd

Attorney for
Marathon Oil Company
P.O. Box 4813
Houston, Texas 77210
(713) 296-2539

LDB:csj
JHX/4903

A subsidiary of USX Corporation
ATTACHMENT 1

KENAI LNG PLANT EFFICIENCY STUDY

SUMMARY SCHEDULE
NOTE:
1. PLANT SHUTDOWN 5/17/91 - 6/1/91
2. PLANT SHUTDOWN 9/4/92 - 10/1/92
3. BACKFILL & COMPACTION DONE BY PLANT
4. FOUNDATION DURATION 7/91 - 10/91
   DEL/ERECTION DURATION 1/92 - 3/92
ATTACHMENT 2
KENAI LNG PLANT EFFICIENCY STUDY
SIMPLIFIED LNG PLANT FLOW DIAGRAMS
EXISTING AND MODIFIED
ATTACHMENT 3
KENAI LNG PLANT EFFICIENCY STUDY
PROCESS FLOW DIAGRAMS
SUMMER AND WINTER DESIGN CASES
PROCESS FLOW DIAGRAMS

Process flow diagrams for the modifications proposed for the Kenai LNG Plant Efficiency Study are attached in this section. A list of the process flow diagrams follows:

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ATTACHMENT 4
KENAI LNG PLANT EFFICIENCY STUDY
EFFICIENCY STUDY OVERALL PLOT
Department of Energy  
Washington, DC 20585

December 19, 1991

Mr. Larry Pain  
Attorney  
Phillips Alaska Natural Gas Corporation  
1256 Adams Building  
Bartlesville, Oklahoma  74004

RE: Transfer Existing Export Authorization in FE Docket Nos. 88-22-LNG, 91-10-LNG and 91-103-LNG

Dear Mr. Pain:

This is in response to your request, submitted as part of your application filed on November 26, 1991, for the transfer of the export authorization currently held by Phillips 66 Natural Gas Company (Phillips) and Marathon Oil Company (Marathon) to Phillips Alaska Natural Gas Corporation (PANGC) and Marathon. See DOE/ERA Opinion and Order No. 261, 1 ERA §70,130 DOE/FE, and Opinion and Order 261-A (Order 261-A), 1 FE §70,454. Orders 261 and 261-A give Phillips and Marathon long-term authorization to export liquefied natural gas (LNG) from the Kenai peninsula of Alaska to Japan.

In your application you indicate that as a result of a corporation restructuring designed to closely align operating group responsibilities with ownership of business assets and to better identify results of its operating groups PANGC has assumed responsibilities for the Kenai LNG operations.

Based on the information you furnished, I find that transferring the authorization granted in Orders 261 and 261-A in the referenced dockets from Phillips 66 Natural Gas Company and Marathon Oil Company to Phillips Alaska Natural Gas Corporation and Marathon Oil Company, is not inconsistent with the public interest. Accordingly, I have signed the enclosed order.
transferring that authority effective the date of issuance of that order. A copy of this letter and the enclosed order are being served on all parties to Docket Nos. 88-22-LNG, 91-10-LNG and 91-103-LNG.

Sincerely,

[Signature]

Clifford P. Tomaszewski
Acting Deputy Assistant Secretary for Fuels Programs
Office of Fossil Energy

Enclosure
ORDER TRANSFERRING AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS

DOE/FE OPINION AND ORDER NO. 261-B

ORDER

Pursuant to section 3 of the Natural Gas Act and 10 CFR Sec. 590.405, it is hereby ordered that:

The authorization granted to Phillips 66 Natural Gas Company and Marathon Oil Company to export liquefied natural gas from Alaska to Japan, pursuant to DOE/FE Opinion and Order Nos. 261 and 261-A, FE Docket Nos. 88-22-LNG and 91-10-LNG, is hereby transferred to Phillips Alaska Natural Gas Corporation and Marathon Oil Company effective the date of issuance of this order.

Issued in Washington, D.C., on December 17, 1991.

Clifford P. Tomaszewski
Acting Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy
ORDER AMENDING AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS TO JAPAN

DOE/FE OPINION AND ORDER NO. 261-C

JULY 15, 1992
I. BACKGROUND

On November 26, 1991, Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) filed an application with the Office of Fossil Energy (FE) of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA), requesting an amendment to their existing export authorization to permit a twelve percent increase in annual exports of Alaskan liquefied natural gas (LNG) to Japan.

Marathon is an Ohio corporation with principal offices in Houston, Texas, and is unaffiliated with PANGC. PANGC, a Delaware corporation with principal offices in Bartlesville, Oklahoma, is a wholly-owned subsidiary of Phillips 66 Natural Gas Company (P66NGC), which in turn is a subsidiary of Phillips Petroleum Company. DOE/FE Opinion and Order 261-B, issued December 19, 1991, transferred from P66NGC to PANGC the export authority held with Marathon.

The export authorization, which originally was granted by the Federal Power Commission in 1967, has been extended and amended by DOE. Under DOE/ERA Opinion and Order 261, 1 ERA 770,130, and DOE/FE Opinion and Order 261-A, 1 FE 770,454, the applicants currently are authorized to export 52.0 TBTu of LNG per year, through March 31, 2004, under a pricing formula that is market responsive to other world energy, including LNG, prices.
Parties to this arrangement amended their gas purchase agreement on February 19, 1992. The amendment provides for a twelve percent increase in export volumes between April 1, 1993, and March 31, 2004. Beginning April 1, 1993, the annual contract quantity (ACQ) would increase to 56.0 TBTu for the contract year 1993. The ACQ would be further increased to 64.4 TBTu beginning in the 1994 contract year, corresponding to when new tankers are expected to be in service, through the end of the contract term. The new agreement provides sellers with an option, if exercised by March 31, 1994, to cancel the 64.4 TBTu ACQ. In addition, currently authorized provisions for annual sales of up to 106 percent of the ACQ remain unchanged.

A notice of the application was published in the Federal Register on February 12, 1992, inviting protests, motions to intervene, notices of intervention, and comments to be filed by March 13, 1992.¹ No protests, motions to intervene, or notices of intervention were received.

**DECISION**

The application filed by FANGC and Marathon has been evaluated to determine if the proposed amendment meets the public interest requirements of section 3 of NGA. Under section 3, an export must be authorized unless there is a finding that it "will not be consistent with the public interest."² In reviewing

¹/ 57 FR 5154.

natural gas exports, DOE considers domestic need for the gas and any other issue determined to be appropriate.

The applicants' uncontested proposal to amend their existing export authorization to permit a twelve percent increase in export volumes, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. In support of its proposal, the applicants assert that the existing Alaskan LNG export project has been a safe and reliable operation that has benefitted all parties concerned for over twenty-one years. PANGC and Marathon assert there is no evidence of domestic need, either national or regional, for the increased volumes of natural gas which is requested, and the Cook Inlet area has ample natural gas reserves to supply regional needs well beyond the current term of the export authority. Applicants also emphasize the benefits to Alaska and the Federal Government through continuing royalty payments and an improved U.S. balance of payments with Japan.

After taking into consideration all of the information in the record of this proceeding, I find that approving the proposed amendment, as requested by the joint applicants, is not inconsistent with the public interest.3/

3/ Because the export of LNG uses existing facilities, DOE has determined that granting this application is not a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act (42 U.S.C. 4321, et seq.) and therefore an environmental impact statement or environmental assessment is not required. See 40 CFR Sec. 1508.4 and 57 FR 15122 (April 24, 1992).
ORDER

For the reasons set forth above, under section 3 of the National Gas Act, it is ordered that:

A. Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) are authorized to increase their aggregate export volume, from 52.0 TBTU to 56.0 TBTU beginning April 1, 1993, and a further increase to 64.4 TBTU beginning in the April 1, 1994, contract year.

B. All other conditions as set by Order Nos. 261, 261-A and 261-B remain in effect.


[Signature]

Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy
UNITED STATES OF AMERICA
[6450-01]
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY
[FE DOCKET NO 91-103-LNG]
PHILLIPS ALASKA NATURAL GAS CORPORATION
AND MARATHON OIL COMPANY
ORDER AMENDING EXISTING AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS TO JAPAN

AGENCY: Office of Fossil Energy, DOE.
ACTION: Notice of Order.
SUMMARY: The Office of Fossil Energy of the Department of Energy gives notice that it has issued an order amending the authorization of Phillips Alaska Natural Gas Corporation and Marathon Oil Company to increase by twelve percent the volume of liquefied natural gas the applicants are authorized to export from Alaska to Japan beginning April 1, 1993, through March 31, 2004.

A copy of this order is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, (202) 586-9478. The docket room is open between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays.


[Signature]
Charles F. Vacek
Deputy Assistant Secretary
for Fuels Programs
Office of Fossil Energy
The decision on the application for export authority will be made consistent with DOE's gas import policy guidelines. Under which the competitiveness of an import arrangement in the market served is the primary consideration in determining whether it is in the public interest (49 FR 8064, February 22, 1984), is reviewed for its export applications, DOE considers the domestic need for the gas to be exported and any other issues determined to be appropriate. Including whether the arrangement is consistent with the DOE policy of promoting competition in the natural gas marketplace by allowing commercial parties to freely negotiate their own trade arrangements. Parties that may oppose the application should comment on their responses on these issues.

NEPA Compliance: The National Environmental Policy Act (NEPA) 42 U.S.C. 4321 et seq., requires DOE to give appropriate consideration to the environmental effects of its proposed actions. All final decisions will be issued in this proceeding until DOE has met its NEPA responsibilities.

Public Comment Procedures: In response to this notice, any person may file a protest motion to intervene or notice of intervention as applicable, and written comments. Any person wishing to become a party to the proceeding and to have their written comments considered as the basis for any decision on the application must, however, file a motion to intervene or notice of intervention, as applicable. The filing of a protest with respect to this application will not serve to make the protestor a party to the proceeding, although protests and comments received from persons who are not parties will be considered in determining the appropriate action to be taken on the application. All protests, motions to intervene, notices of intervention, and written comments must meet the requirements that are specified by the regulations in 10 CFR Part 560. Protests, motions to intervene, notices of intervention, requests for additional procedures, and written comments should be filed with the Office of Fuels Programs at the address listed above.

It is intended that a decisional record on the application will be developed through responses to this notice by parties, including the parties' written comments and replies thereto. Additional procedures will be used as necessary to achieve a complete understanding of the facts and issues. A company seeking intervention may request that additional procedures be provided, such as additional written comments, an oral presentation, a conference, or trial-type hearing. Any request to file additional written comments should explain why they are necessary. Any request for an oral presentation should identify the substantial question of fact, law, or policy at issue, show that it is material and relevant to a decision in the proceeding, and demonstrate why an oral presentation is needed. Any request for a conference should demonstrate why the conference would materially advance the proceeding. Any request for a trial-type hearing must show that there are factual issues genuinely in dispute that are relevant and material to a decision and that a trial-type hearing is necessary for a full and true disclosure of the facts.

If an additional procedure is scheduled, notice will be provided to all parties. If no party requests additional procedures, a final opinion and order may be issued based on the official record, including the application and responses filed by parties pursuant to this notice, in accordance with 10 CFR 960.31(b).

A copy of L.D. Natural Gas's application is available for inspection and copying in the Office of Fuels Programs, Room 5, 4370, at the address above. The docket room is open between the hours of 8 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays.

Issued in Washington, DC on July 18, 1982.

Charles F. Vacus,
Deputy Assistant Secretary for Fuels Programs, Office of fossil Energy.

[FR Doc. 82-17277 Filed 7-21-82; 8:45 am]
BILLING CODE 4410-01-M

[FE Docket No. 81-1029-LAN]
Phillips Alaska Natural Gas Corp. and Marathon Oil Company; Order Amending Existing Authorization to Export Liquefied Natural Gas to Japan

AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of order.

SUMMARY: The Office of Fossil Energy of the Department of Energy gives notice that it has issued an order amending the authorization of Phillips Alaska Natural Gas Corporation and Marathon Oil Company to increase by twelve percent the volume of liquefied natural gas the applicants are authorized to export from Alaska to Japan beginning April 1, 1983, through March 31, 2004.

A copy of this order is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056, Forestal Building, 1000 Independence Avenue, SW, Washington, DC 20585.

The docket room is open between the hours of 8 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays.

Issued in Washington, DC, July 15, 1982.

Charles F. Vacus,
Deputy Assistant Secretary for Fuels Programs, Office of Fossil Energy.

[FR Doc. 82-17277 Filed 7-21-82; 8:45 am]
BILLING CODE 4410-01-M

Western Area Power Administration

Floodplain/Wetlands Involvement for the Sterling Substation Transformer and Fuse Replacement Project, Logan County, CO

AGENCY: Western Area Power Administration, DOE.

ACTION: Floodplain/wetland involvement and opportunity to comment.

SUMMARY: The Department of Energy, Western Area Power Administration (Western), is proposing to remove and replace a transformer and transformer fuses and provide oil spill containment for all oil-filled equipment at the Sterling Substation near Sterling, Colorado, in Logan County. Because the substation is within the floodplain of the South Platte River, Western will prepare a Floodplain/Wetlands Assessment.

DATE: Public comments or suggestions concerning the floodplain involvement of Western's proposed actions are invited. Comments are due within 15 days after the date of publication of this notice in the Federal Register.

ADDRESS: Comments or suggestions should be sent to: Mr. Robert H. Jones, Acting Area Manager, Loveland Area Office, Western Area Power Administration, P.O. Box 3700, Loveland, CO 80539, (303) 690-7200.

FOR FURTHER INFORMATION CONTACT: Rodney D. Jones, Environmental Specialist, Loveland Area Office, Western Area Power Administration, P.O. Box 3700, Loveland, CO 80539, (303) 690-7371.

SUPPLEMENTARY INFORMATION: Pursuant to DOE's "Compliance with Floodplain/Wetlands Environmental Review Requirements," 10 CFR part 1022, Western has determined this proposed project may involve activities within a floodplain area. Western will prepare a floodplain/wetlands assessment in accordance with Executive Order 11990, Floodplain Management, and Executive Order 11980, Protection of Wetlands. The assessment will address the
proposed activity in the South Platte River floodplain.

Removing and replacing the Sterling Substation transformer has become necessary due to the age of the existing transformer and the unavailability of replacement parts. These factors have made maintaining this transformer increasingly difficult. The new transformer would require less maintenance time and increase reliability by reducing the risk of potential failure. The existing transformer and foundation would be removed and a new transformer with a new concrete foundation installed. The 69 kilovolt (KV) fuses would be replaced with a three-phase interrupter to prevent single-phase conditions. Single-phase operation has caused severe low voltages to customers in the area. In addition, three instrument transformers would be replaced and one circuit breaker would be removed.

Based on U.S. Geological Survey topographic maps and Federal Emergency Management Agency (FEMA) maps, the existing substation lies within the known boundaries of the 100-year floodplain of the South Platte River. All construction activity associated with the project would take place within the 10-acre fenced boundary of the substation facility. Oil spill contamination for all oil-filled equipment would be installed at the substation. Oil spill containment design will consider potential oil spill impacts to the South Platte River and floodplain.

Issued at Golden, Colorado, July 10, 1982. William H. Clemet, Administrator. (FR Doc. 82-27270 Filed 7-21-82; 8:45 a.m.) BILLING CODE 4350-01-M

ENVIRONMENTAL PROTECTION AGENCY

[OPP-300224A; FRL-4070-2]

Abandoned and Incomplete Pesticide Petitions That Are Being Withdrawn

AGENCY: Environmental Protection Agency (EPA).

ACTION: Notice: Withdrawn Petitions.

SUMMARY: This notice announces the withdrawal of seven petitions to register abandoned and incomplete pesticide petitions for tolerances and for food or feed additive petitions (FAPs) currently pending with the Agency. In response to the notice, certain registrants have requested the Agency to withdraw their pesticide petitions or food or feed additive petitions without prejudice to future filings. Accordingly, the petitions listed in the table below have been withdrawn by the Agency on the dates indicated.

List of Petitions Withdrawn per Correspondence Received

<table>
<thead>
<tr>
<th>Petition Number</th>
<th>Chemical Name</th>
<th>Petitioner</th>
<th>Crop</th>
<th>Date</th>
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<tbody>
<tr>
<td>25104</td>
<td>Diclofop-methyl</td>
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<td>Pecan</td>
<td>12-05-91</td>
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<td>25105</td>
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<td>Pecan</td>
<td>12-05-91</td>
</tr>
</tbody>
</table>

Freedom of Information Section, Field Operations Division (HF500C), Office of Pesticide Programs, Environmental Protection Agency, 401 M St., SW., Washington, DC 20460. In person, deliver comments to: Rm. 348, Crystal Mall #2, 348 Jefferson Davis Hwy., Arlington, VA 22202.

FOR FURTHER INFORMATION CONTACT: By mail, James A. Tompkins, Registration Support Branch, Registration Division (HF500C), Environmental Protection Agency, 401 M St. SW., Washington, DC 20460. Office location and telephone number: Rm. 234A, CM #2, 1921 Jefferson Davis Hwy., Arlington, VA 22202, (703) 305-7700.

SUPPLEMENTARY INFORMATION: In the Federal Register of September 4, 1991 (56 FR 43758), EPA issued a notice which announced certain policies concerning abandoned and incomplete pesticide petitions for tolerances and food or feed additive petitions (FAPs) currently pending with the Agency. In response to the notice, certain registrants have requested the Agency to withdraw their pesticide petitions or food or feed additive petitions without prejudice to future filings. Accordingly, the petitions listed in the table below have been withdrawn by the Agency on the dates indicated.
UNITED STATES OF AMERICA

[6450-01]

DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

FE DOCKET NO. 91-103-LNG

PHILLIPS ALASKA NATURAL GAS CORPORATION AND MARATHON OIL COMPANY

APPLICATION TO AMEND AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS

AGENCY: Department of Energy
Office of Fossil Energy

ACTION: Notice of an Application to Amend Authorization to Export Liquefied Natural Gas

SUMMARY: The Office of Fossil Energy (FE) of the Department of Energy (DOE) gives notice of receipt on November 26, 1991, of an application filed by Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) to amend their existing export authorization to permit a twelve percent increase in exports of Alaskan liquefied natural gas (LNG) to Japan.

The application is filed under section 3 of the Natural Gas Act and DOE Delegation Order Nos. 0204-111 and 0204-127. Protests, motions to intervene, notices of intervention, and written comments are invited.

DATE: Protests, motions to intervene or notices of intervention, as applicable, requests for additional procedures and written comments are to be filed at the address listed below no later than 4:30 p.m., eastern time, ________ (30 days after date of publication).
UNITED STATES OF AMERICA

[6450-01]

DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

FE DOCKET NO. 91-103-LNG

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The application is filed under section 3 of the Natural Gas Act and DOE Delegation Order Nos. 0204-111 and 0204-127.

Protests, motions to intervene, notices of intervention, and written comments are invited.

DATE: Protests, motions to intervene or notices of intervention, as applicable, requests for additional procedures and written comments are to be filed at the address listed below no later than 4:30 p.m., eastern time,____________ (30 days after date of publication).
ADDRESS:

Office of Fuels Programs
Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3F-056, FE-50
1000 Independence Avenue, S.W.
Washington, D.C. 20585

FOR FURTHER INFORMATION:

Allyson C. Reilly
Office of Fuels Programs
Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3F-094, FE-53
1000 Independence Avenue, S.W.
Washington, D.C. 20585
(202) 588-9394

Diane Stubbs
Office of Assistant General Counsel
for Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 6E-042, GC-14
1000 Independence Avenue, S.W.
Washington, D.C. 20585
(202) 586-6667

SUPPLEMENTARY INFORMATION:

Marathon is an Ohio corporation with principal offices in Houston, Texas, and is unaffiliated with PANGC. PANGC, a Delaware corporation with principal offices in Bartlesville, Oklahoma, is a wholly-owned subsidiary of Phillips 66 Natural Gas Company (P66NGC), which in turn is a subsidiary of Phillips Petroleum Company. DOE/FE Opinion and Order 261-B, issued December 19, 1991, transferred from P66NGC to PANGC the export authority held with Marathon.

Originally authorized by the Federal Power Commission in 1967, the PANGC-Marathon LNG exports have been extended and
amended from time-to-time by DOE. Under DOE/ERA Opinion and Order 261, 1 ERA 170,130, and DOE/FE Opinion and Order 261-A, 1 FE 170,454, the applicants currently are authorized to export 52.0 TBTU of LNG per year, through March 31, 2004, under a pricing formula that is market responsive to other LNG prices and world energy prices. The LNG is exported from the applicants’ Kenai liquefaction plant in the Cook Inlet area of Alaska to two Japanese customers, the Tokyo Electric Power Company, Inc., and the Tokyo Gas Company, Ltd.

The parties to this export arrangement signed a letter of intent on October 31, 1991, to amend their gas purchase agreement. The new agreement provides for a twelve percent increase in exports between April 1, 1993, and March 31, 2004. Beginning April 1, 1993, the annual contract quantity (ACQ) would increase to 56.0 TBTU for the contract year 1993. The ACQ would be further increased to 64.4 TBTU beginning in the 1994 contract year, when new tankers are expected to be in service, through the end of the contract term. The new agreement provides sellers with an option, if exercised by March 31, 1994, to cancel the 64.4 TBTU ACQ. In addition, currently authorized provisions for annual sales of up to 106 percent of the ACQ remain unchanged.

In support of their application, PANGC and Marathon assert there is no evidence of domestic need, either national or regional, for the increased volumes of natural gas which is requested, and the Cook Inlet area has ample natural gas reserves to supply regional needs well beyond the current term of the
export authority. Applicants also emphasize the benefits to Alaska and the Federal Government through continuing royalty payments and an improved U.S. balance of payments with Japan.

The export application will be reviewed under section 3 of the Natural Gas Act and the authority contained in DOE Delegation Order Nos. 0204-111 and 0204-127. In deciding whether the proposed export is in the public interest, domestic need for the natural gas will be considered, and any other issue determined to be appropriate, including whether the arrangement is consistent with DOE policy of promoting competition in the natural gas marketplace by allowing commercial parties to freely negotiate their own trade arrangements. Parties, especially those that may oppose this application, should comment on these matters as they relate to the requested export authority. PANGC and Marathon assert the amendment is not inconsistent with the public interest for the reasons briefly described herein. Parties opposing the arrangement bear the burden of overcoming this assertion.

NEPA Compliance. The National Environmental Policy Act (NEPA), 42 U.S.C. 4321 et seq., requires DOE to give appropriate consideration to the environmental effects of its proposed actions. No final decision will be issued in this proceeding until DOE has met its NEPA responsibilities.

Public Comment Procedures. In response to this notice, any person may file a protest, motion to intervene or notice of intervention, as applicable, and written comments. Any person wishing to become a party to the proceeding and to have their
written comments considered as the basis for any decision on the application must, however, file a motion to intervene or notice of intervention, as applicable. The filing of a protest with respect to this application will not serve to make the protestant a party to the proceeding, although protests and comments received from persons who are not parties will be considered in determining the appropriate action to be taken on the application. All protests, motions to intervene, notices of intervention, and written comments must meet the requirements that are specified by the regulations in 10 CFR Part 590. Protests, motions to intervene, notices of intervention, requests for additional procedures, and written comments should be filed with the Office of Fuels Programs at the above address.

It is intended that a decisional record will be developed on the application through responses to this notice by parties, including the parties' written comments and replies thereto. Additional procedures will be used as necessary to achieve a complete understanding of the facts and issues. A party seeking intervention may request that additional procedures be provided, such as additional written comments, an oral presentation, a conference, or trial-type hearing. Any request to file additional written comments should explain why they are necessary. Any request for an oral presentation should identify the substantial question of fact, law, or policy at issue, show that it is material and relevant to a decision in the proceeding, and demonstrate why an oral presentation is needed. Any request
for a conference should demonstrate why the conference would materially advance the proceeding. Any request for a trial-type hearing must show that there are factual issues genuinely in dispute that are relevant and material to a decision and that a trial-type hearing is necessary for a full and true disclosure of the facts.

If an additional procedure is scheduled, notice will be provided to all parties. If no party requests additional procedures, a final opinion and order may be issued based on the official record, including the application and responses filed by parties pursuant to this notice, in accordance with 10 CFR Sec. 590.316.

A copy of PANGC's and Marathon's application is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056, at the above address. The docket room is open between the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday, except Federal holidays.


Anthony J. Como
Director
Office of Coal and Electricity
Office of Fuels Programs
Office of Fossil Energy
Wisconsin Electric Power Co.; Notice Soliciting Applications


The project is located on the Sturgeon River in Dickinson County, Michigan. The principal project works consist of: (a) A 217-foot-long concrete arch dam, a 140-foot-wide penstock intake, and a 7.5-foot-wide trash gate; (b) a reservoir of 246 acres; (c) a 7-foot-diameter, 290-foot-long penstock; (d) a powerhouse with an installed capacity of 600 kW; (e) a transmission line connection; and (f) appurtenant facilities.

Pursuant to § 16.20 of the Commission's regulations, the deadline for filing an application for new license and any competitive licensing applications was December 31, 1991. No applications for license for this project were filed. Therefore, pursuant to § 16.25 of the Commission's regulations, the Commission is soliciting applications from potential applicants other than the existing licensee.

Pursuant to § 16.19 of the Commission's regulations, the licensee is required to make available certain information described in § 16.7 of the Commission's regulations. Such information is available from the licensee at Real Estate Department, Public Service Building, room 452, 231 West Michigan Street, Milwaukee, WI 53201.

A potential applicant who files a notice of intent within 90 days of the date of issuance of this notice (1) May apply for a license under part I of the Act and part 4 (except § 4.35) of the Commission's regulations within 18 months of the date on which it files its notice; and (2) must comply with the requirements of §16.8 of the Commission's regulations.

Loris D. Cashell.
Secretary.

[FR Doc. 92-3274 Filed 2-11-92; 8:45 am]
BILLING CODE 7171-01-M

Office of Fossil Energy

[FE Docket No. 91-105-LNG]

Phillips Alaska Natural Gas Corporation and Marathon Oil Co.; Application To Amend Authorization to Export Liquefied Natural Gas

AGENCY: Department of Energy, Office of Fossil Energy.

ACTION: Notice of an application to amend authorization to export liquefied natural gas.

SUMMARY: The Office of Fossil Energy (FE) of the Department of Energy (DOE) gives notice of receipt on November 29, 1991, of an application filed by Phillips Alaska Natural Gas Corporation (PANC) and Marathon Oil Company (Marathon) to amend their existing export authorization to permit a twelve percent increase in exports of liquefied natural gas (LNG) to Japan.

The application is filed under section 3 of the Natural Gas Act and DOE Delegation Order Nos. 0204-111 and 0204-127. Protests, motions to intervene, notices of intervention, and written comments are invited.

DATES: Protests, motions to intervene or notices of intervention, as applicable, requests for additional procedures and written comments are filed at the address listed below no later than 4:30 p.m., Eastern time, March 13, 1992.


SUPPLEMENTARY INFORMATION: Marathon is an Ohio corporation with principal offices in Houston, Texas, and is unaffiliated with PANC. PANC is a Delaware corporation with principal offices in Berwyn, Illinois, and is a wholly-owned subsidiary of Phillips 66 Natural Gas Company [PANGC], which in turn, is a subsidiary of Phillips Petroleum Company. DOE/FE Opinion and Order 201-C, issued December 19, 1991, transferred from PANGC to PANC the export authority held with Marathon.

Originally authorized by the Federal Power Commission in 1967, the PANGC-Marathon LNG export facility was extended and expanded from time-to-time by DOE. Under DOE/ERA Opinion and Order 261-L, I ERA § 70.130, and DOE/FE Opinion and Order 31H-A, I FE § 70.454, the applicants currently are authorized to export 520 TBtu of LNG per year, through March 31, 2004, under a pricing formula that is market responsive to other LNG prices and world energy prices. The LNG is exported from the applicants' Kenai Liquefaction plant in the Cook Inlet area of Alaska to two Japanese customers, the Tokyo Electric Company, Inc., and the Tokyo Gas Company, Ltd.

The parties to this export arrangement signed a letter of intent on October 31, 1991, to amend their gas purchase agreement. The new amendment provides for a twelve percent increase in exports between April 1, 1993, and March 31, 2004. Beginning April 1, 1993, the annual contract quantity (ACQ) would increase to 58.0 TBtu for the contract year 1993. The ACQ would be further increased to 64.6 TBtu beginning in the second contract year, when new tankers are expected to be in service, through the end of the contract term. The new agreement provides sellers with an option, if exercised by March 1, 1994, to cancel the 64.6 TBtu ACQ in addition, currently authorized approximately 520 TBtu per year for annual sales of up to 100 percent of the ACQ remain unchanged.

In support of their application, PANGC and Marathon assert there is no evidence of domestic need, either national or regional, for the increased volumes of natural gas which is requested, and the Cook Inlet area has ample natural gas reserves to supply regional needs well beyond the current term of the export authority. Applicants also emphasize the benefits to Alaska and the Federal Government through continuing royalty payments and an improved U.S. balance of payments with Japan.

The export application will be reviewed under section 3 of the Natural Gas Act and the authority contained in DOE Delegation Order Nos. 0204-111 and 0204-127. In deciding whether the proposed export is in the public interest, domestic need for the natural gas will be considered, and any other issue determined to be appropriate, including whether the application is consistent with DOE policy of promoting competition in the natural gas marketplace by allowing commercial parties to freely negotiate their own trade arrangements. Parties, especially those that may oppose this application,
should comment on these matters as they relate to the requested export authority. PANGC and Marathon assert the amendment is not inconsistent with the public interest for the reasons briefly described herein. Parties opposing the arrangement bear the burden of overcoming this assertion.

NEPA Compliance

The National Environmental Policy Act (NEPA), 42 U.S.C. 4321 et seq., requires DOE to give appropriate consideration to the environmental effects of its proposed actions. No final decision will be issued in this proceeding until DOE has met its NEPA responsibilities.

Public Comment Procedures

In response to this notice, any person may file a protest, motion to intervene or notice of intervention, as applicable, and written comments. Any person wishing to become a party to the proceeding and to have their written comments considered as the basis for any decision on the application must, however, file a motion to intervene or notice of intervention, as applicable. The filing of a protest or motion to intervene with this application will not serve to make the protestant a party to the proceeding, although protests and comments received from persons who are not parties will be considered in determining the appropriate action to be taken on the application. All protests, motions to intervene, notices of intervention, and written comments must meet the requirements that are specified by the regulations in 10 CFR part 590. Protests, motions to intervene, notices of intervention, requests for additional procedures, and written comments should be filed with the Office of Fuels Programs at the above address.

It is intended that a decisional record will be developed on the application through responses to this notice by parties, including the parties’ written comments and replies thereto. Additional procedures will be used as necessary to achieve a complete understanding of the facts and issues. A party seeking intervention may request that additional procedures be provided, such as additional written comments, oral presentations, a conference, or trial-type hearing. Any request to file additional written comments should explain why they are necessary. Any request for an oral presentation should identify the substantial question of fact, law, or policy at issue, show that it is material and relevant, and identify in the proceeding, and demonstrate why an oral presentation is needed. Any request for a conference should demonstrate why the conference would materially advance the proceeding. Any request for a trial-type hearing must show that there are factual issues genuinely in dispute that are relevant and material to a decision and that a trial-type hearing is necessary for a full and true disclosure of the facts.

If an additional procedure is scheduled, notice will be provided to all parties. If no party requests additional procedures, a final opinion and order may be issued based on the official record, including the application and responses filed by parties pursuant to this notice, in accordance with 10 CFR 590.316.

A copy of PANGC’s and Marathon’s application is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056, at the above address. The docket room is open between the hours of 8 a.m. and 4:30 p.m. Monday through Friday, except Federal holidays.


Annette J. Conno,
Director, Office of Coal and Electricity, Office of Fuels Programs, Office of Fossil Energy.
[FR Doc. 92-3749 Filed 2-11-92; 8:45 am]

BILLING CODE 4821-01-M

[T FE Docket No. 91-113-NG]

Tangram Transmission Corporation; Application to Export Natural Gas to Mexico

AGENCY: Department of Energy, Office of Fossil Energy.

ACTION: Notice of application for blanket authorization to export natural gas to Mexico.

SUMMARY: The Office of Fossil Energy (FE) of the Department of Energy (DOE) gives notice of receipt on December 23, 1991, of an application filed by Tangram Transmission Corporation (Tangram) for blanket authorization to export up to 72 Bcf of natural gas to Mexico annually or up to 146 Bcf over a two-year term beginning on the date of first delivery. Tangram intends to utilize existing pipeline facilities for the transportation of the volume of gas to be exported and submit quarterly reports detailing each transaction.

The application is filed under section 3 of the Natural Gas Act (NGA) and DOE Delegation Order Nos. 2004-111 and 2004-127. Protests, motions to intervene, notices of intervention, and written comments are invited.

DATE: Protests, motions to intervene or notices of intervention, as applicable,
requests for additional procedures and written comments are to be filed at the address listed below no later than 4:30 p.m., ET, on or before March 12, 1992.


FOR FURTHER INFORMATION CONTACT:


SUPPLEMENTARY INFORMATION: Tangram is a corporation organized under the laws of the State of Texas with its principal place of business at The Woodlands, Texas. Tangram requests authorization to export natural gas to Mexico for sale to a variety of purchasers. The natural gas would be supplied by various U.S. producers and exported under arrangements negotiated in response to market conditions.

The decision on the application for export authority will be made consistent with section 3 of NGA and the authority contained in DOE Delegation Order Nos. 2004-111 and 2004-127. In deciding whether the proposed export of natural gas is in the public interest, domestic need for the gas will be considered, and any other issue determined to be appropriate, including whether the arrangement is consistent with the DOE policy of promoting competition in the natural gas marketplace by allowing commercial parties to form and negotiate their own trade arrangements. Parties, especially those that may oppose this application should comment on these matters as they relate to the proposed export authority. The applicant asserts that there is no current need for the domestic gas that would be exported under the proposed arrangements. Parties opposing this arrangement bear the burden of overcoming this assertion.

NEPA Compliance

The National Environmental Policy Act (NEPA), 42 U.S.C. 4321 et seq., requires DOE to give appropriate consideration to the environmental effects of its proposed actions. No final decision will be issued in this proceeding until DOE has met its NEPA responsibilities.
Categorical Exclusion (CX) Determination for Export Authorization -- Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) (FE Docket No. 91-103-LNG)

Subject

Carol Borgstrom, Director, EH-25

Proposed action: Issue PANGC and Marathon authorization under section 3 of the Natural Gas Act (NGA) to increase its export to Japan from 52.0 Trillion Btu's of liquefied natural gas (LNG) to 64.4 Trillion Btu's for the term of its authorization, utilizing existing pipeline and LNG facilities to transport the gas, thus only increasing throughput.

Location: Any point on the international borders of the United States where commercial natural gas and LNG facilities exist. No DOE plants or installations are involved.

CX to be applied: Section D, DOE NEPA Guidelines (54 FR 12474, March 27, 1989); specifically, the CX for actions applicable to natural gas import/export authorizations under section 3 of the NGA not normally requiring an environmental assessment or environmental impact statement and not involving new construction.

James G. Randolph
Assistant Secretary for Fossil Energy

EH-25 has reviewed this determination and has no objection.

Dated: __________, 1991, by ____________________
Ms. Allyson C. Reilly  
U.S. Office of Fuels Programs  
Department of Energy  
Forrestal Building, Room 3F-094  
1000 Independence Avenue, SW  
Washington, DC 20585

Re: Application to Amend Authorization to Export Liquefied Natural Gas; FE Docket No. 91-103-LNG

Dear Ms. Reilly:

Enclosed pursuant to our telephone conference are three copies of the Second Amendatory Agreement which was executed February 19, 1992.

Sincerely yours,

Larry Pain, Attorney  
1256 Adams Building  
Bartlesville, OK 74004  
(918) 661-6355

LP/jk  
Enclosures
SECOND AMENDATORY AGREEMENT

THIS AGREEMENT made and entered into by and between Phillips Alaska Natural Gas Corporation (Phillips) as successor to Phillips 66 Natural Gas Company and Phillips Petroleum Company, corporations incorporated under the laws of the State of Delaware, the United States of America and Marathon Oil Company (Marathon), a corporation incorporated under the laws of the State of Ohio, the United States of America, hereinafter collectively referred to as "Sellers", and The Tokyo Electric Power Company, incorporated (Tokyo Electric) and Tokyo Gas Co., Ltd. (Tokyo Gas), corporations incorporated under the laws of Japan, hereinafter collectively referred to as "Buyers".

WITNESSETH:

Sellers and Buyers have discussed increasing annual contract quantity (ACQ) applicable under the Liquefied Natural Gas Sale and Purchase Extension Agreement dated the 17th day of June, 1988, (hereinafter referred to as "Extension Agreement"). Sellers are undertaking modifications to manufacture incremental LNG and will have surplus shipping capacity upon delivery of the new LNG tankers now under construction. Buyers have expressed their interest in purchasing such incremental LNG. NOW, THEREFORE, in consideration of the mutual and dependent promises herein contained, Sellers and Buyers hereby agree as follows:

1. Article V, Sections 5.1 and 5.2c in the Extension Agreement shall be deleted and replaced with the following respectively:

"5.1 Annual Contract Quantity

The annual contract quantity of LNG which Sellers agree to sell and deliver and Buyers agree to purchase and receive under this Extension Agreement shall be denominated in BTU's and shall be as per the following table for the contract years commencing April 1 of the years shown:

<table>
<thead>
<tr>
<th>Contract Year</th>
<th>Total Btu's</th>
<th>Tokyo Electric Btu's</th>
<th>Tokyo Gas Btu's</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trillion</td>
<td>Thousand</td>
<td>Trillion</td>
</tr>
<tr>
<td>1989-1992</td>
<td>52.0</td>
<td>988.0</td>
<td>39.0</td>
</tr>
<tr>
<td>1993</td>
<td>56.0</td>
<td>1,064.0</td>
<td>42.0</td>
</tr>
<tr>
<td>1994-2003</td>
<td>64.4</td>
<td>1,224.0</td>
<td>48.3</td>
</tr>
</tbody>
</table>

- 1 -
Metric Tons are approximations for information purposes and shall in no way affect this Extension Agreement.

In reference to Section 4.1 of the Extension Agreement, Sellers have contracted for the purchase of two (2) new LNG tankers scheduled for delivery during June and December 1993. If Sellers anticipate any material delay in new LNG tankers introduction beyond these dates, Sellers shall notify Buyers of the delay, and Sellers and Buyers shall meet and discuss the necessary changes to the annual contract quantity for the contract years 1993 and 1994.

On or before March 31, 1994, Sellers shall have the option, upon written notice to Buyers, to change the annual contract quantity from contract year 1997 through contract year 2003. Prior to providing such written notice to Buyers, Sellers and Buyers shall meet to discuss Sellers’ election to change the annual contract quantity. Thereafter, upon providing the written notice to Buyers, the annual contract quantity of LNG from contract year 1997 through contract year 2003 which Sellers agree to sell and deliver and Buyers agree to purchase and receive under this Extension Agreement shall be as per the following table:

<table>
<thead>
<tr>
<th></th>
<th>Tokyo Electric</th>
<th>Tokyo Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Btu's</td>
<td>Metric Tons</td>
<td>Btu's</td>
</tr>
<tr>
<td>Trillion</td>
<td>Thousand</td>
<td>Trillion</td>
</tr>
<tr>
<td>57.5</td>
<td>1,092.0</td>
<td>43.125</td>
</tr>
<tr>
<td>14.375</td>
<td>273.0</td>
<td></td>
</tr>
</tbody>
</table>

Metric Tons are approximations for information purposes and shall in no way affect this Extension Agreement.

Prior to the arrival of a cargo of LNG at the LNG berthing facilities used jointly by Buyers, Buyers shall declare together to Sellers the ratio, totalling one hundred (100) percent, in which such cargo is to be allocated between Buyers.

For the purpose of calculating the quantity delivered in a contract year, delivery and receipt of all LNG unloaded from any LNG tanker shall be deemed to have been made on the day on which unloading of that LNG was commenced."

"5.2c Accumulated Annual Underlift Quantity"

All annual underlift quantities and annual overlift quantities shall be accumulated at the end of each contract year and the accumulated annual overlift quantity shall be subtracted from the accumulated annual underlift quantity to determine the net accumulated underlift quantity, if any. Buyers shall limit the net accumulated underlift quantity to a maximum of sixty trillion, five hundred thirty-four billion (60,534,000,000,000) Btu’s, as for Tokyo Electric to a maximum of forty-five trillion,
four hundred billion, five hundred million (45,400,500,000,000) Btu's and as for Tokyo Gas to a maximum of fifteen trillion, one hundred thirty-three billion, five hundred million (15,133,500,000,000) Btu's. If pursuant to Section 5.1 above, Sellers provide notice to change the annual contract quantity from the contract year 1997, Buyers shall limit the net accumulated underlift quantity to a maximum of fifty-seven trillion, three hundred fourteen billion (57,314,000,000,000) Btu's, as for Tokyo Electric to a maximum of forty-two trillion, nine hundred eighty-five billion, five hundred million (42,985,500,000,000) Btu's and as for Tokyo Gas to a maximum of fourteen trillion, three hundred twenty-eight billion, five hundred million (14,328,500,000,000) Btu's.

Buyers shall not exercise their rights under Section 5.2a above at any time during any contract year if such exercise would result in a net accumulated underlift quantity exceeding the maximums mentioned above at the end of that contract year. Buyers shall endeavor to bring the net accumulated underlift quantity to zero (0) by the end of this Extension Agreement.

2. The provisions of the Extension Agreement other than those specified in this Agreement shall remain as they are.

3. APPROVAL AND AUTHORIZATION OF GOVERNMENTAL REGULATORY BODIES:

3.1 Endeavors to obtain Approvals and Authorizations

Sellers shall use their best endeavors to obtain forthwith any and all approvals and authorizations required by any legally constituted regulatory bodies of the United States of America, or deemed necessary by Sellers to allow Sellers to commence and continue deliveries of LNG to Buyers under this Agreement, furnishing Buyers with certified copies of all such governmental approvals and authorizations, together with certified copies of rules, regulations and restrictions promulgated by each regulatory body in connection with such approvals and authorizations.

If Sellers fail to obtain by December 31, 1992, the necessary governmental approvals and authorizations to modify the plant as necessary and to increase the annual contract quantity in conformance with this Agreement, Sellers or Buyers may terminate this Agreement at any time thereafter by written notice to the other of their intent to terminate, so long as such notice is given prior to obtaining of such approvals and authorizations. Such termination will not affect the terms and conditions of the Extension Agreement. Further, if any governmental approval or authorization issued imposes terms or conditions unreasonable to Sellers, than Sellers may terminate this Agreement by written notice to Buyers within thirty (30) days after issuance of the said final governmental approval or authorization.

Both of Sellers or both of Buyers shall act jointly in terminating this Agreement under this Section.
3.2 Liability of Termination

Should either Sellers or Buyers exercise the right under Section 3.1 to terminate this Agreement, the parties exercising the right shall not be liable to the other parties for any losses, damages or expenses incurred by such other parties as a result of the termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in good faith, by their respective duly authorized officers as of the date set forth below.

BUYERS:
THE TOKYO ELECTRIC POWER COMPANY, INCORPORATED

By: [Signature]  
President & Director

SELLERS:
PHILLIPS ALASKA NATURAL GAS CORPORATION

By: [Signature]  
President

TOKYO GAS CO., LTD.

By: [Signature]  
President & Director

MARATHON OIL COMPANY

By: [Signature]  
Executive Vice President

SECOND AMENDATORY AGREEMENT

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WITNESSETH:

Sellers and Buyers have discussed increasing annual contract quantity (ACQ) applicable under the Liquefied Natural Gas Sale and Purchase Extension Agreement dated the 17th day of June, 1988, (hereinafter referred to as "Extension Agreement"). Sellers are undertaking modifications to manufacture incremental LNG and will have surplus shipping capacity upon delivery of the new LNG tankers now under construction. Buyers have expressed their interest in purchasing such incremental LNG. NOW, THEREFORE, in consideration of the mutual and dependent promises herein contained, Sellers and Buyers hereby agree as follows:

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<td>Btu's</td>
</tr>
<tr>
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<td>16.1</td>
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In reference to Section 4.1 of the Extension Agreement, Sellers have contracted for the purchase of two (2) new LNG tankers scheduled for delivery during June and December 1993. If Sellers anticipate any material delay in new LNG tankers introduction beyond these dates, Sellers shall notify Buyers of the delay, and Sellers and Buyers shall meet and discuss the necessary changes to the annual contract quantity for the contract years 1993 and 1994.

On or before March 31, 1994, Sellers shall have the option, upon written notice to Buyers, to change the annual contract quantity from contract year 1997 through contract year 2003. Prior to providing such written notice to Buyers, Sellers and Buyers shall meet to discuss Sellers’ election to change the annual contract quantity. Thereafter, upon providing the written notice to Buyers, the annual contract quantity of LNG from contract year 1997 through contract year 2003 which Sellers agree to sell and deliver and Buyers agree to purchase and receive under this Extension Agreement shall be as per the following table:

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<td>Metric Tons</td>
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</tr>
<tr>
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<td>Trillion</td>
<td>Thousand</td>
</tr>
<tr>
<td>57.5</td>
<td>1,092.0</td>
<td>43.125</td>
</tr>
</tbody>
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For the purpose of calculating the quantity delivered in a contract year, delivery and receipt of all LNG unloaded from any LNG tanker shall be deemed to have been made on the day on which unloading of that LNG was commenced.

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four hundred billion, five hundred million (45,400,500,000,000) Btu’s and as for 
Tokyo Gas to a maximum of fifteen trillion, one hundred thirty-three billion, five 
hundred million (15,133,500,000,000) Btu’s. If pursuant to Section 5.1 above, 
Sellers provide notice to change the annual contract quantity from the contract 
year 1997, Buyers shall limit the net accumulated underlift quantity to a maximum 
of fifty-seven trillion, three hundred fourteen billion (57,314,000,000,000) Btu’s, as 
for Tokyo Electric to a maximum of forty-two trillion, nine hundred eighty-five billion, 
five hundred million (42,585,500,000,000) Btu’s and as for Tokyo Gas to a 
maximum of fourteen trillion, three hundred twenty-eight billion, five hundred million 
(14,328,500,000,000) Btu’s.

Buyers shall not exercise their rights under Section 5.2a above at any time during 
any contract year if such exercise would result in a net accumulated underlift 
quantity exceeding the maximums mentioned above at the end of that contract 
year. Buyers shall endeavor to bring the net accumulated underlift quantity to zero 
(0) by the end of this Extension Agreement.*

2. The provisions of the Extension Agreement other than those specified in this 
Agreement shall remain as they are.

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BODIES:

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authorizations required by any legally constituted regulatory bodies of the United 
States of America, or deemed necessary by Sellers to allow Sellers to commence 
and continue deliveries of LNG to Buyers under this Agreement, furnishing Buyers 
with certified copies of all such governmental approvals and authorizations, 
together with certified copies of rules, regulations and restrictions promulgated by 
each regulatory body in connection with such approvals and authorizations.

If Sellers fail to obtain by December 31, 1992, the necessary governmental 
approvals and authorizations to modify the plant as necessary and to increase the 
annual contract quantity in conformance with this Agreement, Sellers or Buyers 
may terminate this Agreement at any time thereafter by written notice to the other 
of their intent to terminate, so long as such notice is given prior to obtaining of 
such approvals and authorizations. Such termination will not affect the terms and 
conditions of the Extension Agreement. Further, if any governmental approval or 
authorization issued imposes terms or conditions unreasonable to Sellers, then 
Sellers may terminate this Agreement by written notice to Buyers within thirty (30) 
days after issuance of the said final governmental approval or authorization.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in good faith, by their respective duly authorized officers as of the date set forth below.

BUYERS:

THE TOKYO ELECTRIC POWER COMPANY, INCORPORATED

By: ______________
    President & Director

SELLERS:

PHILLIPS ALASKA NATURAL GAS CORPORATION

By: ______________
    President

TOKYO GAS CO., LTD.

By: ______________
    President & Director

MARATHON OIL COMPANY

By: ______________
    Executive Vice President

April 30, 1992

Office of Fuels Programs,  
Fossil Energy  
Forrestal Bldg., Rm. 3F-056, FE-50  
1000 Independence Ave., S.W.  
Washington, D.C. 20585  

RE: Phillips Petroleum Company  
Marathon Oil Co. Docket No. 88-22-LNG  

Gentlemen:  

Pursuant to Ordering Paragraph B of Opinion No. 261, issued July 28, 1988, Phillips Petroleum Company reports the monthly prices and exported volumes of LNG to Japan for the first quarter, 1992 as follows:

<table>
<thead>
<tr>
<th>Month/1992</th>
<th>Volumes (MCF)</th>
<th>Volumes (MMBtu)</th>
<th>Price (c/MCF)</th>
<th>Price (c/MMBtu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>3,026,151</td>
<td>3,054,899</td>
<td>357.6</td>
<td>354.2</td>
</tr>
<tr>
<td>February</td>
<td>3,054,836</td>
<td>3,083,857</td>
<td>343.8</td>
<td>340.6</td>
</tr>
<tr>
<td>March</td>
<td>3,079,357</td>
<td>3,108,611</td>
<td>350.2</td>
<td>346.9</td>
</tr>
</tbody>
</table>
The reported prices and/or volumes for April, 1991, through December, 1991, have been revised as follows:

<table>
<thead>
<tr>
<th>Month/1992</th>
<th>Volumes (MCF)</th>
<th>Volumes (MMBtu)</th>
<th>Price (¢/MCF)</th>
<th>Price (¢/MMBtu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>4,083,253</td>
<td>4,122,045</td>
<td>358.8</td>
<td>355.4</td>
</tr>
<tr>
<td>May</td>
<td>2,067,768</td>
<td>2,087,412</td>
<td>323.2</td>
<td>320.2</td>
</tr>
<tr>
<td>June</td>
<td>2,002,530</td>
<td>2,021,534</td>
<td>317.7</td>
<td>314.7</td>
</tr>
<tr>
<td>July</td>
<td>3,120,159</td>
<td>3,149,800</td>
<td>320.3</td>
<td>317.3</td>
</tr>
<tr>
<td>August</td>
<td>4,130,768</td>
<td>4,170,010</td>
<td>325.5</td>
<td>322.4</td>
</tr>
<tr>
<td>September</td>
<td>3,040,151</td>
<td>3,069,033</td>
<td>330.5</td>
<td>327.4</td>
</tr>
<tr>
<td>October</td>
<td>3,077,977</td>
<td>3,107,218</td>
<td>338.7</td>
<td>335.5</td>
</tr>
<tr>
<td>November</td>
<td>3,065,938</td>
<td>3,095,065</td>
<td>350.2</td>
<td>346.9</td>
</tr>
<tr>
<td>December</td>
<td>4,062,168</td>
<td>4,100,758</td>
<td>360.9</td>
<td>357.5</td>
</tr>
</tbody>
</table>

Respectfully,

V. R. Spurgeon  
Director of Rates  
(713) 669-7993
April 27, 1992

Office of Fuels Program
Fossil Energy FE-50
Forrestal Building, Room 3H087
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Attn: Mr. Clifford Tomaszewski

Re: Phillips Petroleum Company
Marathon Oil Company

ERA Docket No. 82–32-LNG

Gentlemen:

In compliance with ordering Paragraph B of DOE/ERA Opinion and Order No. 261 issued on July 28, 1988, in the above Docket, Marathon Oil Company hereby submits a schedule of its exported volumes and the prices for LNG at the delivery point in Japan for the months January 1992 through March 1992:

<table>
<thead>
<tr>
<th></th>
<th>VOLUME</th>
<th>PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MMBTU</td>
<td>MCF</td>
</tr>
<tr>
<td>January 1992</td>
<td>1,355,041</td>
<td>1,342,290</td>
</tr>
<tr>
<td>February 1992</td>
<td>1,326,473</td>
<td>1,313,991</td>
</tr>
<tr>
<td>March 1992</td>
<td>1,299,620</td>
<td>1,287,391</td>
</tr>
</tbody>
</table>

Subsequent to our letter of January 27, 1992, the applicable volumes and/or prices for the following months were retroactively changed with the terms of the contract as follows:

<table>
<thead>
<tr>
<th></th>
<th>VOLUME</th>
<th>PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MMBTU</td>
<td>MCF</td>
</tr>
<tr>
<td>April 1991</td>
<td>1,761,909</td>
<td>1,745,328</td>
</tr>
<tr>
<td>May 1991</td>
<td>887,124</td>
<td>878,776</td>
</tr>
<tr>
<td>June 1991</td>
<td>921,608</td>
<td>912,935</td>
</tr>
<tr>
<td>July 1991</td>
<td>1,291,673</td>
<td>1,279,517</td>
</tr>
<tr>
<td>August 1991</td>
<td>1,754,511</td>
<td>1,738,001</td>
</tr>
<tr>
<td>September 1991</td>
<td>1,342,363</td>
<td>1,326,731</td>
</tr>
<tr>
<td>October 1991</td>
<td>1,305,809</td>
<td>1,291,521</td>
</tr>
<tr>
<td>November 1991</td>
<td>1,317,119</td>
<td>1,304,724</td>
</tr>
<tr>
<td>December 1991</td>
<td>1,775,021</td>
<td>1,758,316</td>
</tr>
</tbody>
</table>
Economic Regulatory Administration  
April 27, 1992  
Page 2

It would be appreciated if you would date stamp the duplicate copy of this letter and return same in the self-addressed envelope enclosed.

Very truly yours,

R. G. Grammens

RGG/JRG:hf

Enclosures (2)

cc: Phillips Petroleum Company  
Attn: Virgil R. Spurgeon  
6330 West Loop South  
Bellaire, TX 77251-1967
May 29, 1992

Office of Fuels Programs  
Fossil Energy, U. S. Department of Energy  
Docket Room 3F-056, FE50  
Forrestal Building  
1000 Independence Avenue, S.W.  
Washington, D. C. 20585

RE:  FE Docket No. 91-103-LNG  
Phillips Alaska Natural Gas Corporation  
and Marathon Oil Company Application for  
Increase in LNG Export Volume

Ladies and Gentlemen:

Per your request, enclosed are three (3) copies of a letter from the Department of Transportation's Research and Special Programs Administration ("RSPA of DOT"). The letter is in response to a PANGC and Marathon petition requesting a finding of continued exemption from the design, construction, and siting regulations of the DOT in 49 CFR Part 193 as a result of certain proposed modifications at the Kenai LNG Plant.

The RSPA of DOT letter stated "grandfathered LNG facilities at the Kenai LNG Plant that are not replaced, relocated or significantly altered are not covered by § 193.2005(b), and would retain their grandfather status". The only LNG facilities proposed to be replaced were the existing LNG transfer pumps. The letter indicates that while these pumps would lose their grandfathered status, they would not be required by § 193.2005(b) to meet any siting requirements.

The letter further indicates that other planned modifications consisting primarily of new components at the Kenai plant would be subject to all applicable requirements governing siting, design, installation, and construction. However, due to the nature of these new facilities, which must be located at the existing Kenai LNG Plant, the siting requirements of 49 CFR Part 193 are not applicable. The new facilities will comply with the design, installation and construction standards of 49 CFR Part 193.
Based on the positive response received in RSPA of DOT's letter to the PANGC and Marathon petition, construction of the planned modifications has been initiated at the Kenai facility.

Please indicate the date and time this letter was received by stamping on the enclosed copy of this letter and returning the same to the undersigned:

Very truly yours,

PHILLIPS ALASKA NATURAL GAS CORPORATION

Virgil R. Spurgeon
Regulatory Affairs Agent
P. O. Box 1967
Houston, Texas 77251-1967
(713) 669-7993

cc: Marathon Oil Company
Lauren D. Boyd, Attorney
P. O. Box 4813
Houston, Texas 77210
(713) 296-2539
Mr. Larry Pain
Attorney for Phillips Alaska Natural Gas Corporation
1256 Adams Building
Bartlesville, OK 74004

Dear Mr. Pain:

This letter responds to your petition dated August 26, 1991, regarding the Kenai LNG Plant (Docket No. P-47). Although you filed the petition under 49 CFR 193.2015, we are treating the petition as a request for information. Section 193.2015 is a procedural rule governing petitions for findings or approvals that are specifically authorized by substantive rules in Part 193, such as § 193.2059(e). Your petition does not request such a finding or approval.

You asked whether modifications (described in the petition) that are planned for the Kenai LNG Plant would cause the plant to lose its grandfather status under the siting, design, installation, and construction requirements of Part 193. The modifications that are planned would not cause the entire Kenai LNG Plant to lose its grandfather status under the siting, design, installation, and construction requirements of Part 193.

While the entire plant may not lose its grandfather status, § 193.2005(b) provides that LNG facilities (defined in § 193.2007) that are replaced, relocated, or significantly altered are subject to Part 193 standards governing siting, design, installation, and construction (with certain exceptions). Thus, if an LNG facility at the Kenai LNG Plant is replaced, relocated, or significantly altered by the planned modifications, that facility would lose its grandfather status to the extent prescribed by § 193.2005(b). In contrast, grandfathered LNG facilities at the Kenai LNG Plant that are not replaced, relocated, or significantly altered are not covered by § 193.2005(b), and would retain their grandfather status.

It appears that of the planned modifications in your petition, the replacement of one or both existing LNG transfer pumps is the only LNG facility that will be replaced, relocated, or significantly altered and would lose its grandfather status to
the extent prescribed by §193.2005(b). However, this modification would not have to meet the siting requirements since, in accordance with §193.2005(b)(1), only an LNG storage tank that is relocated or significantly altered by increasing the original storage capacity would have to meet the siting requirements.

Your petition indicates that the planned modifications may include installation or construction of new components that do not constitute replacements or significant alterations of grandfathered facilities. If so, these new components would be subject to all applicable requirements governing siting, design, installation, and construction.

You also asked us to determine that the designs for the planned modifications are consistent with 49 CFR Part 193 or are otherwise acceptable. The Part 193 regulations allow operators to construct and operate LNG facilities without prior approval by this agency. We normally do not review operators' design and construction plans except during, or in preparation for, routine compliance inspections, which are handled by our regional offices. Therefore, we are not at this time determining whether the planned modifications comply with Part 193 or would otherwise be acceptable.

I apologize for the tardiness of this response. Do not hesitate to contact us again if you have further concerns about the Part 193 regulations.

Sincerely,

[Signature]

Cesar De Leon, Director
Regulatory Programs
Office of Pipeline Safety
Mr. Larry Pain  
Attorney for Phillips Alaska  
Natural Gas Corporation  
1256 Adams Building  
Bartlesville, OK 74004

Dear Mr. Pain:

This letter responds to your petition dated August 26, 1991, regarding the Kenai LNG Plant (Docket No. P-47). Although you filed the petition under 49 CFR 193.2015, we are treating the petition as a request for information. Section 193.2015 is a procedural rule governing petitions for findings or approvals that are specifically authorized by substantive rules in Part 193, such as § 193.2059(e). Your petition does not request such a finding or approval.

You asked whether modifications (described in the petition) that are planned for the Kenai LNG Plant would cause the plant to lose its grandfather status under the siting, design, installation, and construction requirements of Part 193. The modifications that are planned would not cause the entire Kenai LNG Plant to lose its grandfather status under the siting, design, installation, and construction requirements of Part 193.

While the entire plant may not lose its grandfather status, § 193.2005(b) provides that LNG facilities (defined in § 193.2007) that are replaced, relocated, or significantly altered are subject to Part 193 standards governing siting, design, installation, and construction (with certain exceptions). Thus, if an LNG facility at the Kenai LNG Plant is replaced, relocated, or significantly altered by the planned modifications, that facility would lose its grandfather status to the extent prescribed by § 193.2005(b). In contrast, grandfathered LNG facilities at the Kenai LNG Plant that are not replaced, relocated, or significantly altered are not covered by § 193.2005(b), and would retain their grandfather status.

It appears that of the planned modifications in your petition, the replacement of one or both existing LNG transfer pumps is the only LNG facility that will be replaced, relocated, or significantly altered and would lose its grandfather status to...
the extent prescribed by § 193.2005(b). However, this modification would not have to meet the siting requirements since, in accordance with § 193.2005(b)(1), only an LNG storage tank that is relocated or significantly altered by increasing the original storage capacity would have to meet the siting requirements.

Your petition indicates that the planned modifications may include installation or construction of new components that do not constitute replacements or significant alterations of grandfathered facilities. If so, these new components would be subject to all applicable requirements governing siting, design, installation, and construction.

You also asked us to determine that the designs for the planned modifications are consistent with 49 CFR Part 193 or are otherwise acceptable. The Part 193 regulations allow operators to construct and operate LNG facilities without prior approval by this agency. We normally do not review operators' design and construction plans except during, or in preparation for, routine compliance inspections, which are handled by our regional offices. Therefore, we are not at this time determining whether the planned modifications comply with Part 193 or would otherwise be acceptable.

I apologize for the tardiness of this response. Do not hesitate to contact us again if you have further concerns about the Part 193 regulations.

Sincerely,

Cesar De Leon, Director
Regulatory Programs
Office of Pipeline Safety
July 10, 1992

Office of Fuels Programs
Fossil Energy
U.S. Department of Energy
Docket Room 3F-056, FE 50
Forrestal Building
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Re: FE Docket No. 91-103-LNG
Phillips Alaska Natural Gas Corporation
and Marathon Oil Company Application
For Increase In LNG

Gentlemen:

In the interest of expediting our application, Phillips/Marathon offer the following points to clarify its application:

Item No. 1: No modification or construction to Phillips/Marathon's existing Kenai facility is needed or required to effectuate delivery of the additional volume requested in the captioned FE application for increase in LNG export volumes.

Item No. 2: Phillips/Marathon's intent in its request for modifications to its Kenai facility was solely an effort to improve the efficiency, flexibility, and reliability of the Kenai plant. The request to make modifications is made as a prudent business practice designed to maximize operations at Kenai. As recited on page 4 of our DOT, RSPA Petition for Approval of Modifications at its Kenai LNG plant, Phillips/Marathon's goal was solely to "increase its (Kenai Plant) efficiency and reliability."
Re: Docket No. 91-103-LNG
Page Two

Item No. 3: To avoid any ambiguity on our application, we refer to section V. Environmental Impacts on page 18 of the FE application, wherein Phillips/Marathon state that "the manufacturing facilities will require modification to accommodate the incremental increase of LNG production," we respectfully request that FE read this sentence in concert with the following sentence to capture the true spirit of our intent. Specifically, the language reads, "The modification planned for the Kenai plant will increase its efficiency and reliability." As mentioned above in Item No. 2, our goal is to maintain plant operations in the most efficient manner and that is the reason for the plant modifications. As stated above in Item No. 1, we again confirm that Phillips/Marathon's existing Kenai plant would handle the increased volumes requested in the captioned FE application for increase in LNG exports without any plant modification or construction being made.

Thank you for your timely review in this matter.

Sincerely,

PHILLIPS ALASKA NATURAL GAS CORPORATION

Dennis J. Ryan
Regulatory Affairs Agent
(713) 669-7027

\DJI\KENALNG

DJR:jh
Attachment

cc: Lauren Boyd
    Marathon Oil Company
    File - RC
July 24, 1992

Office of Fuels Program
Fossil Energy FE-50
Forrestal Building, Room 3H087
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Attn: Mr. Clifford Tomaszewski

Re: Phillips Petroleum Company
Marathon Oil Company
FE Docket No. 91-103-LNG

Gentlemen:

In compliance with ordering Paragraph B of DOE/ERA Opinion and Order No. 261 issued on July 28, 1988, in the above Docket, Marathon Oil Company hereby submits a schedule of its exported volumes and the prices for LNG at the delivery point in Japan for the months April 1992 through June 1992:

<table>
<thead>
<tr>
<th></th>
<th>MMBTU</th>
<th>MCF</th>
<th>CENTS/MMBTU</th>
<th>CENTS/MCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>1,353,108</td>
<td>1,340,374</td>
<td>318.3</td>
<td>321.3</td>
</tr>
<tr>
<td>May</td>
<td>1,789,356</td>
<td>1,772,516</td>
<td>340.6</td>
<td>343.8</td>
</tr>
<tr>
<td>June</td>
<td>1,324,503</td>
<td>1,312,039</td>
<td>323.6</td>
<td>326.7</td>
</tr>
</tbody>
</table>

Subsequent to our letter of April 27, 1992, the applicable volumes and/or prices for the following months were retroactively changed with the terms of the contract as follows:

<table>
<thead>
<tr>
<th></th>
<th>MMBTU</th>
<th>MCF</th>
<th>CENTS/MMBTU</th>
<th>CENTS/MCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td>1,326,509</td>
<td>1,314,026</td>
<td>340.6</td>
<td>343.8</td>
</tr>
<tr>
<td>March</td>
<td>1,298,065</td>
<td>1,285,851</td>
<td>323.6</td>
<td>326.7</td>
</tr>
</tbody>
</table>

A subsidiary of USX Corporation
October 21, 1992

Office of Fuels Programs,  
Fossil Energy  
Forrestal Bldg., Rm. 3F-056, FE-50  
1000 Independence Ave., S.W.  
Washington, D.C. 20585  

RE:  Phillips Alaska Natural Gas Corporation  
Marathon Oil Company  
Docket No. 91-103-LNG

Gentlemen:

Pursuant to Ordering Paragraph B of Opinion No. 261, issued July 28, 1988, Phillips Alaska Natural Gas Corporation reports the monthly prices and exported volumes of LNG to Japan for the third quarter, 1992, as follows:

<table>
<thead>
<tr>
<th>Month/1992</th>
<th>Volumes (MCF)</th>
<th>Volumes (MMBtu)</th>
<th>Price ($/MCF)</th>
<th>Price ($/MMBtu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>3,071,928</td>
<td>3,101,112</td>
<td>343.5</td>
<td>340.3</td>
</tr>
<tr>
<td>August</td>
<td>3,099,689</td>
<td>3,120,136</td>
<td>322.2</td>
<td>320.2</td>
</tr>
<tr>
<td>September</td>
<td>3,084,899</td>
<td>3,114,205</td>
<td>330.9</td>
<td>327.8</td>
</tr>
</tbody>
</table>

The reported prices and/or volumes for May and June, 1992, have been revised as follows:

<table>
<thead>
<tr>
<th>Month/1992</th>
<th>Volumes (MCF)</th>
<th>Volumes (MMBtu)</th>
<th>Price ($/MCF)</th>
<th>Price ($/MMBtu)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May</td>
<td>4,054,235</td>
<td>4,092,873</td>
<td>323.2</td>
<td>320.2</td>
</tr>
<tr>
<td>June</td>
<td>3,064,893</td>
<td>3,094,010</td>
<td>330.9</td>
<td>327.8</td>
</tr>
</tbody>
</table>

Respectfully,

Sharon K. Widener  
Agent for Phillips Alaska Natural Gas Corporation  
(713) 669-7518

cc: Marathon Oil Company  
P. O. Box 3128  
Houston, Texas 77253  
Attn: R. G. Grammens
October 25, 1992

Office of Fuels Program
Fossil Energy FE-50
Forrestal Building, Room 3H087
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Attn: Mr. Clifford Tomaszewski

Re: Phillips Petroleum Company
Marathon Oil Company
FE Docket No. 91-103-LNG

Gentlemen:

In compliance with ordering Paragraph B of DOE/ERA Opinion and Order No. 261 issued on July 28, 1988, in the above Docket, Marathon Oil Company hereby submits a schedule of its exported volumes and the prices for LNG at the delivery point in Japan for the months July 1992 through September 1992:

<table>
<thead>
<tr>
<th>Month</th>
<th>Volume (MMBTU)</th>
<th>Volume (MCF)</th>
<th>Price (CENTS/MMBTU)</th>
<th>Price (CENTS/MCF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1992</td>
<td>1,319,536</td>
<td>1,307,118</td>
<td>340.3</td>
<td>343.5</td>
</tr>
<tr>
<td>August 1992</td>
<td>1,289,903</td>
<td>1,277,763</td>
<td>320.2</td>
<td>323.2</td>
</tr>
<tr>
<td>September 1992</td>
<td>1,335,461</td>
<td>1,322,893</td>
<td>327.8</td>
<td>330.9</td>
</tr>
</tbody>
</table>

Subsequent to our letter of July 24, 1992, the applicable volumes and/or prices for the following months were retroactively changed with the terms of the contract as follows:

<table>
<thead>
<tr>
<th>Month</th>
<th>Volume (MMBTU)</th>
<th>Volume (MCF)</th>
<th>Price (CENTS/MMBTU)</th>
<th>Price (CENTS/MCF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1992</td>
<td>1,789,042</td>
<td>1,772,206</td>
<td>320.2</td>
<td>323.2</td>
</tr>
<tr>
<td>June 1992</td>
<td>1,325,346</td>
<td>1,312,874</td>
<td>327.8</td>
<td>330.9</td>
</tr>
</tbody>
</table>

A subsidiary of USX Corporation
It would be appreciated if you would date stamp the duplicate copy of this letter and return same in the self-addressed envelope enclosed.

Very truly yours,

R. G. Grammens

RGG/JRG:hf

Enclosures (2)

cc: Phillips Petroleum Company
    Attn: Sharon K. Widener
    6330 West Loop South
    Bellaire, TX 77251-1967
January 27, 1993

Office of Fuels Program
Fossil Energy FE-50
Forrester Building, Room 3H087
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Attn: Mr. Clifford Tomaszewski

Re: Phillips Petroleum Company
Marathon Oil Company
FE Docket No. 91-103-LNG

Gentlemen:

In compliance with ordering Paragraph B of DOE/ERA Opinion and Order No. 261 issued on July 28, 1988, in the above Docket, Marathon Oil Company hereby submits a schedule of its exported volumes and the prices for LNG at the delivery point in Japan for the months October 1992 through December 1992:

<table>
<thead>
<tr>
<th></th>
<th>VOLUME</th>
<th>PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MMBTU</td>
<td>MCF</td>
</tr>
<tr>
<td>October 1992</td>
<td>891,296</td>
<td>882,908</td>
</tr>
<tr>
<td>November 1992</td>
<td>1,295,308</td>
<td>1,283,117</td>
</tr>
<tr>
<td>December 1992</td>
<td>1,330,271</td>
<td>1,317,753</td>
</tr>
</tbody>
</table>

Subsequent to our letter of October 26, 1992, the applicable volumes and/or prices for the following months were retroactively changed with the terms of the contract as follows:

<table>
<thead>
<tr>
<th></th>
<th>VOLUME</th>
<th>PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MMBTU</td>
<td>MCF</td>
</tr>
<tr>
<td>August 1992</td>
<td>1,293,181</td>
<td>1,281,012</td>
</tr>
<tr>
<td>September 1992</td>
<td>1,335,442</td>
<td>1,322,875</td>
</tr>
</tbody>
</table>
Economic Regulatory Administration
January 27, 1993
Page 2

It would be appreciated if you would date stamp the duplicate copy of this letter and return same in the self-addressed envelope enclosed.

Very truly yours,

R. G. Grammens

RGG/JRG:hf

Enclosures (2)

cc: Phillips Petroleum Company
    Attn: Sharon K. Widener
    6330 West Loop South
    Bellaire, TX 77251-1967