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91-10-NG
PHILLIPS ALASKA NATURAL
GAS COMPANY
1/30/91 - 12/1/91

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PHILLIPS 66
A SUBSIDIARY OF
BARTLESVILLE, OKLAHOMA

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

Gentlemen:

Enclosed for filing
Department of Energy
fifteen (15) copies
Authorization to file
filing reflects a
to by the parties.

Also enclosed
amount of \$50.00
590.207.

JAS:sm
Encl.
L058

cc: Michael Jones
Marathon Oil Company

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UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

In the Matter of)
PHILLIPS 66 NATURAL GAS COMPANY) Docket No. _____-LNG
MARATHON OIL COMPANY)

APPLICATION TO AMEND AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS

Phillips 66 Natural Gas Company ("P66NGC") 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 amend the authorization granted by Economic Regulatory Administration ("ERA") Opinion and Order No. 261 ("Order No. 261"). P66NGC and Marathon ask that FE modify the requirement, referenced in ordering Paragraph A and elsewhere in Order No. 261, that P66NGC and Marathon adhere to the price formula contained in their Application to Amend Authorization to Export Liquefied Natural Gas dated April 7, 1988, ERA Docket No. 88-22-LNG ("1988 Application"). P66NGC and Marathon request the FE amend Order No. 261 to permit P66NGC and Marathon to charge and collect prices for liquified natural gas ("LNG") in accordance with more market responsive terms, as provided in a September 22, 1989, "Memorandum On LNG Pricing" ("1989 Memorandum") and the September 19, 1990, "First Amendatory Agreement" ("1990 Agreement") entered into by Sellers, P66NGC and Marathon, and their LNG Buyers, The Tokyo Electric Power Company, Incorporated ("Tokyo Electric") and Tokyo Gas Company, Ltd.

("Tokyo Gas"). P66NGC, Marathon, Tokyo Electric and Tokyo Gas are collectively referred to hereinafter as "Parties."

In support hereof, applicants submit the following:

I. GENERAL INFORMATION

The exact name of applicant P66NGC is Phillips 66 Natural Gas Company. P66NGC is a Delaware corporation with principal offices in Bartlesville, Oklahoma. P66NGC is a wholly owned subsidiary of Phillips Petroleum Company, also a Delaware corporation with principal offices in Bartlesville, Oklahoma ("Phillips"). P66NGC is authorized to do business in the various states where Phillips has previously conducted natural gas activities, including the State of Alaska.

The exact name of applicant Marathon is Marathon Oil Company. Marathon, an Ohio corporation with principal offices in Findlay, Ohio, is a wholly owned subsidiary of USX Corporation and is authorized to do business in all states in which it does business, including the State of Alaska.

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

Mr. James A. Simpson, Vice President
Phillips 66 Natural Gas Company
990-G Plaza Office Building
Bartlesville, OK 74004
Phone: (918) 661-4355

Mr. Larry Pain, Attorney
Mr. Luke A. Mickum, Attorney
Phillips Petroleum Company
1256 Adams Building
Bartlesville, OK 74004
Phone: (918) 661-6355

Mr. R. G. Grammens, Vice President
Natural Gas Marketing and Transportation
Marathon Oil Company
P. O. Box 3128
Houston, TX 77253
Phone: (713) 629-6600

Mr. Michael L. Jones, Attorney
Marathon Oil Company
P. O. Box 3128
Houston, TX 77253
Phone: (713) 629-6600

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 portion of the Department of Energy or any other governmental agency.

II. AUTHORIZATION REQUESTED

P66NGC and Marathon request that the FE amend Order No. 261 to approve the amendments to the price formula referenced above in order to better facilitate market responsive pricing.

III. BACKGROUND

The LNG export authorization held by P66NGC and Marathon was granted originally by the Federal Power Commission on April 19, 1967 (37 F.P.C. 777), and was subsequently amended by 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); and DOE/ERA Opinion and Order No. 261 ("Order No. 261") (1 ERA 70,774-6, July 28, 1988). The applicants are currently authorized to export annually 52.0

trillion Btu's per year, subject to certain adjustments, of LNG from the Kenai LNG plant in the Cook Inlet area of Alaska to two Japanese customers, The Tokyo Electric Power Company, Inc., and the Tokyo Gas Company, Ltd.

Order No. 261 approved application of the following pricing formula to these LNG sales:

Delivered Price	A base price of five hundred ninety-two and eight tenths (592.8) U.S. cents per million Btu as indexed and adjusted in accordance with the below formula so as to reflect changes in the monthly weighted average of the Government Selling Prices of a basket of twenty (20) crude oils imported into Japan plus an adjustment factor.
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Delivered Price for calendar month (U.S. cents per million Btu's)

$$= 592.8 \times \frac{\text{Avg GSP (Month Prior to Calendar Month)}}{34.48} + \text{Adjustment}$$

WHERE:

Avg GSP is the average of the Government Selling Prices (in U.S. dollars per barrel) applicable on the last day of the preceding calendar month weighted by the volumes for the top twenty (20) crude oils (ranked by descending volumes) imported into Japan during the preceding calendar year.

Adjustment is a factor negotiated from time to time between Buyers and Sellers better to allow the price of LNG sold under the contract to respond to market conditions. The adjustment is limited to a range of plus or minus 30.0 U.S. cents per million Btu's purchased and sold.

In response to the continued volatility of the international crude oil and LNG markets, the Parties, on September 22, 1989, executed the 1989 Memorandum, and on September 19, 1990, executed the 1990 Agreement, both of which,

subject to regulatory approval, revised the pricing formula approved in Order No. 261 as to sales between April 1, 1989, through March 31, 2004.

The 1989 Memorandum was retroactively effective as of April 1, 1989, through September 30, 1989. It was superceded as to LNG pricing by the 1990 Agreement, which established a modified pricing basis effective from October 1, 1989, through March 31, 2004. The 1989 Memorandum adopted specific prices for April, May, and June 1989 and a revised pricing formula for July, August, and September 1989 very similar to that later adopted in the 1990 Agreement. The 1989 Memorandum also committed the parties to further negotiations for the period following October 1, 1989, that later led to the 1990 Agreement. The actual LNG prices established under the 1989 Memorandum are within the price ranges previously permitted in Order No. 261.

The 1989 Memorandum and the 1990 Agreement revised the pricing formula in the following respects:

1. The single month weighted average Government Selling Price of the top twenty (20) crude oils imported into Japan during the preceding calendar year ("Avg GSP") element of the pricing formula was replaced with the arithmetic average price over a three (3) month period ("rolling average") of the weighted average price of all crude oils (including raw oils) imported into Japan in each of such three (3) months ("JCC") less 68 cents per

barrel. With this change the Parties have agreed to the use of a broader and less volatile index from which to determine the market value of LNG imported into Japan.

2. The Parties have agreed to determine the current month's crude oil prices by averaging the current and preceding two (2) months' prices. This is referred to as a three (3) month rolling average and is used to moderate sharp price spikes. The three (3) month rolling average provides a degree of protection to the Sellers from sharp short term price declines and protects the Buyers from sharp short term price increases.

3. The parties agreed that the revised pricing formula as set forth herein and adopted in the 1990 Agreement shall be applied to determine the price of LNG sold and delivered from October 1, 1989, through March 31, 2004.

4. The 68 cents deducted from the JCC reflects the fact that the JCC is a price of crude oil delivered to Japan while the formerly used average GSP is a price at the dock of the producing country. The 68 cents reduction from the JCC is a historic difference between the JCC and GSP which equalizes the JCC with the formerly used average GSP.

5. Paragraph 3 of the 1990 Agreement adds a Special Adjustment Factor ("Sn") for LNG sold and delivered from October 1, 1990, through March 31, 1993. This factor

represents a positive addition to the LNG price and is in addition to the primary "An" adjustment factor under which the parties may agree at any time to vary the otherwise applicable price as appropriate by up to plus or minus thirty (30) cents/MMBtu.

The 1989 Memorandum and the 1990 Agreement are included in Exhibit A attached to this Application and incorporated by reference herein. Also included in Exhibit A for FE's information is a September 22, 1989, amendment to the June 17, 1988, Extension Agreement which modified slightly the methods for determining the quantities of LNG delivered and sold.

IV. REASONS FOR CHANGING PRICE FORMULA

The revised price formula makes Sellers' LNG competitive with other energy sources, including other LNG, imported into Japan. Since the approval of Order No. 261, the Government Selling Price has ceased to be a reliable indicator of the actual selling price of crude oil. Furthermore, LNG market prices in Japan have changed, and if Sellers' LNG price formula is not addressed, it will affect Sellers' ability to market LNG in Japan. Therefore, Sellers must adopt a more flexible and market responsive pricing formula.

In the instant proceeding Sellers request approval for the revision of LNG pricing formula approved in Order No. 261. Sellers request authority to charge competitive market prices based on the following formula and adopted in the 1990 Agreement:

$$P_n = B \times \frac{(J-0.68)}{G_b} + A_n$$

WHERE:

"Pn," "B," "Gb" and "An" are as provided in Section 8.1a of the 1988 Extension Agreement.

"J" = The arithmetic average price over a period of three (3) months (month "n," month "n-1" and month "n-2"), expressed in United States dollars per barrel, rounded to two (2) decimal places in the manner as provided in Section 1.1r in the Extension Agreement, of the weighted average price of all crude oils (including raw oils) imported into Japan in each such month (hereinafter referred to as "JCC").

The prices and quantities of imported crude oils (including raw oils) and the exchange rates used in the determination of each JCC shall be based upon the statistics in "Japan Exports & Imports Monthly" edited by Customs Bureau, Ministry of Finance, Japan and published by Japan Tariff Association.

Approval is also requested for operation of the "Sn" factor adopted in Paragraph 3 of the 1990 Agreement and the other LNG pricing formula changes adopted in the 1989 Memorandum and the 1990 Agreement.

Granting the requested amendment would permit applicants to continue to competitively market their LNG in Japan. Applicants would continue to comply with all other conditions of the orders authorizing their Kenai LNG export sales including all reporting requirements. Existing facilities will continue to be used. There are no changes in facilities contemplated or required by the amendments discussed in this application.

V. REQUIREMENTS OF 10 C.F.R. §590.202(b)

At 10 C.F.R. §590.202(b), the FE's regulations implementing Section 3 of the Natural Gas Act, originally adopted by its predecessor the ERA, specify several matters which an applicant must, if applicable, address in a gas export application in order to provide FE with sufficient information to examine the propriety of the export. Because of the minor nature of the changes to the existing export authorization requested by the instant application, Sellers submit that none of the information required by 10 C.F.R. §590.202(b), other than that provided above, and in the prior applications, is applicable to FE's consideration of the relief requested. Therefore, Sellers request the FE determine that Sellers have complied with the provisions of 10 C.F.R. §590.202(b).

The pricing amendment for which approval is sought in this Application is a "fine tuning" adjustment that does not change the economic basis for prior LNG export approvals. It continues to value Sellers' LNG fairly in the world market for LNG imported by Japan and continues to observe the competitive, free market approach upon which the ERA relied in Order Nos. 206 and 261. The retroactive features of the changes in LNG pricing are not expected to cause price changes outside the range of pricing currently authorized. The new formula is the Parties' effort to adopt a superior pricing basis for now and for the future. For these reasons, this Application should be approved.

As ERA has previously indicated, Section 3 of the Natural Gas Act provides that an export is to be authorized unless there is a finding that it "will not be consistent with the public interest." The requested amendment is consistent with the public interest.

VI. CONCLUSION

WHEREFORE, P66NGC and Marathon respectfully request that FE find that the proposed amendment is consistent with the public interest and that FE amend ERA Order No. 261 to amend the price approval to permit continued competitive pricing of applicant's LNG as set forth herein.

Respectfully submitted,

PHILLIPS 66 NATURAL GAS COMPANY

By James A. Simpson
James A. Simpson, Vice President
990G Plaza Office Building
Bartlesville, OK 74004
(918) 661-4355

MARATHON OIL COMPANY


By R. G. Grammens
R. G. Grammens, Vice President
P. O. Box 3128
Houston, TX 77253
(713) 629-6600

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VERIFICATION

STATE OF TEXAS)
) SS
COUNTY OF HARRIS)

BEFORE ME, the undersigned authority, on this day personally appeared R. G. Grammens, who, having been by me first duly sworn, on oath says that he is Vice President, Natural Gas Marketing and Transportation 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.



R. G. Grammens

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



Notary Public

My Commission expires:

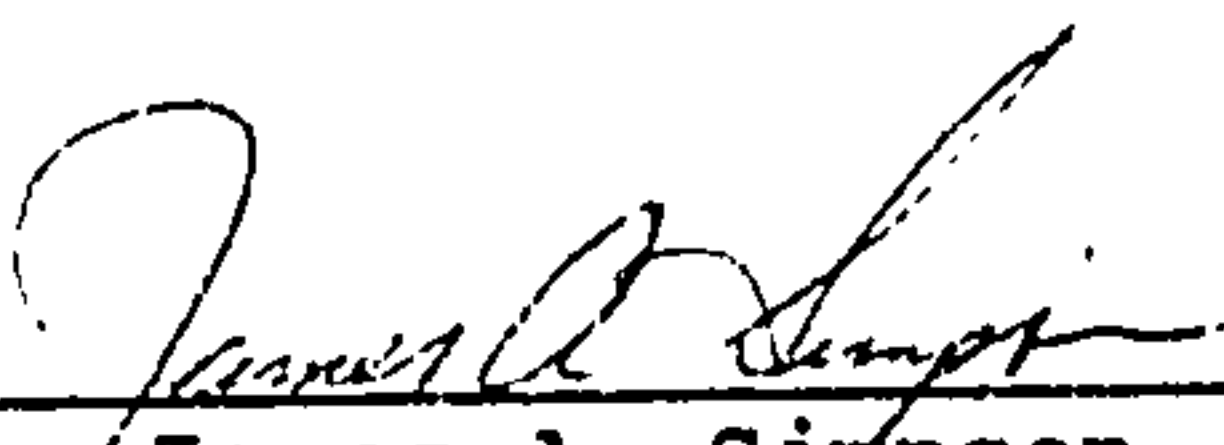
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VERIFICATION

STATE OF OKLAHOMA)
) SS
COUNTY OF WASHINGTON)

BEFORE ME, the undersigned authority, on this day personally appeared J. A. Simpson, who, having been by me first duly sworn, on oath says that he is Vice President, Phillips 66 Natural Gas 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.



James A. Simpson

Subscribed and sworn to before me, a notary public, this 29th day of January, 1991.



Notary Public

My Commission expires:

January 14, 1995

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EXHIBIT "A"

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MEMORANDUM ON LNG PRICING

THIS MEMORANDUM made and entered into by and between Phillips 66 Natural Gas Company (Phillips) successor to Phillips Petroleum Company, a corporation 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 discussed change of price index applicable to the pricing formula provided in Section 8.1 in the Liquefied Natural Gas Sale and Purchase Extension Agreement dated the 17th day of June, 1988 (hereinafter referred to as "Extension Agreement") and the Memorandum on Adjustment dated the 17th day of June, 1988 (hereinafter referred to as "Memorandum on Adjustment") and hereby agree that the price of LNG sold and delivered from April 1st, 1989 to March 31st, 1990 under the Extension Agreement shall be as follows:

1. The weighted average price of all crude oils imported into Japan shall be used as the price index applicable to the pricing formula provided in Section 8.1a in the Extension Agreement and Memorandum on Adjustment instead of the weighted average of the Government Selling Prices.
2. Pursuant to Section 1 above, the price of LNG sold and delivered under the Extension Agreement shall be calculated and determined according to the following formula:

$$P_n = B \times \frac{(J - 0.68)}{G_b} + A_n$$

where;

"P_n", "B", "G_b" are as provided in Section 8.1a of the Extension Agreement.

"J" = the arithmetic average price over a period of three (3) months (month "n", month "n-1" and month "n-2"), expressed in the United States dollars per barrel, rounded to two (2) decimal places in the manner as provided in Section 1.1r in the Extension Agreement, of weighted average price of all crude oils (including raw oils) imported into Japan in each such month (hereinafter referred to as "JCC").

The prices and quantities of imported crude oils (including raw oils) and the exchange rates used in the determination of each JCC shall be based upon the statistics in "Japan Exports & Imports Monthly" edited by Customs Bureau, Ministry of Finance, Japan and published by Japan Tariff Association.

"An" = the adjustment factor applicable to LNG sold and delivered in the calendar month "n", shall be calculated as follows expressed in the US cents per million BTU, notwithstanding the Memorandum on Adjustment.

- (1) When "J" is equal to or greater than US\$20.00/BBL and equal to or less than US\$26.00/BBL

$$\text{"An"} = \text{zero (0)}$$

- (2) When "J" is equal to or greater than US\$15.00/BBL and less than US\$20.00/BBL

$$\text{"An"} = \text{USc30/MMBTU} \times \frac{20\$/\text{bbl} - J}{20\$/\text{bbl} - 15\$/\text{bbl}}$$

- (3) When "J" is greater than US\$26.00/BBL and equal to or less than US\$31.00/BBL

$$\text{"An"} = \text{USc30/MMBTU} \times \frac{26\$/\text{bbl} - J}{31\$/\text{bbl} - 26\$/\text{bbl}}$$

- (4) If "J" is less than US\$15.00/BBL or greater than US\$31.00/BBL, Sellers and Buyers shall promptly meet to agree on the applicable adjustment. Until an agreement is reached the adjustment shall be provisional at the level of plus USC30 (thirty United States cents) per million Btu's for "J" less than US\$15/bbl and minus USC30 (thirty United States cents) per million Btu's for "J" greater than US\$31.00/BBL.

3. Since "Japan Exports & Imports Monthly" for any particular month is usually published two (2) months later, the latest determined LNG price shall be used as the provisional LNG price for month "n". The provisional LNG price shall be adjusted when the JCC of month "n" becomes available, whereupon Sellers shall promptly issue a debit note or credit note (as the case may be) to each Buyer. Sellers shall submit to each Buyer a debit note or credit note through Buyers' designated agent in the United States of America.

Invoices for the first LNG cargo delivered after the debit note or credit note has been issued shall be adjusted accordingly to settle such debit or credit.

In the event that the JCC for any month of any calendar year should be modified in "Japan Exports & Imports Monthly" issued for the month of December or any other month, the

price of LNG shall be modified accordingly and then any difference shall be included on the invoice for the first LNG cargo delivered after the price difference has been determined.

- 4. Sellers and Buyers agree that the LNG pricing formula set forth in this Memorandum shall be applied to determine the prices of LNG sold and delivered from April 1st, 1989 to September 30th, 1989. From October 1st, 1989 to March 31st, 1990, prices determined in accordance with such formula shall be applied as interim prices to all LNG sold and delivered during such period.

Sellers and Buyers shall discuss in good faith, after October 1st, 1989, the comparability of the Alaska LNG price with the prices of LNG supplied to Japan under other long-term contracts. Sellers and Buyers acknowledge that comparability discussions could result in the development of a new price formula incorporating the use of JCC as an index. Prices determined as a result of such comparability discussions shall be applied to LNG sold and delivered from October 1st, 1989 to March 31st, 1990, and any payment balance shall be settled retroactively.

- 5. (1) Notwithstanding the foregoing provisions, the prices of LNG sold and delivered for the period from April 1st, 1989 to June 30th, 1989, shall be as follows:

	Price Unit: U.S. Cents/MMBTU
April 1st, 1989 - April 30th, 1989	297.1
May 1st, 1989 - May 31st, 1989	309.7
June 1st, 1989 - June 30th, 1989	309.5

- (2) The balance of payment to Sellers arising from the difference between the prices shown in Section 5(1) above and the provisional prices used for the actual payment for LNG sold and delivered to Buyers for the period from April 1st, 1989 to June 30th, 1989 shall be U.S.\$422,473.95

- (3) The balance of payment due to Sellers from each Buyer shall be as follows:

The balance of payment in U.S. dollars	
Tokyo Electric	316,855.54
Tokyo Gas	105,618.41
<u>Total</u>	<u>422,473.95</u>

- (4) Each Buyer agrees to pay Sellers the balance of payment by adding the amounts provided in Section 5(3) to invoiced amounts for the last cargo delivered during September, 1989.

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6. The balance of payment arising from the difference between the prices determined pursuant to Section 2 of this Memorandum and the provisional price of 305.0 USC/MMBTU used for the actual payment for LNG sold and delivered to Buyers for the period from July 1st, 1989 to August 31st, 1989 shall be settled promptly after such prices are determined.
7. The provisions of the Extension Agreement other than those specified in this Memorandum shall remain as they are.
8. This Memorandum is subject to the approval of the United States Department of Energy. Sellers agree to exercise their best endeavors to obtain such approval prior to the end of the term of this Memorandum.

IN WITNESS WHEREOF, the parties hereto have caused this MEMORANDUM 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: Shoh Nasu
President and Director

TOKYO GAS CO., LTD.

By: Kunio Inoue
President and Director

SELLERS:

PHILLIPS 66 NATURAL GAS
COMPANY

By: H. H. H. H. H.
President DJ

MARATHON OIL COMPANY

By: V. B. B. B. B.
President

Dated: 22nd September, 1989

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT made and entered into by and between Phillips 66 Natural Gas Company (Phillips) successor to Phillips Petroleum Company, a corporation 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 hereby agree that the Section 4.5 and 4.6 of Article IV, Article V and Table I in Exhibit A of the Liquefied Natural Gas Sale and Purchase Extension Agreement dated the 17th day of June, 1968 (hereinafter referred to as "Extension Agreement") shall be replaced by following provisions.

1. The following formulae shall be used to determine the total quantities of Btu's delivered from Sellers to Buyers.

However, prior to the introduction of the new LNG tankers, Sellers and Buyers shall review the formulae to integrate it with the custody transfer equipment on board of the new LNG tankers.

(a) Determination of Total Btu's delivered

The total quantities of British Thermal Units delivered shall be calculated by use of the following formula:

$$Q = V \times D \times P - Q_r$$

re:

Q is the quantity of LNG delivered in British Thermal Units rounded to the nearest million Btu's.

V is the volume of LNG unloaded, stated in cubic meters, calculated by subtracting V_h (corrected to initial conditions per Section 4.3 in Exhibit A of the Extension Agreement) from V_b and converting barrels into cubic meters by using the conversion factor in Table IV attached hereof, then rounding to the nearest one-tenth (0.1) cubic meter.

V_b is the volume of LNG in the tanks of the LNG tanker immediately before unloading, stated in barrels, rounding to the nearest one (1) barrel.

V_h is the volume of LNG in the tanks of the LNG tanker immediately after unloading, stated in barrels, rounding to the nearest one (1) barrel.

- D is the density of LNG unloaded, refer to paragraph (b) below.
- P is the gross heating value of LNG unloaded, refer to paragraph (c) below.
- Qr is the quantity of British Thermal Units of the vapor displaced the volume of LNG unloaded from the tanks of the LNG tanker, refer to paragraph (d) below.

(b) LNG Density Determination

The density of LNG shall be determined by use of the following formula:

$$D = \frac{\sum (X_i \times M_i)}{\sum (X_i \times V_i) - X_M \times (K1 + \frac{(K2 - K1) \times X_N}{0.0425})}$$

Where:

- D is the density of LNG unloaded in kilograms per cubic meter at temperature T_L rounded to two (2) decimal places.
- X_i is the molar fraction rounded to four (4) decimal places of component (i) as obtained by analysis method provided in Exhibit A of Extension Agreement.
- M_i is the molecular weight of component (i) as given in Table I.B attached hereof.
- V_i is the Saturated Liquid Molar Volume factor in cubic meters per kilogram-mol at temperature T_L and shall be obtained by linear interpolation of the data in Table II attached hereof and rounded to six (6) decimal places.
- X_M is the molar fraction of methane rounded to four (4) decimal places as obtained by analysis method provided in Exhibit A of Extension Agreement.
- X_N is the molar fraction of nitrogen rounded to four (4) decimal places as obtained by analysis method provided in Exhibit A of Extension Agreement.
- K1 is the volume correction factor in cubic meters per kilogram-mol at temperature T_L and shall be obtained by linear interpolation of the data for K1 in Table III attached hereof and rounded to six (6) decimal places.
- K2 is the volume correction factor in cubic meters per kilogram-mol at temperature T_L and shall be obtained by linear interpolation of the data for K2 in Table III attached hereof and rounded to six (6) decimal places.

T_L is the temperature of LNG in the tanks of the LNG tanker immediately prior to unloading in degrees Kelvin. The readings of temperature shall be made by the temperature gauges in each cargo tank to the nearest one-tenth (0.1) degree Fahrenheit, then averaged and rounded to the nearest whole number. Converting degrees Fahrenheit into degrees Kelvin shall be made by using the conversion factors given in Table IV attached hereof, rounded to the nearest one-tenth (0.1) degree Kelvin.

(c) Gross Heating Value Determination of LNG unloaded

Gross heating value (mass basis) of LNG unloaded shall be calculated by the following formula:

$$P = \sum \left(H_i \times \frac{(X_i \times M_i)}{\sum (X_i \times M_i)} \right)$$

Where:

P is the gross heating value of LNG unloaded, stated in British Thermal Units per kilogram rounded to the nearest Btu per kilogram.

H_i is the gross heating value of component (i) stated in Btu's per kilogram as given in Table I.A attached hereof.

X_i is the molar fraction rounded to four (4) decimal places of component (i) as obtained by analysis method provided in Exhibit A of Extension Agreement.

M_i is the molecular weight of component (i) as given in Table I.B attached hereof.

(d) Gross Heating Value of Displacement Vapor Determination

The gross heating value of the vapor displacing LNG unloaded shall be determined by use of the following formula:

$$Q_r = V \times \frac{288.71}{T_v} \times \frac{P_v}{760} \times 35.668$$

Where:

Q_r is the quantity of British Thermal Units of vapor which displaced the volume of LNG unloaded from the tanks of the LNG tanker and rounded to the nearest Btu.

Tv is the temperature of vapor which displaced the volume of LNG unloaded from the tanks of the LNG tanker immediately after unloading in degrees Kelvin. The readings of temperature shall be made by the temperature gauges in each cargo tank to the nearest one-tenth (0.1) degree Fahrenheit, then averaged and rounded to the nearest whole number. Converting degrees Fahrenheit into degrees Kelvin shall be made by using the conversion factors given in Table IV attached hereof, rounded to the nearest one-tenth (0.1) degree Kelvin.

Pv is the absolute pressure of LNG vapor in the tanks of the LNG tanker immediately after unloading in millimeter of mercury. The reading of pressure shall be made by the pressure gauge mounted on the vapor header to the nearest millimeter of mercury rounding any fraction.

2. This agreement shall be applied to the cargos sold and delivered on and after October 1st, 1989 onwards.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Agreement to be executed in the manner hereafter appearing.

BUYERS:

SELLERS:

THE TOKYO ELECTRIC POWER COMPANY, INCORPORATED

PHILLIPS 66 NATURAL GAS COMPANY

By: Koichi Nemoto
General Manager
LNG Project Office
Fuel Department

By: [Signature] TH _{DS}
Manager
International and
Utility Sales

TOKYO GAS CO., LTD.

MARATHON OIL COMPANY

By: Mitsuo Noe
General Manager
Raw Materials Department

By: [Signature]
Manager
International Natural
Gas

Dated: 28th September, 1989

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T A B L E I
P H Y S I C A L D A T A

A. GROSS HEAT OF COMBUSTION

COMPONENT	Btu/lb Vapor at 60 F	Btu/kg Vapor at 60 F
METHANE	23, 691	52, 671
ETHANE	22, 333	49, 236
PROPANE	21, 653	47, 737
ISOBUTANE	21, 232	46, 809
N-BUTANE	21, 300	46, 958
ISOPENTANE	21, 043	46, 392
N-PENTANE	21, 085	46, 484
N-HEXANE	20, 943	46, 171
NITROGEN	0	0
OXYGEN	0	0
CARBON DIOXIDE	0	0

SOURCE: GPA 2145-86

B. MOLECULAR WEIGHT

COMPONENT	MOLECULAR WEIGHT
METHANE	16. 043
ETHANE	30. 070
PROPANE	44. 097
BUTANES	58. 123
PENTANES	72. 150
HEXANES	86. 177
NITROGEN	28. 013
OXYGEN	31. 999
CARBON DIOXIDE	44. 010

SOURCE: GPA 2145-86

TABLE I
PHYSICAL DATA

A. GROSS HEAT OF COMBUSTION

COMPONENT	Btu/lb Vapor at 60 F	Btu/kg Vapor at 60 F
METHANE	23,891	52,671
ETHANE	22,333	49,236
PROPANE	21,653	47,737
ISOBUTANE	21,232	46,809
N-BUTANE	21,300	46,958
ISOPENTANE	21,043	46,392
N-PENTANE	21,085	46,484
N-HEXANE	20,943	46,171
NITROGEN	0	0
OXYGEN	0	0
CARBON DIOXIDE	0	0

SOURCE: GPA 2145-86

B. MOLECULAR WEIGHT

COMPONENT	MOLECULAR WEIGHT
METHANE	16.043
ETHANE	30.070
PROPANE	44.097
BUTANES	58.123
PENTANES	72.150
HEXANES	86.177
NITROGEN	28.013
OXYGEN	31.999
CARBON DIOXIDE	44.010

SOURCE: GPA 2145-86

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TABLE II

SATURATED LIQUID VOLUMES FOR MODIFIED KLOSEK AND MCKINLEY METHOD
m³/kg-mol

T (K)	CH ₄	C ₂ H ₆	C ₃ H ₈	N-C ₄	I-C ₄	N-C ₅	I-C ₅	N ₂	O ₂ *	CO ₂ **
90	0.035441	0.046081	0.060461	0.074708	0.076084	0.089173	0.089243	0.037543	0.027782	0.034059
92	0.035649	0.046235	0.060632	0.074891	0.076274	0.089379	0.089454	0.038081	0.028269	0.034107
94	0.035861	0.046390	0.060804	0.075075	0.076466	0.089586	0.089666	0.038650	0.028524	0.034154
96	0.036077	0.046547	0.060977	0.075259	0.076659	0.089793	0.089878	0.039254	0.028787	0.034202
98	0.036298	0.046704	0.061151	0.075445	0.076853	0.090000	0.090091	0.039897	0.029058	0.034250
100	0.036524	0.046863	0.061325	0.075631	0.077047	0.090208	0.090304	0.040586	0.029338	0.034297
102	0.036755	0.047023	0.061501	0.075818	0.077243	0.090416	0.090518	0.041327	0.029629	0.034345
104	0.036992	0.047185	0.061677	0.076006	0.077440	0.090624	0.090733	0.042128	0.029929	0.034393
106	0.037234	0.047348	0.061855	0.076194	0.077637	0.090833	0.090948	0.043002	0.030242	0.034442
108	0.037481	0.047512	0.062033	0.076384	0.077836	0.091042	0.091163	0.043963	0.030566	0.034490
110	0.037735	0.047678	0.062212	0.076574	0.078035	0.091252	0.091379	0.045031	0.030904	0.034539
112	0.037995	0.047845	0.062392	0.076765	0.078236	0.091462	0.091596	0.046231	0.031258	0.034587
114	0.038262	0.048014	0.062574	0.076957	0.078438	0.091673	0.091814	0.047602	0.031628	0.034636
116	0.038536	0.048184	0.062756	0.077150	0.078640	0.091884	0.092032	0.049179	0.032015	0.034685
118	0.038817	0.048356	0.062939	0.077344	0.078844	0.092095	0.092251	0.050885	0.032423	0.034734
120	0.039106	0.048529	0.063124	0.077539	0.079049	0.092307	0.092470	0.052714	0.032854	0.034783
122	0.039404	0.048704	0.063309	0.077734	0.079255	0.092520	0.092690	0.054679	0.033308	0.034833
124	0.039710	0.048881	0.063496	0.077931	0.079462	0.092733	0.092911	0.056797	0.033792	0.034882
126	0.040025	0.049059	0.063684	0.078128	0.079671	0.092947	0.093133	0.059085	0.034308	0.034932
128	0.040350	0.049239	0.063873	0.078327	0.079880	0.093161	0.093355	0.061565	0.034859	0.034982
130	0.040685	0.049421	0.064063	0.078526	0.080091	0.093376	0.093578	0.064263	0.035446	0.035032

SOURCES: NBS MONOGRAPH 172
LIQUIFIED NATURAL GAS DENSITIES:
SUMMARY OF RESEARCH PROGRAM AT THE
NATIONAL BUREAU OF STANDARDS

* : ASRDI OXYGEN TECHNOLOGY SURVEY
VOLUME I: THERMOPHYSICAL PROPERTIES

** : INTERNATIONAL THERMODYNAMIC TABLES OF
THE FLUID STATE
VOLUME 3: CARBON DIOXIDE

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TABLE III

CORRECTION k1 FOR VOLUME REDUCTION OF MIXTURE

m³/kg-mol

T (K)	MOLECULAR WEIGHT OF MIXTURE									
	16	17	18	19	20	21	22	23	24	25
90	-0.000005	0.000120	0.000220	0.000340	0.000430	0.000515	0.000595	0.000660	0.000725	0.000795
95	-0.000006	0.000135	0.000260	0.000380	0.000500	0.000590	0.000665	0.000740	0.000810	0.000885
100	-0.000007	0.000150	0.000300	0.000425	0.000575	0.000675	0.000755	0.000830	0.000910	0.000990
105	-0.000007	0.000165	0.000340	0.000475	0.000635	0.000735	0.000840	0.000920	0.001045	0.001120
110	-0.000008	0.000190	0.000375	0.000535	0.000725	0.000835	0.000950	0.001055	0.001155	0.001245
115	-0.000009	0.000220	0.000440	0.000610	0.000810	0.000945	0.001065	0.001180	0.001280	0.001380
120	-0.000010	0.000250	0.000500	0.000695	0.000920	0.001055	0.001205	0.001330	0.001450	0.001550
125	-0.000013	0.000295	0.000590	0.000795	0.001035	0.001210	0.001385	0.001525	0.001640	0.001750
130	-0.000015	0.000345	0.000700	0.000920	0.001200	0.001370	0.001555	0.001715	0.001860	0.001990
135	-0.000017	0.000400	0.000825	0.001060	0.001390	0.001590	0.001800	0.001950	0.002105	0.002272

CORRECTION k2 FOR VOLUME REDUCTION OF MIXTURE

m³/kg-mol

T (K)	MOLECULAR WEIGHT OF MIXTURE									
	16	17	18	19	20	21	22	23	24	25
90	-0.000004	0.000100	0.000220	0.000350	0.000500	0.000600	0.000690	0.000780	0.000860	0.000950
95	-0.000005	0.000120	0.000280	0.000430	0.000590	0.000710	0.000830	0.000940	0.001050	0.001140
100	-0.000007	0.000160	0.000340	0.000490	0.000640	0.000790	0.000940	0.001080	0.001170	0.001270
105	-0.000010	0.000240	0.000420	0.000610	0.000750	0.000910	0.001050	0.001190	0.001330	0.001450
110	-0.000015	0.000320	0.000590	0.000770	0.000920	0.001070	0.001220	0.001370	0.001520	0.001710
115	-0.000024	0.000410	0.000720	0.000950	0.001150	0.001220	0.001300	0.001450	0.001650	0.002000
120	-0.000032	0.000600	0.000910	0.001230	0.001430	0.001630	0.001850	0.002080	0.002300	0.002450
125	-0.000043	0.000710	0.001130	0.001480	0.001730	0.001980	0.002230	0.002480	0.002750	0.002900
130	-0.000058	0.000950	0.001460	0.001920	0.002200	0.002420	0.002680	0.003000	0.003320	0.003520
135	-0.000075	0.001300	0.002000	0.002400	0.002600	0.003000	0.003400	0.003770	0.003990	0.004230

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T A B L E IV

CONVERSION FACTORS

t (° C)	=	(t (° F) - 32) / 1.8
T (K)	=	(t (° F) + 459.67) / 1.8
T (K)	=	t (° C) + 273.15
1 bbl	=	0.1589873 m ³
1 m ³	=	10 ⁶ cm ³
1 g/cm ³	=	350.507 lb/bbl
1 kg/m ³	=	10 ³ g/cm ³
1 Btu	=	1055.056 J
1 lb	=	0.4535924 kg
1 mmHg	=	133.332 Pa

SOURCE: ASTM

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FIRST AMENDATORY AGREEMENT

THIS AGREEMENT made and entered into by and between Phillips 66 Natural Gas Company (Phillips) as successor to Phillips Petroleum Company, a corporation 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:

By the Memorandum On LNG Pricing dated the 22nd day of September, 1989, Sellers and Buyers agreed the price of LNG sold and delivered for the period from April 1st, 1989 to September 30th, 1989. Sellers and Buyers discussed the pricing formula and hereby agree that the pricing formula of LNG sold and delivered from October 1st, 1989 to March 31st, 2004 under the Liquefied Natural Gas Sale and Purchase Extension Agreement dated the 17th day of June, 1988 (hereinafter referred to as "Extension Agreement") shall be amended as follows:

1. The weighted average price of all crude oils imported into Japan shall be used as the price index applicable to the pricing formula provided in Section 8.1a of the Extension Agreement instead of the weighted average of the Government Selling Prices.
2. Pursuant to Section 1. above, the price of LNG sold and delivered under the Extension Agreement shall be calculated and determined according to the following formula:

$$P_n = B \times \frac{(J-0.68)}{G_b} + A_n$$

where;

- (1) "Pn", "B", "Gb", "An" are as provided in Section 8.1a of the Extension Agreement.

- (2) "J" = the arithmetic average price over a period of three (3) months (month "n", month "n-1" and month "n-2"), expressed in the United States dollars per barrel, rounded to two (2) decimal places in the manner as provided in Section 1.1r of the Extension Agreement, of weighted average price of all crude oils (including raw oils) imported into Japan in each such month (hereinafter referred to as "JCC").

The prices and quantities of imported crude oils (including raw oils) and the exchange rates used in the determination of each JCC shall be based upon the statistics in "Japan Exports & Imports Monthly" edited by Customs Bureau, Ministry of Finance, Japan and published by Japan Tariff Association.

3. Notwithstanding Section 2. above, a special adjustment factor, "Sn", shall be added to the price of LNG sold and delivered from October 1st, 1989 to March 31st, 1993. The applicable "J" range for "Sn" shall be equal to or greater than US\$15/BBL and equal to or less than US\$31/BBL. "Sn" shall be equal to or greater than USC4.6/MMBtu and equal to or less than USC8.5/MMBtu. Specifically, "Sn" shall be equal to USC4.6/MMBtu when "J" equals US\$15/BBL and USC8.5/MMBtu when "J" equals US\$31/BBL.
4. Since "Japan Exports & Imports Monthly" for any particular month is usually published two (2) months later, the latest determined LNG price available at the end of month "n-1" shall be used as the provisional LNG price for month "n". The provisional LNG price shall be adjusted when the JCC for month "n" becomes available, whereupon Sellers shall promptly issue a debit note or credit note (as the case may be) to each Buyer through Buyers' designated agent in the United States of America.

Invoices for the first LNG cargo delivered after the debit note or credit note has been issued shall be adjusted accordingly to settle such debit or credit.

In the event that the JCC for any month of any calendar year should be modified in "Japan Exports & Imports Monthly" issued for the month of December or any other month, the price of LNG shall be modified accordingly and then any difference shall be included on the invoice for the first LNG cargo delivered after the price difference has been determined.

- 5. The balance of payment arising from the difference between the prices determined according to the pricing formula specified in the foregoing provisions and the prices used for the actual payment for LNG sold and delivered to Buyers for the period from October, 1989 to the month of the execution of this Agreement shall be settled as early as practicable. The details, such as the confirmation of the amounts, the timing, and the methods of the settlement shall be discussed and agreed separately and immediately.
- 6. The provisions of the Extension Agreement other than those specified in this Agreement shall remain as they are.
- 7. This Agreement is subject to the approval of the United States Department of Energy. Sellers agree to exercise their best endeavors to obtain such approval.

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: Shoh Nasu
President & Director

SELLERS:

PHILLIPS 66 NATURAL GAS COMPANY

By: R. A. Davelle
President

TOKYO GAS CO., LTD.

By: Kunio Azai
President & Director

MARATHON OIL COMPANY

By: R. B. Bess
President

Dated: September 19th, 1990

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UNITED STATES OF AMERICA

[6450-01]

DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

[FE DOCKET NO. 91-10-LNG]

PHILLIPS 66 NATURAL GAS COMPANY AND MARATHON OIL COMPANY

APPLICATION TO AMEND AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS

AGENCY: Department of Energy
Office of Fossil Energy

ACTION: Notice of 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 January 30, 1991, of an application filed by Phillips 66 Natural Gas Company (Phillips 66) and Marathon Oil Company (Marathon) requesting an amendment to the pricing provisions contained in their existing authorization to export liquefied natural gas (LNG) from the Kenai peninsula of Alaska to Japan.

The application was 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., e.d.t., _____ (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
(202) 586-9478

FOR FURTHER INFORMATION CONTACT:

Linda Silverman
Office of Fuels Programs
Fossil Energy
U.S. Department of Energy
Forrestal Building, Room 3H-087
1000 Independence Avenue, S.W.
Washington, D.C. 20585
(202) 586-7249

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

SUPPLEMENTARY INFORMATION:

Under DOE/ERA Opinion and Order No. 261, issued July 28, 1988 (1 ERA Para. 70,130), applicants currently are authorized to export annually 52.0 trillion Btus of LNG per year, subject to certain adjustments, through March 31, 2004. The LNG is exported from their Kenai LNG 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.

Order No. 261 approved application of the following price formula to these LNG sales:

Delivered Price A base price of five hundred ninety-two and eight tenths (592.8) U.S. cents per million Btu (MMBtu) as indexed and adjusted in accordance

with the below formula so as to reflect changes in the monthly weighted average of the Government Selling Prices of a basket of twenty (20) crude oils imported into Japan plus an adjustment factor.

$$\begin{aligned} & \text{Delivered Price for calendar month (U.S. cents per million BTUs)} \\ & = 592.8 \times \frac{\text{Avg GSP (Month Prior to Calendar Month)}}{34.48} + \text{Adjustment} \end{aligned}$$

WHERE:

Avg GSP is the average of the Government Selling Prices (in U.S. dollars per barrel) applicable on the last day of the preceding calendar month weighted by the volumes for the top twenty (20) crude oils (ranked by descending volumes) imported into Japan during the preceding calendar year.

Adjustment is a factor negotiated from time to time between Buyers and Sellers to better allow the price of LNG sold under the contract to respond to market conditions. The adjustment is limited to a range of plus or minus 30.0 U.S. cents per MMBtus purchased and sold.

In response to the continued volatility of the international crude oil and LNG markets, the parties executed two agreements, the 1989 Memorandum and the 1990 Agreement, both of which, subject to regulatory approval, revised the pricing formula approved in Order No. 261 for sales made from April 1, 1989, through March 31, 2004. Phillips 66 and Marathon maintain that the actual LNG prices established under the 1989 Memorandum are within the price ranges previously permitted under Order No. 261.

The applicants are requesting approval to revise the LNG pricing formula authorized in Order No. 261 in accordance with the 1989 Memorandum and the 1990 Memorandum in the following respects:

1. Using an arithmetic average price over a three month period (rolling average) of the weighted average price of all crude oils (including raw oils) imported into Japan in each of those three months (the JCC) less 68 cents per barrel rather than using a single month weighted average Government selling price of the top twenty crude oils imported into Japan during the preceding calendar year (average GSP);
2. Determining the current month's crude oil prices by averaging the current and preceding two months' prices;
3. Applying the revised pricing formula to the price of LNG sold and delivered from October 1, 1989, through March 31, 2004.
4. Deducting the 68 cents from the JCC in order to reflect the historic difference between the JCC and the formerly used GSP; and
5. Applying a Special Adjustment Factor (SN) for LNG sold and delivered from October 1, 1990, through March 31, 1993.

The applicants assert that the revised pricing formula makes this LNG competitive with other energy sources, including other LNG, imported into Japan. According to the application, since the approval of Order No. 261, the Government Selling Price has ceased to be a reliable indicator of the actual selling price of crude oil. Furthermore, LNG market prices in Japan have changed, affecting the

applicants' ability to market LNG in Japan. Therefore, the applicants have sought to adopt a more flexible and market responsive pricing formula.

This export application will be reviewed pursuant to section 3 of the Natural Gas Act and the authority contained in DOE Delegation Order No. 0204-111. In reviewing natural gas exports, DOE considers domestic need for the gas and any other issue determined to be appropriate, including whether the arrangement is consistent with DOE's policy of promoting competition in the natural gas marketplace by allowing commercial parties to freely negotiate their own trade arrangements. Parties that may oppose this application should comment in their responses on these matters.

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 the 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.

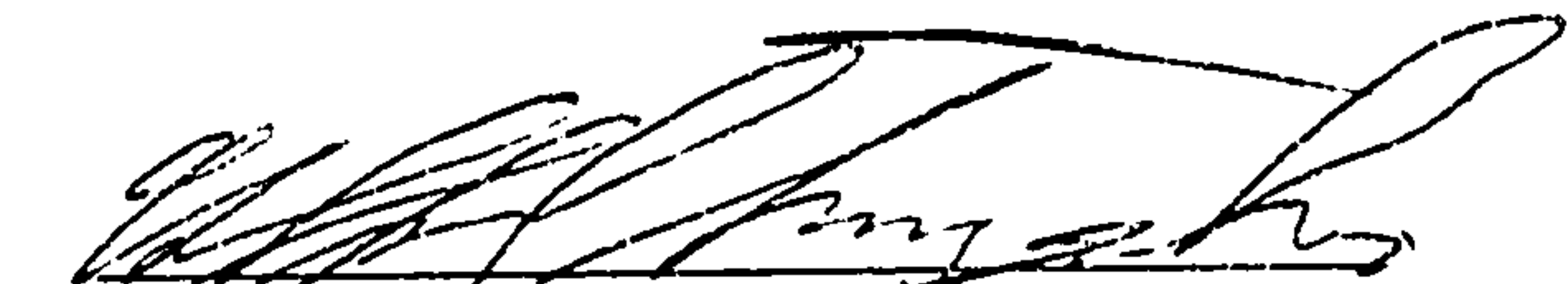
It is intended that a decisional record will be developed on the application through responses to this notice by parties, including the parties' written comments and replies thereto. Additional procedures will be used as necessary to achieve a complete understanding of the facts and issues. A party seeking 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.

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If an additional procedure is scheduled, a 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 section 590.316.

A copy of Phillips 66 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.

Issued in Washington, D.C. on April 29, 1991.


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

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likely experience absent a favorable determination on its application. However, in those instances where the likely success of the Petition for Waiver has been demonstrated, based upon DOE having granted a waiver for a similar product design, it is in the public interest to have similar products tested and rated for energy consumption on a comparable basis.

Therefore, Goodman's Application for an Interim Waiver from the DOE test procedures for its PG and PCX series rooftop gas furnaces regarding blower time delay is granted.

Goodman shall be permitted to test its line of PG and PCX series rooftop gas furnaces on the basis of the test procedures specified in 10 CFR part 430, subpart B, Appendix N, with the modification set forth below.

(i) Section 3.0 in appendix N is deleted and replaced with the following paragraph:

3.0 Test Procedure. Testing and measurements shall be as specified in section 9 in ANSI/ASHRAE 103-82 with the exception of sections 9.2.2, 9.3.1, and 9.3.2, and the inclusion of the following additional procedures:

(ii) Add a new paragraph 3.10 in Appendix N as follows:

3.10 Gas and Oil-Fueled Central Furnaces. After equilibrium conditions are achieved following the cool-down test and the required measurements performed, turn on the furnace and measure the flue gas temperature, using the thermocouple grid described above, at 0.5 and 2.5 minutes after the main burner(s) comes on. After the burner start-up, delay the blower start-up by 1.5 minutes (t-), unless: (1) The furnace employs a single motor to drive the power burner and the indoor air circulation blower, in which case the burner and blower shall be started together; or (2) the furnace is designed to operate using an unvarying delay time that is other than 1.5 minutes in which case the fan control shall be permitted to start the blower; or (3) the delay time results in the activation of a temperature safety device which shuts off the burner, in which case the fan control shall be permitted to start the blower. In the latter case, if the fan control is adjustable, set it to start the blower at the highest temperature. If the fan control is permitted start the blower, measure time delay, (t-), using a stop watch. Record the measured temperatures. During the heat-up test for oil-fueled furnaces, maintain the draft in the flue pipe with ± 0.01 inch of water gauge of the manufacturer's recommended on-period draft.

This Interim Waiver is based upon the presumed validity of statements and all allegations submitted by the company. This Interim Waiver may be revoked or modified at any time upon a determination that the factual basis underlying the application is incorrect.

The Interim Waiver shall remain in effect for a period of 180 days or until DOE acts on the Petition for Waiver, whichever is sooner, and may be extended for an additional 180-day period, if necessary.

Sincerely,

J. Michael Davis,

Assistant Secretary, Conservation and Renewable Energy.

January 18, 1991.

Assistant Secretary, Conservation and Renewable Energy.

United States Department of Energy, 1000 Independence Avenue, SW., Washington, DC 20585.

Gentlemen: This is a Petition for Waiver and Application for Interim Waiver submitted pursuant to Title 10 CFR 430.27. Waiver is requested from the test procedures for measuring the Energy Consumption of Furnaces found in Appendix N of Subpart B to Part 430.

Goodman Manufacturing Corporation requests a waiver from the specified 1.5 minute delay between burner ignition and initiation of the circulating air blower. Goodman Manufacturing seeks authorization in its furnace efficiency test procedures and calculations to utilize a fixed timing device which energizes the circulating blower 30 seconds after burner ignition. A control of this type which employs a 30 second delay will be incorporated in our PG and PCX series of gas/electric package units.

The current test procedures does not credit Goodman Manufacturing for additional energy savings that are realized when a shorter blower on-time is utilized. Test data which we have generated indicates an average increase of 1 percent in AFUE when a 30 second timed on delay is used. Copies of this confidential test data will be furnished to you upon request.

Goodman Manufacturing is confident that this petition for Waiver will be granted as similar petitions have been previously granted to Escon, Rheem Manufacturing, Carrier, Inter-City Products, Lennox Industries and the Trane Company.

Manufacturers that domestically market similar products are being sent a copy of this Petition for Waiver and Application for Interim Waiver. Please direct any correspondence on this request to the undersigned.

Sincerely,

GOODMAN MANUFACTURING CORPORATION.

Peter H. Alexander,

Vice President, Engineering.

[FR Doc. 91-10507 Filed 5-2-91, 8:45 am]

BILLING CODE 6450-01-M

Office of Fossil Energy

[FE Docket No. 91-10-LNG]

Phillips 66 Natural Gas Company and Marathon Oil Company, Application To Amend Authorization To Export Liquefied Natural Gas

AGENCY: Office of Fossil Energy, Department of Energy.

ACTION: Notice of 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 January 30, 1991, of an application filed by Phillips 66 Natural Gas Company (Phillips 66) and Marathon Oil Company (Marathon) requesting an amendment to the pricing provisions contained in their existing authorization to export liquefied natural gas (LNG) from the Kenai peninsula of Alaska to Japan.

The application was 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 to be filed at the address listed below no later than 4:30 p.m., e.d.t., June 3, 1991.

ADDRESS: Office of Fuels Programs, Fossil Energy, U.S. Department of Energy, Forrestal Building, room 3F-056, FE-50, 1000 Independence Avenue, SW., Washington, DC 20585, (202) 586-9478.

FOR FURTHER INFORMATION CONTACT:

Linda Silverman, Office of Fuels Programs, Fossil Energy, U.S. Department of Energy, Forrestal Building, room 3H-087, 1000 Independence Avenue, SW., Washington, DC 20585, (202) 586-7249.

Diane Stubbs, Office of Assistant General Counsel for Fossil Energy, U.S. Department of Energy, Forrestal Building, room 6E-042, 1000 Independence Avenue, SW., Washington, DC 20585, (202) 586-6667.

SUPPLEMENTARY INFORMATION: Under DOE/ERA Opinion and Order No. 261, issued July 29, 1988 (1 ERA Para. 70,130), applicants currently are authorized to export annually 52.0 trillion Btus of LNG per year, subject to certain adjustments, through March 31, 2004. The LNG is exported from their Kenai LNG 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.

Order No. 261 approved application of the following price formula to these LNG sales:

Delivered price: A base price of five hundred ninety-two and eight tenths (592.8) U.S cents per million Btu (MMBtu) as indexed and adjusted in accordance with the below formula so as to reflect changes in the monthly weighted average of the Government Selling Prices of a basket of twenty (20) crude oils imported into Japan plus an adjustment factor.

0009 0003 0003

Delivered price for calendar month (U.S. cents per million BTUs) = 592.8

x	Avg GSP (Month Prior to Calendar Month)
	34.48

+ Adjustment

Where:

Avg GSP is the average of the Government Selling Prices (in U.S. dollars per barrel) applicable on the last day of the preceding calendar month weighted by the volumes for the top twenty (20) crude oils (ranked by descending volumes) imported into Japan during the preceding calendar year.

Adjustment is a factor negotiated from time to time between Buyers and Sellers to better allow the price of LNG sold under the contract to respond to market conditions. The adjustment is limited to a range of plus or minus 30.0 U.S. cents per MMBtus purchased and sold.

In response to the continued volatility of the international crude oil and LNG markets, the parties executed two agreements, the 1989 Memorandum and the 1990 Agreement, both of which, subject to regulatory approval, revised the pricing formula approved in Order No. 261 for sales made from April 1, 1989, through March 31, 2004. Phillips 66 and Marathon maintain that the actual LNG prices established under the 1989 Memorandum are within the price ranges previously permitted under Order No. 261.

The applicants are requesting approval to revise the LNG pricing formula authorized in Order No. 261 in accordance with the 1989 Memorandum and the 1990 Memorandum in the following respects:

1. Using an arithmetic average price over a three month period (rolling average) of the weighted average price of all crude oils (including raw oils) imported into Japan in each of those three months (the JCC) less 68 cents per barrel rather than using a single month weighted average Government selling price of the top twenty crude oils imported into Japan during the preceding calendar year (average GSP);
2. Determining the current month's crude oil prices by averaging the current and preceding two months' prices;
3. Applying the revised pricing formula to the price of LNG sold and delivered from October 1, 1989, through March 31, 2004.
4. Deducting the 68 cents from the JCC in order to reflect the historic difference between the JCC and the formerly used GSP; and
5. Applying a Special Adjustment Factor (SN) for LNG sold and delivered from October 1, 1990, through March 31, 1993.

The applicants assert that the revised pricing formula makes this LNG competitive with other energy sources, including other LNG, imported into Japan. According to the application, since the approval of Order No. 261, the Government Selling Price has ceased to be a reliable indicator of the actual selling price of crude oil. Furthermore, LNG market prices in Japan have changed, affecting the applicants' ability to market LNG in Japan. Therefore, the applicants have sought to adopt a more flexible and market responsive pricing formula.

This export application will be reviewed pursuant to section 3 of the Natural Gas Act and the authority contained in DOE Delegation Order No. 0204-111. In reviewing natural gas exports, DOE considers domestic need for the gas and any other issue determined to be appropriate, including whether the arrangement is consistent with DOE's policy of promoting competition in the natural gas marketplace by allowing commercial parties to freely negotiate their own trade arrangements. Parties that may oppose this application should comment in their responses on these matters.

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 the 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, a 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 Phillips 66 and Marathon's application is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-058 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.

Issued in Washington, DC on April 29, 1991.
Clifford P. Tomaszewski,
Acting Deputy Assistant Secretary for Fuels Programs, Office of Fossil Energy.
[FR Doc. 91-10509 Filed 5-2-91; 8:45 am]
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ENVIRONMENTAL PROTECTION AGENCY

[FRI-3953-5]

Agency Information Collection Activities Under OMB Review

AGENCY: Environmental Protection Agency (EPA).

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OR

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REC'D DOE/FE
OFFICE OF FUEL PROGRAM
191 JUN 18 P 5:28

UNITED STATES OF AMERICA PROGRAM
DEPARTMENT OF ENERGY P 5:28
OFFICE OF FOSSIL ENERGY

PHILLIPS 66 NATURAL GAS COMPANY)
AND MARATHON OIL COMPANY)

FE DOCKET NO. 91-10-LNG

ORDER AMENDING AUTHORIZATION TO EXPORT
LIQUEFIED NATURAL GAS TO JAPAN

DOE/FE OPINION AND ORDER NO. 261-A

JUNE 18, 1991

I. BACKGROUND

On January 30, 1991, Phillips 66 Natural Gas Company (Phillips 66) 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 authorization to export liquefied natural gas (LNG) from the Kenai peninsula of Alaska to Japan.

Under DOE/ERA Opinion and Order No. 261¹ (Order 261), issued July 28, 1988 (1 ERA Para. 70,130), Phillips 66 and Marathon currently are authorized to export annually 52.0 trillion Btus of LNG per year, subject to certain adjustments, through March 31, 2004. The LNG is exported from their Kenai LNG 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.

Order 261 approved application of the following price formula to these LNG sales:

Delivered Price	A base price of five hundred ninety-two and eight tenths (592.8) U.S. cents per million Btu (MMBtu) as indexed and adjusted in accordance with the below formula so as to reflect changes in the monthly weighted average of the Government Selling Prices of a basket of twenty (20) crude oils imported into Japan plus an adjustment factor.
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1. The LNG export authorization held by Phillips 66 and Marathon was granted originally by the Federal Power Commission on April 19, 1967 (37 FPC 777), and was subsequently amended by DOE/ERA Opinion and Order No. 49 (1 ERA Para. 70,116, December 14, 1982); DOE/ERA Opinion and Order No. 49A (1 ERA Para. 70,127, April 3, 1986); DOE/ERA Opinion and Order No. 206 (1 ERA Para. 70,128, November 16, 1987); and DOE/ERA Opinion and Order No. 261 (Order 261) (1 ERA Para. 70,130, July 28, 1988).

Delivered Price for calendar month (U.S. cents per million BTUs)

$$= 592.8 \times \frac{\text{Avg GSP (Month Prior to Calendar Month)}}{34.48} + \text{Adjustment}$$

WHERE:

Avg GSP is the average of the Government Selling Prices (in U.S. dollars per barrel) applicable on the last day of the preceding calendar month weighted by the volumes for the top twenty (20) crude oils (ranked by descending volumes) imported into Japan during the preceding calendar year.

Adjustment is a factor negotiated from time to time between Buyers and Sellers to better allow the price of LNG sold under the contract to respond to market conditions. The adjustment is limited to a range of plus or minus 30.0 U.S. cents per MMBtu purchased and sold.

In response to continued volatility in the international crude oil and LNG markets, applicants and their Japanese customers executed two agreements, referred to as the 1989 Memorandum² and the 1990 Agreement, which revise the pricing formula approved in Order 261 for sales made from April 1, 1989, through March 31, 2004.

The applicants have requested approval to revise the LNG pricing formula authorized in Order 261 in accordance with the 1989 Memorandum and the 1990 Memorandum in the following respects:

1. Using an arithmetic average price over a three month period (rolling average) of the weighted average price of all crude oils (including raw oils) imported into Japan in each of those three months (the JCC) less 68 cents per barrel rather than using a single month weighted average

-
2. Phillips 66 and Marathon maintain that the actual LNG prices established under the 1989 Memorandum are within the price ranges previously permitted under Order 261.

Government selling price of the top twenty crude oils imported into Japan during the preceding calendar year (average GSP);

2. Determining the current month's crude oil prices by averaging the current and preceding two months' prices;
3. Applying the revised pricing formula to the price of LNG sold and delivered from October 1, 1989, through March 31, 2004.
4. Deducting the 68 cents from the JCC in order to reflect the historic difference between the JCC and the formerly used GSP; and
5. Applying a Special Adjustment Factor (SN) for LNG sold and delivered from October 1, 1990, through March 31, 1993.

In support of their application, Phillips 66 and Marathon assert that the revised pricing formula makes this LNG competitive with other energy sources, including other LNG, imported into Japan. According to the application, since the approval of Order 261, the Government Selling Price has ceased to be a reliable indicator of the actual selling price of crude oil. Furthermore, LNG market prices in Japan have changed, affecting the applicants' ability to market LNG in Japan. Therefore, the applicants have sought to adopt a more flexible and market responsive pricing formula.

A notice of this application was published in the Federal Register on May 3, 1991, inviting protests, motions to intervene, notices of intervention, and comments to be filed by June 4, 1991.³ No protests, motions to intervene, or notices of intervention were received.

3. 56 FR 20424, May 3, 1991.

II. DECISION

The application filed by Phillips 66 and Marathon has been evaluated to determine if the proposed amendment meets the public interest requirements of section 3 of the NGA. Under section 3, an import or export must be authorized unless there is a finding that it "will not be consistent with the public interest."⁴ In reviewing natural gas exports, DOE considers domestic need for the gas and any other issue determined to be appropriate.

The applicants' uncontested proposal to amend the pricing provisions of their existing authorization, as set forth in the application, is consistent with section 3 of the NGA and DOE's international gas trade policy. FE finds that the proposed changes in the pricing provisions of the applicants' existing authority under Order 261 will further the Secretary of Energy's policy goal of reducing trade barriers by encouraging market forces to determine pricing arrangements for the LNG that is being exported to 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.⁵

4. 15 U.S.C. Sec. 717b.

5. Because the export of LNG uses existing facilities, the 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 (footnote continued)

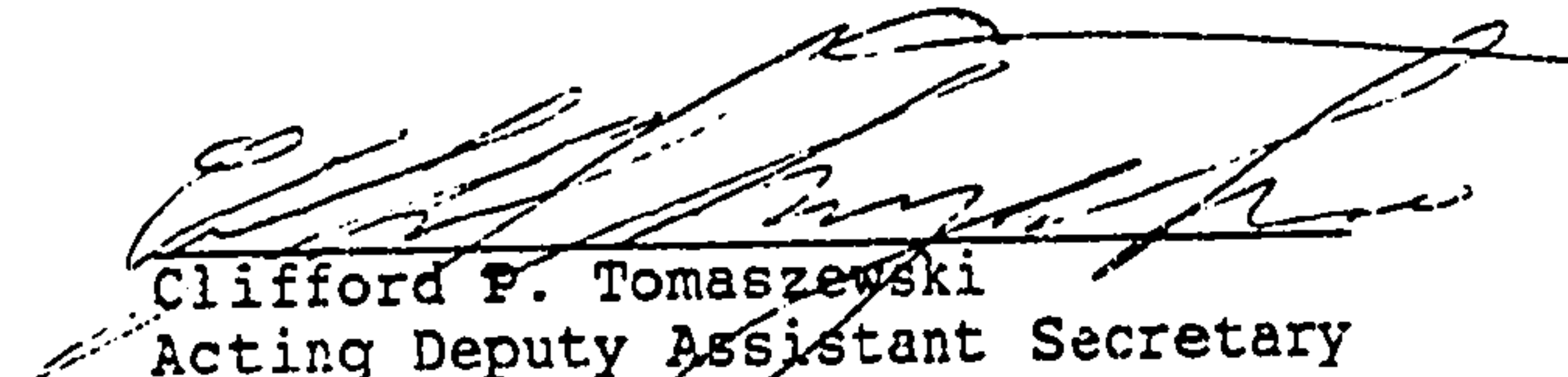
ORDER

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

A. DOE/ERA Opinion and Order No. 261, issued to Phillips 66 Natural Gas Company (Phillips 66) and Marathon Oil Company (Marathon) on July 28, 1988, is hereby amended in accordance with the modified pricing terms described in the application and this Opinion.

B. Phillips 66 and Marathon are required to file with FE within 30 days following each calendar quarter, reports indicating the volume of gas, by month, exported pursuant to this Order and the average sale price of this gas on a per unit (MMBtu and Mcf) basis.

Issued in Washington, D.C. on June 18, 1991.


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

(footnote continued)
or environmental assessment is not required. See 40 CFR Sec. 1508.4 and 54 FR 12474 (March 27, 1989).

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UNITED STATES OF AMERICA

[6450-01]

DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

[FE DOCKET NO. 91-10-LNG]

PHILLIPS 66 NATURAL GAS COMPANY AND MARATHON OIL COMPANY

ORDER AMENDING AUTHORIZATION
TO EXPORT LIQUEFIED NATURAL GAS TO JAPAN

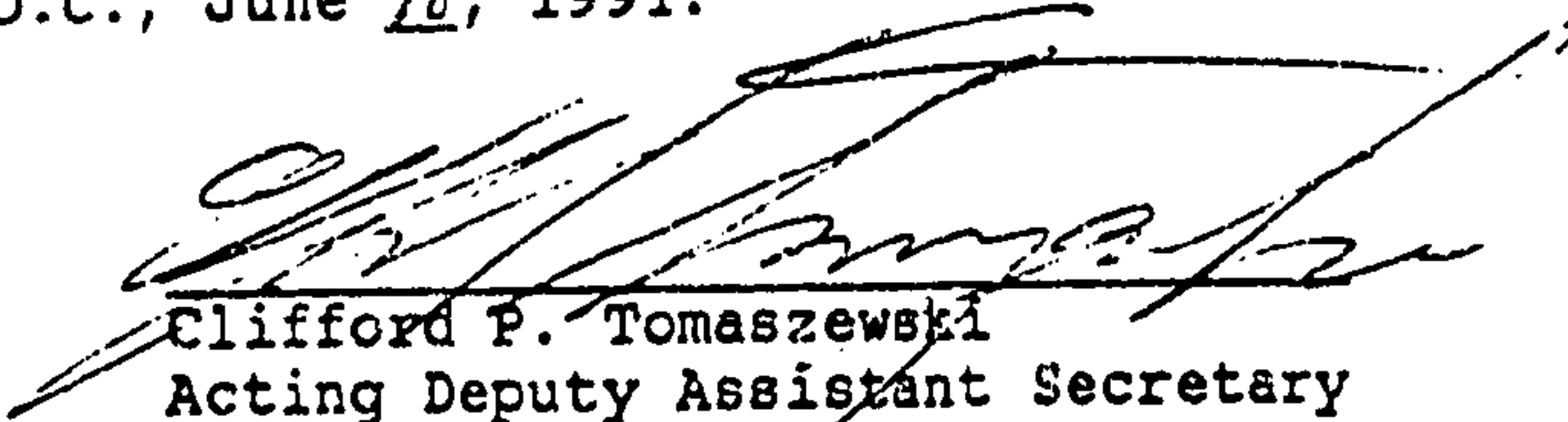
AGENCY: Department of Energy
Office of Fossil Energy

ACTION: Notice of an Order Amending Authorization to Export
Liquefied Natural Gas to Japan

SUMMARY: The Office of Fossil Energy of the Department of Energy gives notice that it has issued an order to Phillips 66 Natural Gas Company (Phillips 66) and Marathon Oil Company (Marathon) amending the pricing provisions of their existing long-term authorization under DOE/ERA Opinion and Order No. 261 to export liquefied natural gas to Japan.

A copy of this order is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056, Forrestal Building, U.S. Department of Energy, 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.

Issued in Washington, D.C., June 18, 1991.


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

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F P

Office of Fossil Energy**(FE Docket No. 91-10-LNG)****Phillips 66 Natural Gas Company and Marathon Oil Company; Order Amending Authorization To Export Liquefied Natural Gas to Japan****AGENCY:** Office of Fossil Energy; Department of Energy.**ACTION:** Notice of an order amending authorization to export liquefied natural gas to Japan.**SUMMARY:** The Office of Fossil Energy of the Department of Energy gives notice that it has issued an order to Phillips 66 Natural Gas Company (Phillips 66) and Marathon Oil Company (Marathan) amending the pricing provisions of their existing long-term authorization under DOE/ERA Opinion and Order No. 287 to export liquefied natural gas to Japan.

A copy of this order is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056, Forrestal Building, U.S. Department of Energy, 1000 Independence Avenue, SW., Washington, DC 20585, (202) 586-9478. 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, June 18, 1991.

Clifford P. Tomaszewski,

Acting Deputy Assistant Secretary for Fuels Programs, Office of Fossil Energy.

[FR Doc. 91-14977 Filed 6-21-91; 8:45 am]

BILLING CODE 9400-01-02

(FE Docket No. 91-31-NG)**Utrade Gas Co. Application to Export Natural Gas to Mexico****AGENCY:** Office of Fossil Energy, Department of 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 May 9, 1991, of an application filed by Utrade Gas Company (UTRADE) requesting blanket authorization to export from the United States to Mexico up to 146 Bcf of natural gas on a short-term or spot market basis over a two-year period beginning with the date of first delivery. UTRADE states that it will advise the DOE of the date of first delivery and submit quarterly reports detailing each transaction.

The application was 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, July 24, 1991.

ADDRESSES: Office of Fuels Programs, Fossil Energy, U.S. Department of Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, SW., Washington, DC 20585.

FOR FURTHER INFORMATION CONTACT:

Larine A. Moore, Office of Fuels Programs, Fossil Energy, U.S. Department of Energy, Forrestal Building, room 3F-056, 1000 Independence Avenue, SW., Washington, DC 20585, (202) 586-9478.
Diane Stubbs, Office of Assistant General Counsel, for Fossil Energy, U.S. Department of Energy, Forrestal Building, room 9E-042, 1000 Independence Avenue, SW., Washington, DC 20585, (202) 586-8867.

SUPPLEMENTARY INFORMATION: UTRADE is a Delaware corporation with its principal place of business in Houston, Texas. According to UTRADE, the gas to be exported would be purchased from U.S. producers on the spot market and would be surplus to domestic need. The requested authority would be used primarily for sales to Petroleos Mexicanos (Pemex), Mexico's national oil company, for local distribution to industrial, commercial and residential users. All sales would result from arm-length negotiations and prices would be determined by market conditions.

UTRADE intends to use existing pipelines facilities to export this gas.

This 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 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 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. 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.

Public Comment Procedures

In response to this notice, any person may file a protest, motion to intervene or notices of intervention, as applicable, and written comments. Any person wishing to become a party to the proceeding and to have the 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 address listed above.

It is intended that 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 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

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United States Government

Department of Energy

memorandum

JUN 13 1991

DATE: FE-50

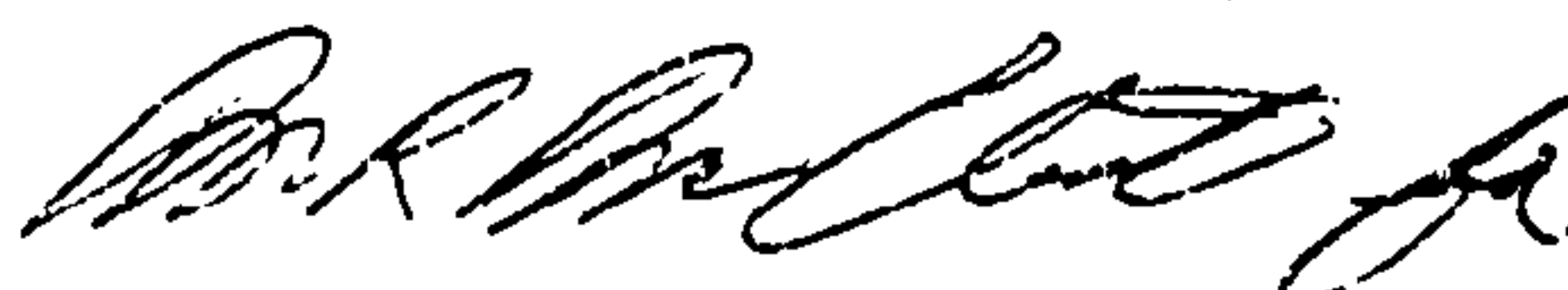
REPLY TO
ATTN OF: Categorical Exclusion (CX) Determination for Amendment to
Existing Export Authorization -- Phillips 66 Natural Gas Company
SUBJECT: (Phillips 66) and Marathon Oil Company (Marathon)
(FE Docket No. 91-10-LNG)

TO: Carol Borgstrom, Director EH-25

Proposed action: Grant Phillips 66 and Marathon approval to amend the pricing provisions contained in their existing long-term authorization to export liquefied natural gas under section 3 of the Natural Gas Act (NGA), utilizing existing LNG facilities, thus only increasing natural gas throughput.

Location: Any point on the United States' international border where commercial natural gas facilities exits. 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 export authorizations under section 3 of the NGA not normally requiring an environmental assessment or environmental impact statement and not involving new construction.



Robert H. Gentile
Assistant Secretary
Fossil Energy

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

Dated: 6/28, 1991, by Carol Borgstrom

Received 6/17/91

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PHILLIPS GAS MARKETING COMPANY

A SUBSIDIARY OF PHILLIPS 66 NATURAL GAS COMPANY

P.O. BOX 1967
HOUSTON, TEXAS 77251-1967

October 29, 1991

PHILLIPS BUILDING
6330 WEST LOOP SOUTH
BELLAIRE, TEXAS 77401

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

Re: Phillips 66 Natural Gas Co.
Marathon Oil Co.
Docket No. 88-22-LNG

REC'D DOE/FE
OCT 31 P 12:51

Gentlemen:

Pursuant to Ordering Paragraph B of Opinion No. 261, issued July 28, 1988, Phillips 66 Natural Gas Company reports the monthly prices and exported volumes of LNG to Japan for the third quarter, 1991 as follows:

<u>Month/1991</u>	<u>Volumes</u>		<u>Price</u>	
	<u>(MCF)</u>	<u>(MMBtu)</u>	<u>(¢/MCF)</u>	<u>(¢/MMBtu)</u>
July	3,120,151	3,149,792	320.3	317.3
August	4,130,860	4,170,103	323.2	320.2
September	3,039,363	3,068,237	317.7	314.7

The reported prices and/or volumes for June, 1991 have been revised as follows:

<u>Month/1991</u>	<u>Volumes</u>		<u>Price</u>	
	<u>(MCF)</u>	<u>(MMBtu)</u>	<u>(¢/MCF)</u>	<u>(¢/MMBtu)</u>
June	2,002,537	2,021,561	317.7	314.7

Respectfully

Virgil R. Spurgeon
Phillips 66 Natural Gas Company
(713) 669-7993

VRS/srk:WPDOC\VRS\FOSSIL.LTR

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VRS/srk:WPDOC\VRS\FOSSIL.LTR

cc: Marathon Oil Company
P.O. Box 3128
Houston, Texas 77253
Attention: R. G. Grammens

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Richard G. Grammens
Vice President
Natural Gas Marketing & Transportation



P.O. Box 3128
Houston, Texas 77253
Telephone 713/296-2226
Telex 166438

October 28, 1991

91-10-LNG
REC'D DOE/EE
OFFICE OF
P. 110

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 66 Natural Gas Company
Marathon Oil Company
ERA Docket No. 82-22-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 1991 through September 1991:

		<u>VOLUME</u> MMBTU	<u>PRICE</u> CENTS PER MMBTU	<u>PRICE</u> CENTS PER MCF
July	1991	1,291,681	317.3	320.3
August	1991	1,754,418	320.2	323.2
September	1991	1,343,159	314.7	317.7

Subsequent to our letter of May 3, 1991, the applicable volumes and/or prices for June 1991 were retroactively changed with the terms of the contract as follows:

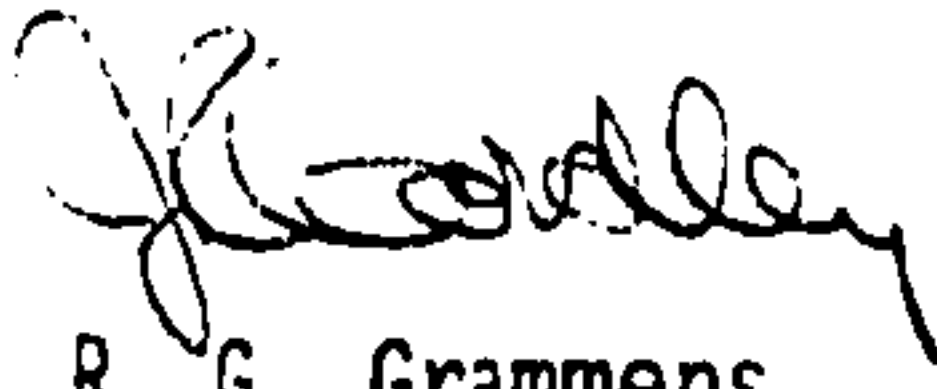
		<u>VOLUME</u> MMBTU	<u>PRICE</u> CENTS PER MMBTU	<u>PRICE</u> CENTS PER MCF
June	1991	921,601	314.7	317.7

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Economic Regulatory Administration
October 28, 1991
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,


For R. G. Grammens

RGJ/JRG:hf

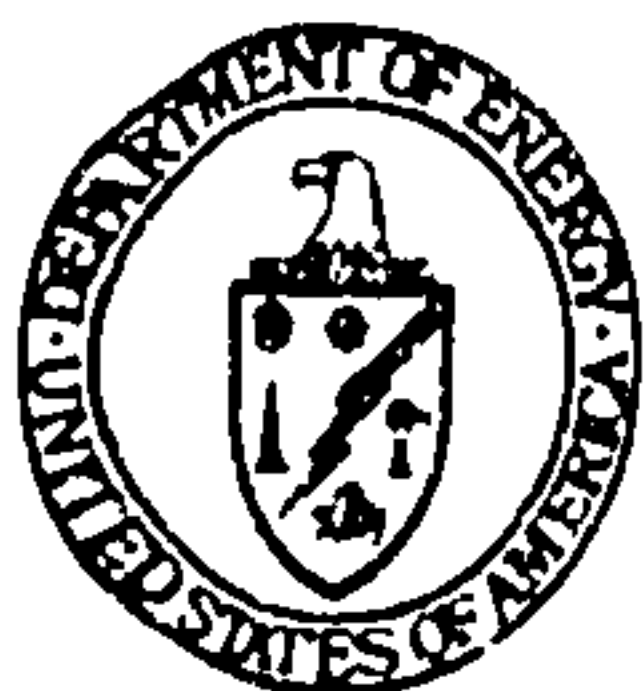
Enclosures (2)

cc: Phillips 66 Natural Gas Company
Attn: D. J. Ryan
P. O. Box 1967
Houston, TX 77251-1967

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OR

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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

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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,



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

Enclosure

0009 0009 0004

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

PHILLIPS ALASKA NATURAL)
GAS CORPORATION)
AND)
MARATHON OIL COMPANY)

FE DOCKET NO. 91-103-LNG

REC'D DEC 19 1991
AID: 19

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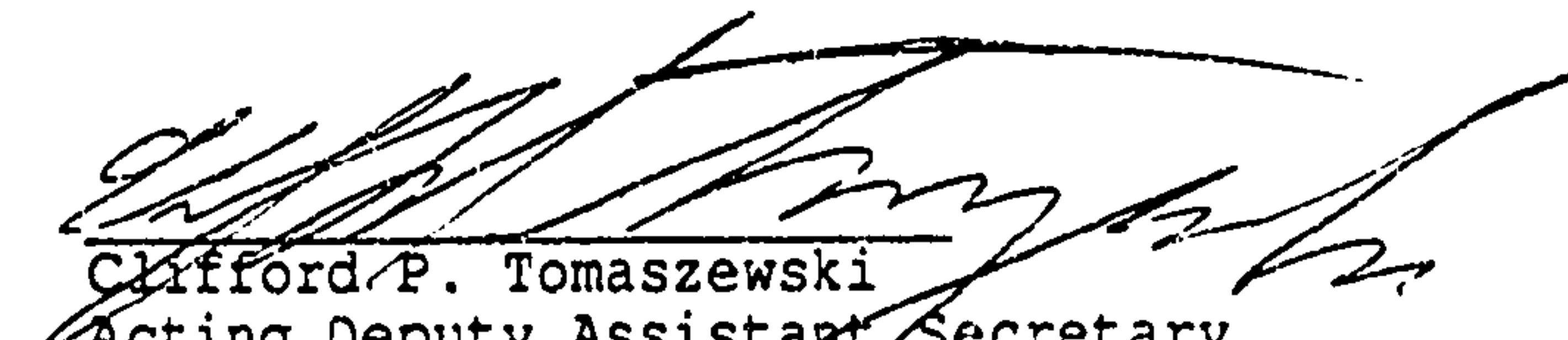
ORDER TRANSFERRING AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS
DOE/FE OPINION AND ORDER NO. 261-B

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 19, 1991.


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