

UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

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PHILLIPS ALASKA NATURAL GAS )  
CORPORATION )  
AND MARATHON OIL COMPANY )  
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FE DOCKET NO. 91-103-LNG

ORDER AMENDING AUTHORIZATION TO EXPORT  
LIQUEFIED NATURAL GAS TO JAPAN

DOE/FE OPINION AND ORDER NO. 261-C

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JULY 15, 1992

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I. BACKGROUND

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

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

The export authorization, which originally was granted by the Federal Power Commission in 1967, has been extended and amended by DOE. Under DOE/ERA Opinion and Order 261, 1 ERA 70,130, and DOE/FE Opinion and Order 261-A, 1 FE 70,454, the applicants currently are authorized to export 52.0 Tbtu of LNG per year, through March 31, 2004, under a pricing formula that is market responsive to other world energy, including LNG, prices.

Parties to this arrangement amended their gas purchase agreement on February 19, 1992. The amendment provides for a twelve percent increase in export volumes between April 1, 1993, and March 31, 2004. Beginning April 1, 1993, the annual contract quantity (ACQ) would increase to 56.0 TBtu for the contract year 1993. The ACQ would be further increased to 64.4 TBtu beginning in the 1994 contract year, corresponding to when new tankers are expected to be in service, through the end of the contract term. The new agreement provides sellers with an option, if exercised by March 31, 1994, to cancel the 64.4 TBtu ACQ. In addition, currently authorized provisions for annual sales of up to 106 percent of the ACQ remain unchanged.

A notice of the application was published in the Federal Register on February 12, 1992, inviting protests, motions to intervene, notices of intervention, and comments to be filed by March 13, 1992. 1/ No protests, motions to intervene, or notices of intervention were received.

DECISION

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

1/ 57 FR 5154. —

2/ 15 U.S.C. Sec. 717b. —

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

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

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

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3/ Because the export of LNG uses existing facilities, DOE has determined that granting this application is not a major Federal action significantly affecting the quality of the human environment within the meaning of the National Environmental Policy Act (42 U.S.C. 4321, et seq.) and therefore an

environmental impact statement or environmental assessment is not required. See 40 CFR Sec. 1508.4 and 57 FR 15122 (April 24, 1992).

ORDER

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

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

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

Issued in Washington, D.C., on July 15, 1992.

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