

REPORT 11

OFFICE OF FOSSIL ENERGY  
NATURAL GAS DIVISION  
DOCKET INDEX

09/25/01

91

FE DOCKET NO.: 94-81-LNG

APPLICANT(S): PHILLIPS ALASKA NATURAL GAS CORP & MARATHON OIL CO

ITEM	PREPARED OR FILED BY	FILING TYPE	DESCRIPTION OF DOCUMENT	DATED	DATE FILED OR ISSUED
1	PHILLIPS ALASKA NATURAL GAS	APPLICATION	Application for Authority to Amend LNG Export	94-10-05	94-10-05
2	DOE/FE	ORDER	59 FR 63774; Comments Due 1/9/95 59 FR 63774; 12/9/94	94-11-30	94-11-30
3	DOE/FE	ORDER	Order 261-D Amending Authority to Export LNG	95-03-02	95-03-02
4	DOE/FE	FEDERAL REGISTER ISSUED FEDERAL REGISTER PUBLISH	Order 261-D 60 FR 6083; 2/1/95	95-03-02	95-03-02



**PHILLIPS PETROLEUM COMPANY**

BARTLESVILLE, OKLAHOMA 74004 918 661-6600

LEGAL

September 21, 1994

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

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

Ladies and Gentlemen:

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

Very truly yours,

Stephen R. Johnson  
Attorney for  
Phillips Alaska Natural Gas Corporation  
1128 Adams Building  
Bartlesville, Oklahoma 74004  
(918) 661-8373

SRJ:js

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UNITED STATES OF AMERICA

1994 OCT -5 P 12:00

DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

In the matter of

PHILLIPS ALASKA NATURAL GAS  
CORPORATION  
and  
MARATHON OIL COMPANY

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RECORDED  
Docket No. 9481-LNG

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APPLICATION TO AMEND AUTHORIZATION  
TO EXPORT LIQUEFIED NATURAL GAS

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Stephen R. Johnson  
1128 Adams Building  
Bartlesville, OK 74004  
(918) 661-8373

Counsel for  
PHILLIPS ALASKA NATURAL GAS  
CORPORATION

Lauren D. Boyd  
P.O. Box 4813  
Houston, TX 77210-4813

Counsel for  
MARATHON OIL COMPANY

October 5, 1994

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UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

In the Matter of

PHILLIPS ALASKA NATURAL GAS CORPORATION )

and )

MARATHON OIL COMPANY )

) Docket No. \_\_\_\_ LNG

APPLICATION TO AMEND AUTHORIZATION

TO EXPORT LIQUEFIED NATURAL GAS

Phillips Alaska Natural Gas Corporation ("PANGC") and Marathon Oil Company ("Marathon") hereby request, pursuant to Section 3 of the Natural Gas Act, 15 U.S.C. §717b, and 10 C.F.R. Part 590, that the Office of Fossil Energy ("FE") of the Department of Energy ("DOE") amend the authorization previously granted them by Economic Regulatory Administration ("ERA") Opinion and Order No. 261, as amended by DOE/FE Opinion and Order Nos. 261-A, 261-B, and 261-C (collectively referred to herein as "Order No. 261"). PANGC and Marathon seek approval to revise the pricing formula authorized in Order No. 261 applicable to their sales of liquefied natural gas (LNG) exported from the Kenai peninsula of Alaska to Japan. PANGC and Marathon request that the FE amend Order No. 261 to permit PANGC and Marathon to charge and collect prices for such LNG sales in accordance with more market responsive terms, as provided in the April 19, 1994 "Third Amendatory Agreement" to the June 17, 1988 Liquefied Natural Gas Sale and Purchase Agreement ("Extension Agreement") among Sellers, PANGC and Marathon, and their LNG Buyers, The Tokyo Electric Power Company, Incorporated ("Tokyo

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

In support hereof, applicants respectfully submit the following:

I. GENERAL INFORMATION

The exact legal name of PANGC is Phillips Alaska Natural Gas Corporation. PANGC is a Delaware Corporation with an operations office in Bartlesville, Oklahoma. PANGC is a wholly-owned subsidiary of Phillips Petroleum Company, a publicly traded Delaware corporation. PANGC is authorized to do business in Alaska, Oklahoma, and Delaware.

The exact legal name of Marathon is Marathon Oil Company. Marathon is an Ohio corporation with principal offices in Houston, Texas. Marathon is a wholly-owned subsidiary of USX Corporation, a publicly traded Delaware corporation. Marathon is authorized to do business in all states which it does business, including the State of Alaska. PANGC and Marathon are not affiliated with each other.

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

PANGC:

G. M. Schuppert  
Vice President, Marketing  
Phillips Alaska Natural Gas Corporation  
P.O. Box 1967  
Houston, Texas 77251-1967  
Phone: (713) 669-7027

Stephen R. Johnson, Attorney for  
Phillips Alaska Natural Gas Corporation  
1128 Adams Building  
Bartlesville, OK 74004  
Phone: (918) 661-8373

Marathon:

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

Ms. Lauren D. Boyd, Attorney for  
Marathon Oil Company  
P.O. Box 3128  
Houston, Texas 77210-4813  
Phone: (713) 296-2539

The applicants hereby certify that the undersigned persons and those named above are the duly authorized representatives of the applicants. There are no other proceedings related to this application pending at any other part of the DOE.

## II. AUTHORIZATION REQUESTED

PANGC and Marathon request that the FE amend the export authorization previously granted in Order No. 261 by approving the

market responsive modifications to the price formula applicable to their LNG sales, as provided in the Third Amendatory Agreement to the Extension Agreement.

### III. BACKGROUND

The LNG export authorization held by PANGC 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); DOE/ERA Opinion and Order No. 261 (1 ERA ¶ 70,774-6, July 28, 1988), DOE/FE Opinion and Order No. 261-A (1 FE ¶ 70,454, June 18, 1991); DOE/FE Opinion and Order No. 261-B (1 FE ¶ 70,506, December 19, 1991); and DOE/FE Opinion and Order No. 261-C (1 FE ¶ 70,607, June 15, 1992). The applicants currently are authorized to export annually 64.4 trillion Btu's (TBtu) beginning in the 1994 contract year through March 31, 2004 from their Kenai LNG liquefaction plant in the Cook Inlet area of Alaska to their Japanese customers, Tokyo Electric and Tokyo Gas.

DOE/ERA Opinion and 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.

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.

The parties thereafter executed two agreements, referred to in Order 261-A as the 1989 Memorandum and the 1990 Agreement, which revised the pricing formula for LNG sales made from April 1, 1989 through March 31, 2004 to make such formula more flexible and market responsive. The changes to the pricing formula which these two agreements effected were:

1. From April 1, 1989 through March 31, 2004 a rolling average of the weighted average price of all crude oils, including raw oils, imported into Japan (JCC) less 68 cents would be used in place of the average Government Selling Price (Avg GSP). Deducting the 68 cents from JCC was to reflect the historic difference between the JCC and the formerly used Avg GSP.



2. The applicable rolling average of JCC for inclusion in a particular month's LNG formula would be a three month average obtained by averaging the current and preceding two months' JCC.

3. The application of a Special Adjustment Factor (Sn) to the price formula for LNG sold and delivered from October 1, 1989 through March 31, 1993 in addition to the primary adjustment factor, An.

The FE approved the amended pricing formula on June 18, 1991 in DOE/FE Opinion and Order No. 261-A, finding that the pricing changes would 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.

In response to the continued volatility of the international crude oil and LNG markets, the Parties met beginning in 1993 to discuss the comparability of Alaska LNG sales pricing with the pricing of other projects supplying LNG to Japan under long-term contracts. As a result of these discussions, on April 19, 1994, the Parties executed the "Third Amendatory Agreement" which, subject to regulatory approval, revises the pricing formula previously approved in Opinion and Order Nos. 261 and 261-A as to LNG sales under the Extension Agreement from April 1, 1993 to March 31, 2004.

The Third Amendatory Agreement replaced the pricing provisions in Sections 8.1a, 8.1b, and 8.1c of the Extension Agreement as previously amended with the following pricing provisions:

The price of LNG sold and delivered under the Extension Agreement shall be calculated and determined according to the following formula:

$$P_n = 14.85 \times J + 70$$

where;

- (1)  $P_n$  is the price applicable to LNG sold and delivered in the calendar month "n" expressed in United States cents per MMBtu's.
- (2) "J" is 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 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.

- (3) The formula specified above shall be applied when "J" has a value of thirteen United States dollars per barrel (US \$ 13/bbl) or greater and twenty six United States dollars per barrel (US \$ 26/bbl) or less. When the value of "J" lies outside this range, Sellers and Buyers shall promptly and in good faith discuss and agree on the LNG price to be applied. Until an agreement is reached, interim provisional pricing shall apply calculated using the formula specified above.

The Third Amendatory Agreement is attached as Exhibit A to this Application and incorporated by reference herein.

#### IV. REASONS FOR CHANGING PRICE FORMULA

The Parties negotiated the revised price formula for which applicants herein seek authorization in response to changes which have occurred in the market prices for LNG imported into Japan. In addition, the special adjustment factor or "Sn" in the currently approved formula expired on March 31, 1993, necessitating a re-evaluation of the existing price provisions.

The revised price formula maintains the competitiveness of Sellers' LNG exports to Japan. The formula reflects recent changes in the market for LNG sold into Japan and yields a price which is comparable to the prices of other LNG sold into that market. The price which will be obtained by Sellers through the new formula represents an improvement over the price which has been received under the previously approved formula. The revised formula is similar to the price formulas used by most other LNG projects which sell into the Japanese market.

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 that FE determine 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 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 Opinion and Order No. 206 and followed in Opinion and Order No. 261 (as amended by the FE in Opinion and Order No. 261-A). For these reasons, this application should be approved.

Section 3 of the Natural Gas Act ("NGA") provides that an application for authorization to export natural gas from the United States shall be granted unless the DOE finds that the proposed exportation will not be consistent with the public interest. For the reasons stated herein, PANGC and Marathon assert that the requested amendment to their existing LNG export authorization is consistent with the public interest, as previously determined by the authorities vested with jurisdiction over the subject export of applicants' Kenai LNG to Japan from the Cook Inlet Area of Alaska (as referenced in Paragraph III herein above).

## VI. APPENDICES

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

Appendix A: Third Amendatory Agreement

Appendix B: Opinions of Counsel

VII. CONCLUSION

WHEREFORE, PANGC and Marathon respectfully request that the FE find that the proposed amendment is consistent with the public interest and that the FE amend Order No. 261 and authorize the revision of the pricing formula applicable to applicants' exports of LNG to Japan to permit continued competitive pricing of applicant's LNG as set forth in this application.

Respectfully submitted,

PHILLIPS ALASKA NATURAL  
GAS CORPORATION

By *G. M. Schuppert, Jr.*  
Mr. G. M. Schuppert  
Vice President Marketing  
P. O. Box 1967  
Houston, TX 77251-1967  
(713) 669-7027

MARATHON OIL COMPANY

By *F. R. Adamchak*  
Mr. F. R. Adamchak  
Manager, International Natural Gas  
P.O. Box 3128  
Houston, TX 77253  
(713) 629-6600

**VERIFICATION**

STATE OF TEXAS                    )  
  )     SS:  
COUNTY OF HARRIS                )

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

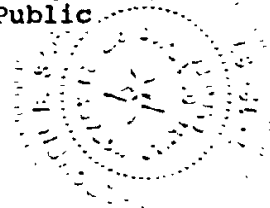
*Guthrie B. Pablatur*

Subscribed and sworn to before me, a notary public, this 29<sup>th</sup>  
day of September, 1994.

*Guthrie B. Pablatur*  
Notary Public

My Commission expires:

July 19, 1997



**VERIFICATION**

STATE OF TEXAS                    )  
  )     SS:  
COUNTY OF HARRIS                )

BEFORE ME, the undersigned authority, on this day personally appeared G. M. Schuppert who, having been by me first duly sworn, on oath says that he is Vice President of Marketing of Phillips Alaska Natural Gas Corporation 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.

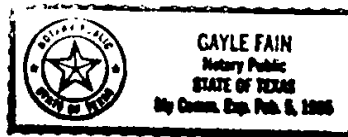
*Gayle Fain*

Subscribed and sworn to before me, a notary public, this 12<sup>th</sup> day of September, 1994.

*Gayle Fain*  
Notary Public

My Commission expires:

*February 5, 1995*



APPENDIX A

THIRD AMENDATORY AGREEMENT



THIRD AMENDATORY AGREEMENT

THIS AGREEMENT made and entered into by and between Phillips Alaska Natural Gas Corporation (Phillips) as successor to Phillips 66 Natural Gas Company and Phillips Petroleum Company, 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 agreed to the terms and conditions of the Liquefied Natural Gas Sale and Purchase Extension Agreement dated June 17, 1988 (hereinafter referred to as "Extension Agreement").

By the First Amendatory Agreement dated September 19, 1990 (hereinafter referred to as "First Amendatory Agreement") and the New Memorandum on Adjustment dated September 19, 1990 (hereinafter referred to as "New Memorandum on Adjustment"), Sellers and Buyers agreed to amend the pricing formula of LNG sold and delivered for the period from October 1, 1989 to March 31, 2004.

In accordance with a letter agreement dated March 30, 1993, Sellers and Buyers discussed the pricing formula and hereby agree that the pricing formula of LNG sold and delivered from April 1, 1993 to March 31, 2004 under the Extension Agreement shall be amended as follows:

1. Upon the execution of this Agreement, the First Amendatory Agreement and the New Memorandum on Adjustment shall expire.
2. The price of LNG sold and delivered under the Extension Agreement shall be calculated and determined according to the following formula:

$$P_n = 14.85 \times J + 70$$

where:

- (1) "P<sub>n</sub>" is the price of LNG sold and delivered in the calendar month "n", expressed in the United States cents per MMBtu's, rounded to one (1) decimal place in the manner as provided in Section 1.1r of the Extension Agreement.
- (2) "J" is 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) The formula specified above shall be applied when "J" has a value of thirteen United States dollars per barrel (US \$ 13/bbl) or greater and twenty six United States dollars per barrel (US \$ 26/bbl) or less. When the value of "J" lies outside this range. Sellers and Buyers shall promptly discuss and agree on the LNG price to be applied. Until an agreement is reached, the interim price shall be calculated using the formula specified above.

3. 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 of each Buyer 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 of each Buyer delivered after the price difference has been determined.

4. The balance of payment arising from the difference between the prices determined according to the pricing formula specified in the foregoing provisions and the interim prices used, as specified in the March 30, 1993 letter agreement, for the actual payment for LNG sold and delivered to Buyers for the period from April, 1993 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.
5. This Agreement supersedes the pricing provisions contained in Sections 8.1a, 8.1b and 8.1c of the Extension Agreement. Except as modified herein, the remaining terms and provisions of the Extension Agreement, as amended, shall remain in full force and effect.
6. 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.
7. The terms and conditions specified in Section 24.1 of the Extension Agreement shall be applied to this Agreement.

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

BUYERS:

SELLERS:

THE TOKYO ELECTRIC POWER  
COMPANY, INCORPORATED

PHILLIPS ALASKA NATURAL GAS CORPORATION

BY: Hiroshi Araki  
H. Araki  
President

K.J.

BY: J. L. Whitmire  
J. L. Whitmire  
President

LMW

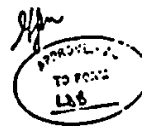
TOKYO GAS CO., LTD.

MARATHON OIL COMPANY

BY: Kunio Anzai  
K. Anzai  
President

AO

BY: J. L. Frank  
J. L. Frank  
Executive Vice President



Dated: April 19th, 1994

APPENDIX B

OPINIONS OF LEGAL COUNSEL REGARDING  
CORPORATE AUTHORITY TO EXPORT LNG

September 23, 1994

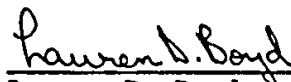
Office of Fuels Programs, Fossil Energy  
U.S. Department of Energy  
Docket Room 3F-056, FE-50  
Forrestal Building  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

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

Gentlemen:

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

Very truly yours,

  
\_\_\_\_\_  
Lauren D. Boyd

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

LDB/ch  
jjx\36469

Lauren D. Boyd  
Attorney  
Natural Gas & Alaska



P.O. Box 4813 / 77210-4813  
5555 San Felipe / 77056-2725  
Houston, TX  
Telephone 713/296-2539  
FAX 713/296-2581

October 5, 1994

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

RECORDED

1994 OCT -5 P 12:00

Re: Phillips Alaska Natural Gas Corporation and  
Marathon Oil Company Application to Amend  
Authorization to Export Liquefied Natural Gas

Gentlemen:

Pursuant to 10 C.F.R §590.201, Phillips Alaska Natural Gas Corporation ("PANGC") and Marathon Oil Company ("Marathon") enclose for filing an original and fifteen (15) copies of their "Application to Amend Authorization to Export Liquefied Natural Gas." By this filing, Applicants seek approval of the Office of Fossil Energy to revise the pricing formula authorized in ERA Order No. 261 applicable to their sales of liquefied natural gas exported from the Kenai peninsula of Alaska to Japan.

Also enclosed is Marathon's check no. 155632 for Fifty Dollars (\$50.00) in payment of the filing fee for this Application as prescribed by 10 C.F.R. §590.207.

Please indicate the date and time of filing by stamping on the two (2) enclosed additional copies of this letter and returning the same to the undersigned.

Sincerely yours,

A handwritten signature in cursive script that reads 'Lauren D. Boyd'.

Lauren D. Boyd  
Attorney for  
MARATHON OIL COMPANY

jjx40255  
Enclosures



Lauren D. Boyd  
Attorney  
Natural Gas & Alaska



**Marathon  
Oil Company**

October 7, 1994

P.O. Box 4813 / 77210-4813  
5555 San Felipe / 77056-2725  
Houston, TX  
Telephone 713/296-2539  
FAX 713/296-2581

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

### **ERRATA NOTICE**

Re: Application of Phillips Alaska Natural Gas Corporation  
and Marathon Oil Company to Amend Authorization to  
Export Liquefied Natural Gas

Gentlemen:

On October 5, 1994, Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) filed with the Office of Fossil Energy their "Application to Amend Authorization to Export Liquefied Natural Gas."

When we received our file stamped copies of the Application, we discovered that PANGC's opinion of legal counsel regarding corporate authority to export LNG inadvertently was not included in the Appendix B of some of the copies of the Application.

In discussions with your filing office, we have confirmed that the PANGC opinion of counsel was included in the original of the Application filed with your office but was incorrectly located in front of the cover page of the Application.

Enclosed herewith are fifteen (15) copies of the PANGC opinion of counsel. We request that you insert the PANGC opinion of counsel in Appendix B of each copy of the Application filed on October 5, 1994. Please file stamp the extra copy of the ERRATA NOTICE and return for our files.

Thank you for your assistance.

Sincerely yours,

A handwritten signature in cursive script that reads "Lauren D. Boyd".

Lauren D. Boyd  
Attorney for  
MARATHON OIL COMPANY

Enclosures  
A subsidiary of USX Corporation

REC'D PANG/FE  
OCT 11 P 3:10



**PHILLIPS PETROLEUM COMPANY**  
BARTLESVILLE, OKLAHOMA 74004 918 661-6600

LEGAL

September 21, 1994

Office of Fuels Programs, Fossil Energy  
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Ladies and Gentlemen:

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Very truly yours,

Stephen R. Johnson  
Attorney for  
Phillips Alaska Natural Gas Corporation  
1128 Adams Building  
Bartlesville, Oklahoma 74004  
(918) 661-8373

SRJ:js

UNITED STATES OF AMERICA

[6450-01-P]

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

[FE DOCKET NO. 94-81-NG]

PHILLIPS ALASKA NATURAL GAS CORPORATION  
AND  
MARATHON OIL COMPANY

APPLICATION TO AMEND AUTHORIZATION  
TO EXPORT LIQUEFIED NATURAL GAS

AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of application.

SUMMARY: The Office of Fossil Energy (FE) of the Department of Energy (DOE) gives notice of receipt of an application filed on October 5, 1994, as supplemented October 11, 1994, by Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) requesting that DOE amend a long-standing authorization to export Alaskan liquefied natural gas (LNG).

PANGC and Marathon seek permission to modify the existing price formula used for exports to two Japanese customers. The exports originate at their Kenai LNG plant in the Cook Inlet area of Alaska and are delivered to Tokyo Electric Power Company, Inc. (Tokyo Electric) and Tokyo Gas Company, Ltd. (Tokyo Gas).

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

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

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

ADDRESS:

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

FOR FURTHER INFORMATION:

Susan K. Gregersen  
Office of Fuels Programs  
Fossil Energy  
U.S. Department of Energy  
Forrestal Building, Room 3F-056, FE-53  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

Diane Stubbs  
Office of Assistant General Counsel  
for Fossil Energy  
U.S. Department of Energy  
Forrestal Building, Room 6E-042, GC-41  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

SUPPLEMENTARY INFORMATION:

Background

PANGC, a Delaware corporation with its principal place of business in Bartlesville, Oklahoma, is a wholly owned subsidiary of Phillips Petroleum Company, a Delaware corporation. Marathon, an Ohio corporation with its principal place of business in Houston, Texas, is a wholly owned subsidiary of USX Corporation,

also a Delaware corporation. PANGC and Marathon are not affiliated with each other.

The LNG export authorization held by PANGC (successor to Phillips 66 Natural Gas Company) and Marathon was granted originally by the Federal Power Commission on April 19, 1967. It was subsequently amended by DOE's Economic Regulatory Administration in 1982, 1986, 1987, and 1988, and by FE in 1991 and 1992. PANGC and Marathon are currently authorized to export up to 64.4 trillion Btus of LNG through March 31, 2004. See DOE/ERA Opinion and Order No. 261 (1 ERA ¶ 70,130, July 28, 1988); DOE/FE Opinion and Order No. 261-A (1 FE ¶ 70,454, June 18, 1991); DOE/FE Opinion and Order No. 261-B (1 FE ¶ 70,506, December 19, 1991); and DOE/FE Opinion and Order No. 261-C (1 FE ¶ 70,607, June 15, 1992).

In DOE/FE Opinion and Order No. 261-A, DOE authorized a market-sensitive pricing formula under which the monthly selling price per MMBtu of LNG exported to Japan by PANGC and Marathon is calculated by multiplying a predetermined base price by an adjustment factor composed of the arithmetic average price paid in Japan for a barrel of imported crude oil over three months. The arithmetic average price is based on the weighted average price of all crude oils (including raw oils) imported into Japan each month as reported in Japan Exports & Imports Monthly which is edited by the Customs Bureau, Ministry of Finance, and published by the Japan Tariff Association. In the application filed by PANGC and Marathon, the proposed revision to their

current price formula is in accordance with an agreement (the "Third Amendatory Agreement") entered into by PANGC, Marathon, Tokyo Electric, and Tokyo Gas on April 19, 1994. The revised formula has fewer components and a different base price.

However, the selling price of the exported LNG would continue to be adjusted each month according to changes over three months in the published selling price of all crude oils imported into Japan.

PANGC and Marathon assert that the new formula is similar to the price formulas used by most other LNG projects which sell into the Japanese market. Based on their current modification to the existing price formula, if the arithmetic average price for crude oil imported into Japan is \$15.00 per barrel, the price of LNG sold by PANGC and Marathon would be \$2.93 per MMBtu. (The heat content of one barrel of crude oil is approximately 5.8 MMBtu's.) Applying the formula, a \$1.00 per barrel increase or decrease in the arithmetic average price of crude oil would lead to a \$0.15 per MMBtu increase or decrease in the price of LNG.

This export application will be reviewed pursuant to section 3 of the Natural Gas Act, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486) and the authority contained in DOE Delegation Order Nos. 0204-111 and 0204-127. 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 marketplace by allowing commercial parties to

freely negotiate their own trade arrangements. Since DOE previously has determined in DOE/FE Opinion and Order No. 261 that there is no domestic need for the gas involved in this export over the term of the LNG sales contract, the modification proposed by PANGC and Marathon to their existing price formula shall be evaluated based on whether the amendment is in accord with DOE's international gas trade policy. Parties that may oppose this application should comment in their responses on this issue.

NEPA Compliance. The National Environmental Policy Act (NEPA) (42 U.S.C. § 4231 et seq.) requires DOE to give appropriate consideration to the environmental effects of its proposed action. 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. Anyone who wants to become a party to this proceeding and to have their written comments considered as the basis for the 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 specified by the regulations in 10 C.F.R. 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 a decisional record on the application will be developed through responses to this notice by parties, including the parties' written comments and replies thereto. Additional procedures will be used as necessary to achieve a complete understanding of the facts and issues. A party seeking intervention may request that additional procedures be provided, such as additional written comments, an oral presentation, a conference, or trial-type hearing. Any request to file additional written comments should explain why they are necessary. Any request for an oral presentation should identify the substantial question of fact, law, or policy at issue, show that it is material and relevant to a decision in the proceeding, and demonstrate why an oral presentation is needed. Any request for a conference should demonstrate why the conference would materially advance the proceeding. Any request for a trial-type hearing must show that there are factual issues genuinely in dispute that are relevant and material to a decision and that a trial-type hearing is necessary for a full and true disclosure of the facts.

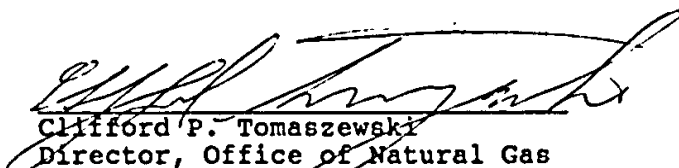
If an additional procedure is scheduled, notice will be provided to all parties. If no party requests additional



procedures, a final opinion and order may be issued based on the official record, including the application and responses filed by parties pursuant to this notice, in accordance with 10 C.F.R. § 590.316.

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

Issued in Washington, D.C., on November 30, 1994.



Clifford P. Tomaszewski  
Director, Office of Natural Gas  
Office of Fuels Programs  
Office of Fossil Energy

communities" inclusive of everyone who has an impact on students and their learning. Those within and outside schools need to work together to bring to bear the ideas, commitment, and other resources that are necessary to address important and complex educational issues in a variety of settings. High-quality professional development takes a growth rather than a deficit approach and regards educators and other members of the school community as resources rather than problems. Equitable access for all educators to those professional development opportunities is imperative.

It is our firm belief that high quality professional development strategies must incorporate ALL of the principles stated in this document. Inadequately addressing any of the principles creates a weak link in the chain of connections that must be made to realize fully the potential of individuals, school communities, and institutions to improve and excel.

The mission of professional development is to prepare and support educators to help all students achieve high standards of learning and development.

#### Professional Development—

- Focuses on teachers as central to school reform, yet includes all members of the school community;
- Respects and nurtures the intellectual capacity of teachers and others in the school community;
- Reflects best available research and practice in teaching, learning, and leadership;
- Is planned principally by those who will participate in that development;
- Enables teachers to develop expertise in content, pedagogy, and other essential elements in teaching to high standards;
- Enhances leadership capacity among teachers, principals, and others;
- Requires ample time and other resources that enable educators to develop their individual capacity, and to learn and work together;
- Promotes commitment to continuous inquiry and improvement embedded in the daily life of schools;
- Is driven by a coherent long-term plan that incorporates professional development as essential among a broad set of strategies to improve teaching and learning;
- Is evaluated on the basis of its impact on teacher effectiveness, student learning, leadership, and the school community, and this evaluation guides

subsequent professional development efforts.

[FR Doc. 94-30314 Filed 12-8-94; 8:45 am]  
BILLING CODE 4000-01-P

#### DEPARTMENT OF ENERGY

##### Office of Fossil Energy

[FE Docket No. 94-93-NG]

##### Channel Gas Marketing Company; Order Granting Blanket Authorization to Export Natural Gas to Mexico

AGENCY: Office of Fossil Energy, DOE.  
ACTION: Notice of order.

**SUMMARY:** The Office of Fossil Energy of the Department of Energy gives notice that it has issued an order granting Channel Gas Marketing Company blanket authorization to export up to 200 Bcf of natural gas to Mexico. This authorization is for a period of two years beginning on the date of the first delivery.

This order is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056, Forrestal Building, 1000 Independence Avenue, SW., Washington, DC 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, DC on November 22, 1994.

Clifford Tomaszewski,  
Director, Office of Natural Gas, Office of Fuels  
Programs, Office of Fossil Energy.

[FR Doc. 94-30384 Filed 12-8-94; 8:45 am]  
BILLING CODE 4150-01-P

[FE Docket No. 94-81-NG]

##### Phillips Alaska Natural Gas Corporation and Marathon Oil Company; Application to Amend Authorization to Export Liquefied Natural Gas

AGENCY: Office of Fossil Energy, DOE.  
ACTION: Notice of application.

**SUMMARY:** The Office of Fossil Energy (FE) of the Department of Energy (DOE) gives notice of receipt of an application filed on October 5, 1994, as supplemented-October 11, 1994, by Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) requesting that DOE amend a long-standing authorization to export Alaskan liquefied natural gas (LNG). PANGC and Marathon seek permission to modify the existing price formula used for exports to two Japanese

customers. The exports originate at their Kenai LNG plant in the Cook Inlet area of Alaska and are delivered to Tokyo Electric Power Company, Inc. (Tokyo Electric) and Tokyo Gas Company, Ltd. (Tokyo Gas).

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

**DATES:** Protests, Motions to intervene or notices of intervention, as applicable, requests for additional procedures and written comments are to be filed at the address listed below no later than 4:30 p.m., eastern time, January 9, 1995.

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

#### FOR FURTHER INFORMATION:

Susan K. Gregersen, Office of Fuels  
Programs, Fossil Energy, U.S.

Department of Energy, Forrestal  
Building, Room 3F-056, FE-53, 1000  
Independence Avenue SW.,  
Washington, D.C. 20585

Diane Stubbs, Office of Assistant  
General Counsel for Fossil Energy,  
U.S. Department of Energy Forrestal  
Building, Room 6E-042, GC-41, 1000  
Independence Avenue SW.,  
Washington, D.C. 20585.

#### SUPPLEMENTARY INFORMATION:

##### Background

PANGC, a Delaware corporation with its principal place of business in Bartlesville, Oklahoma, is a wholly owned subsidiary of Phillips Petroleum Company, a Delaware corporation. Marathon, an Ohio corporation with its principal place of business in Houston, Texas, is a wholly owned subsidiary of USX Corporation, also a Delaware corporation. PANGC and Marathon are not affiliated with each other.

The LNG export authorization held by PANGC (successor to Phillips 66 Natural Gas Company) and Marathon was granted originally by the Federal Power Commission on April 19, 1967. It was subsequently amended by DOE's Economic Regulatory Administration in 1982, 1986, 1987, and 1988, and by FE in 1991 and 1992. PANGC and Marathon are currently authorized to export up to 64.4 trillion Btus of LNG through March 31, 2004. See DOE/ERA Opinion and Order No. 261 (1 ERA ¶ 70.130, July 28, 1988); DOE/FE Opinion and Order No. 261-A (1 FE ¶ 70.454, June 18, 1991); DOE/FE Opinion and Order No. 261-B (1 FE ¶ 70.506, December 19, 1991); and DOE/

FE Opinion and Order No. 261-C (1 FE 70,607, June 15, 1992).

In DOE/FE Opinion and Order No. 261-A, DOE authorized a market-sensitive pricing formula under which the monthly selling price per MMBtu of LNG exported to Japan by PANGC and Marathon is calculated by multiplying a predetermined base price by an adjustment factor composed of the arithmetic average price paid in Japan for a barrel of imported crude oil over three months. The arithmetic average price is based on the weighted average price of all crude oils (including raw oils) imported into Japan each month as reported in *Japan Exports & Imports Monthly* which is edited by the Customs Bureau, Ministry of Finance, and published by the Japan Tariff Association. In the application filed by PANGC and Marathon, the proposed revision to their current price formula is in accordance with an agreement (the "Third Amendatory Agreement") entered into by PANGC, Marathon, Tokyo Electric, and Tokyo Gas on April 19, 1994. The revised formula has fewer components and a different base price. However, the selling price of the exported LNG would continue to be adjusted each month according to changes over three months in the published selling price of all crude oils imported into Japan.

PANGC and Marathon assert that the new formula is similar to the price formulas used by most other LNG projects which sell into the Japanese market. Based on their current modification to the existing price formula, if the arithmetic average price for crude oil imported into Japan is \$15.00 per barrel, the price of LNG sold by PANGC and Marathon would be \$2.93 per MMBtu. (The heat content of one barrel of crude oil is approximately 5.8 MMBtu's.) Applying the formula, a \$1.00 per barrel increase or decrease in the arithmetic average price of crude oil would lead to a \$0.15 per MMBtu increase or decrease in the price of LNG.

This export application will be reviewed pursuant to section 3 of the Natural Gas Act, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486) and the authority contained in DOE Delegation Order Nos. 0204-111 and 0204-127. 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 marketplace by allowing commercial parties to freely negotiate their own trade arrangements. Since DOE previously has determined in DOE/FE

Opinion and Order No. 261 that there is no domestic need for the gas involved in this export over the term of the LNG sales contract, the modification proposed by PANGC and Marathon to their existing price formula shall be evaluated based on whether the amendment is in accord with DOE's international gas trade policy. Parties that may oppose this application should comment in their responses on this issue.

**NEPA Compliance.** The National Environmental Policy Act (NEPA) (42 U.S.C. § 4231 *et seq.*) requires DOE to give appropriate consideration to the environmental effects of its proposed action. 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. Anyone who wants to become a party to this proceeding and to have their written comments considered as the basis for the 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 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 a decisional record on the application will be developed through responses to this notice by parties, including the parties' written comments and replies thereto. Additional procedures will be used as necessary to achieve a complete understanding of the facts and issues. A party seeking intervention may request that additional procedures be provided, such as additional written comments, an oral presentation, a conference, or trial-type hearing. Any request to file additional written comments should explain why they are necessary. Any request for an oral presentation should identify the substantial question of fact, law, or policy at issue, show that it is material and relevant to a decision in the proceeding, and demonstrate why an oral presentation is needed. Any

request for a conference should demonstrate why the conference would materially advance the proceeding. Any request for a trial-type hearing must show that there are factual issues genuinely in dispute that are relevant and material to a decision and that a trial-type hearing is necessary for a full and true disclosure of the facts.

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

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

Issued in Washington, D.C., on November 30, 1994.

Clifford P. Tomaszewski,  
Director, Office of Natural Gas, Office of Fuels Programs, Office of Fossil Energy.  
[FR Doc. 94-30385 Filed 12-8-94; 8:45 am]  
BILLING CODE 6450-01-P

[FE Docket No 94-94-NG]

Power City Partners, L.P. Order Granting Blanket Authorization to Import Natural Gas From Canada

AGENCY: Office of Fossil Energy, DOE.  
ACTION: Notice of order.

**SUMMARY:** The Office of Fossil Energy of the Department of Energy gives notice that it has issued an order granting Power City Partners, L.P. authorization to import up to 500,000 Mcf of natural gas from Canada over a two-year term beginning on the date of the first import delivery.

This order is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, (202) 586-8478. 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., November 30, 1994.

Clifford P. Tomaszewski,  
Director, Office of Natural Gas, Office of Fuels Programs, Office of Fossil Energy.  
[FR Doc. 94-30386 Filed 12-8-94; 8:45 am]  
BILLING CODE 6450-01-P

UNITED STATES OF AMERICA

[6450-01-P]

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

[FE DOCKET NO. 94-81-LNG]

PHILLIPS ALASKA NATURAL GAS CORPORATION  
AND  
MARATHON OIL COMPANY

ORDER AMENDING AUTHORIZATION  
TO EXPORT LIQUEFIED NATURAL GAS


AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of order.

SUMMARY: The Office of Fossil Energy of the Department of Energy gives notice that it has issued an order amending the long-standing authorization granted to Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) to export liquefied natural gas (LNG) to Japan. Specifically, the order approves a modified LNG pricing formula, in accordance with an amendment to PANGC's and Marathon's June 17, 1988, LNG purchase agreement.

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

Issued in Washington, D.C., March 2, 1995.

  
Clifford P. Tomaszewski  
Director, Office of Natural Gas  
Office of Fuels Programs  
Office of Fossil Energy

CX (CATEGORICAL EXCLUSION)

DISK: # 2  
FILE: 94-81.CX

**CATEGORICAL EXCLUSION (CX) DETERMINATION**  
**PHILLIPS ALASKA NATURAL GAS CORPORATION AND**  
**MARATHON OIL COMPANY**  
**FE DOCKET NO: 94-81-LNG**

**Project Title:** Application of Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) to Amend Liquefied Natural Gas (LNG) Export Authorization

**Location:** Kenai, Alaska LNG plant located in the Cook Inlet Area

**Proposed By:** PANGC and Marathon

**Description of Proposed Action:** Amend the LNG export authorization previously granted under section 3 of the Natural Gas Act (NGA) to PANGC (successor to Phillips 66 Natural Gas Company) in DOE/ERA Opinion and Order No. 261, as amended in DOE/FE Opinion and Order Nos. 261-A, 261-B, and 261-C, to modify the existing pricing formula used for LNG exports to two Japanese customers. No new LNG facilities are required.

**CX To Be Applied:** Appendix B to Subpart D, paragraph B5.7 of the revised DOE NEPA Guidelines; specifically, this CX is for the import/export of natural gas, no new construction.

**Determination:** I have determined that the proposed action meets the requirements for the CX referenced above. Therefore, I have determined that the proposed action may be categorically excluded from further NEPA review and documentation.

Signature:         *PF*         Date         FEB 22 1995          
Patricia Fry Godley  
Assistant Secretary for Fossil Energy

CONCURRENCES	
RTG SYMBOL	ORIG.
INITIALS/SIG	<i>SKg</i>
DATE	<i>2-10-95</i>
RTG SYMBOL	FE-532
INITIALS/SIG	<i>UW</i>
DATE	<i>2/11/95</i>
RTG SYMBOL	FE-532
INITIALS/SIG	<i>[Signature]</i>
DATE	<i>[Date]</i>
RTG SYMBOL	FE-53
INITIALS/SIG	
DATE	
RTG SYMBOL	FE-50
INITIALS/SIG	
DATE	
RTG SYMBOL	FE-2
INITIALS/SIG	
DATE	
RTG SYMBOL	FE-6
INITIALS/SIG	<i>[Signature]</i>
DATE	<i>2-16-95</i>
RTG SYMBOL	FE-6
INITIALS/SIG	<i>[Signature]</i>
DATE	<i>2-18-95</i>
RTG SYMBOL	
INITIALS/SIG	
DATE	

**CATEGORICAL EXCLUSION (CX) DETERMINATION**

**PHILLIPS ALASKA NATURAL GAS CORPORATION AND  
MARATHON OIL COMPANY  
FE DOCKET NO: 94-81-LNG**

**Project Title:** Application of Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) to Amend Liquefied Natural Gas (LNG) Export Authorization

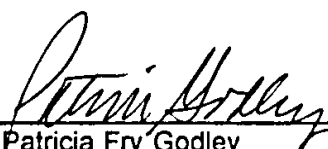
**Location:** Kenai, Alaska LNG plant located in the Cook Inlet Area

**Proposed By:** PANGC and Marathon

**Description of Proposed Action:** Amend the LNG export authorization previously granted under section 3 of the Natural Gas Act (NGA) to PANGC (successor to Phillips 66 Natural Gas Company) in DOE/ERA Opinion and Order No. 261, as amended in DOE/FE Opinion and Order Nos. 261-A, 261-B, and 261-C, to modify the existing pricing formula used for LNG exports to two Japanese customers. No new LNG facilities are required.

**CX To Be Applied:** Appendix B to Subpart D, paragraph B5.7 of the revised DOE NEPA Guidelines; specifically, this CX is for the import/export of natural gas, no new construction.

**Determination:** I have determined that the proposed action meets the requirements for the CX referenced above. Therefore, I have determined that the proposed action may be categorically excluded from further NEPA review and documentation.

Signature:  Date 2/22/95  
Patricia Fry Godley  
Assistant Secretary for Fossil Energy

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY

MAR 02 1995]

REC'D DOE/FE/OF

PHILLIPS ALASKA NATURAL GAS  
CORPORATION  
and  
MARATHON OIL COMPANY

FE DOCKET NO. 94-81-LNG

ORDER AMENDING AUTHORIZATION  
TO EXPORT LIQUEFIED NATURAL GAS

DOE/FE OPINION AND ORDER NO. 261-D

MARCH 2, 1995

## I. BACKGROUND

On October 5, 1994, as supplemented October 11, 1994, 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)<sup>1/</sup> and DOE Delegation Order Nos. 0204-111 and 0204-127, requesting that DOE amend a long-standing authorization to export Alaskan liquefied natural gas (LNG). PANGC and Marathon seek permission to modify the existing pricing formula used for exports to two Japanese customers. The exports originate at their Kenai LNG plant in the Cook Inlet area of Alaska and are delivered to Tokyo Electric Power Company, Inc. (Tokyo Electric) and Tokyo Gas Company, Ltd. (Tokyo Gas). PANGC, a Delaware corporation with its principal place of business in Bartlesville, Oklahoma, is a wholly-owned subsidiary of Phillips Petroleum Company, a Delaware corporation. Marathon, an Ohio corporation with its principal place of business in Houston, Texas, is a wholly-owned subsidiary of USX Corporation, also a Delaware corporation. PANGC and Marathon are not affiliated with each other.

The LNG export authorization held by PANGC (successor to Phillips 66 Natural Gas Company) and Marathon was granted originally by the Federal Power Commission on April 19, 1967. This authorization was subsequently amended by DOE's Economic Regulatory Administration in 1982, 1986, 1987, and 1988, and by

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<sup>1/</sup> 15 U.S.C. § 717b.



FE in 1991 and 1992.<sup>2/</sup> PANGC and Marathon are currently authorized to export up to 64.4 trillion Btu of LNG through March 31, 2004.

PANGC and Marathon state in their current application that they entered into discussions beginning in 1993 to compare Alaska LNG sales pricing with the pricing of other projects supplying LNG to Japan under long-term contracts. As a result of those discussions, PANGC and Marathon executed the April 19 1994, Third Amendatory Agreement, which further revises the LNG pricing formula previously approved in Order 261, as amended in Order 261-A, as it pertains to LNG sales under the Extension Agreement from April 1, 1993, to March 31, 2004. The Third Amendatory Agreement replaces the current pricing provisions as follows:

$$P_n = 14.85 \times J + 70$$

WHERE:

1.  $P_n$  is the price applicable to LNG sold and delivered in the calendar month "n" expressed in U.S. cents per MMBtu's.
2. "J" is the arithmetic average price over a period of three (3) months, expressed in U.S. dollars per barrel of the weighted average price of all crude oils, including raw oils, imported into Japan in each such month (JCC). The prices and quantities of imported crude oils, and the exchange rates used in the determination of each JCC shall be based on the statistics in Japan Exports & Imports Monthly, edited by the Customs Bureau, Ministry of Finance, Japan, and published by Japan Tariff Association.
3. The above formula shall be applied when the value of "J" is between thirteen (13) U.S. dollars per barrel or greater

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<sup>2/</sup> See DOE/ERA Opinion and Order No. 261 (1 ERA ¶ 70,130, July 28, 1988); DOE/FE Opinion and Order No. 261-A (1 FE ¶ 70,454, June 18, 1991); DOE/FE Opinion and Order No. 261-B (1 FE ¶ 70,506, December 19, 1991); and, DOE/FE Opinion and Order No. 261-C (1 FE ¶ 70,607, June 15, 1992).

and twenty-six (26) U.S. dollars per barrel or less. When the value of "J" is outside this range, PANGC and Marathon are required to negotiate the LNG price to be applied. Until an agreement is reached, interim provisional pricing shall apply, calculated by using the above formula.

A notice of the application was published in the Federal Register on December 9, 1994, inviting protests, motions to intervene, notices of intervention and comments to be filed by January 9, 1995.<sup>3/</sup> No comments or motions to intervene were received.

## II. DECISION

The application filed by PANGC and Marathon has been evaluated to determine if the proposed export arrangement meets the public interest requirements of section 3 of the NGA. Under section 3, an export must be authorized unless there is a finding that it "will not be consistent with the public interest." When natural gas or LNG export applications are reviewed, domestic need for the gas to be exported is considered, as well as any other issues determined to be appropriate in a particular case. PANGC's and Marathon's LNG export proposal, as set forth in the application, is consistent with section 3 of the NGA. Because DOE previously has determined in DOE/ERA Opinion and Order No. 261 that there is no domestic need for the gas involved in this LNG export, the modification proposed by PANGC and Marathon to their existing pricing formula has been evaluated based on whether the amendment is in accord with DOE's international gas

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<sup>3/</sup> 59 F.R. 63774.

trade policy, and has been found to be consistent with that policy.

After considering all the information in the record of this proceeding, I find that approving the proposed amendment, as requested by PANGC and Marathon, is not inconsistent with the public interest.<sup>4/</sup>

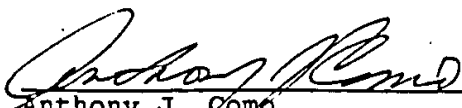
ORDER

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

A. Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) are authorized to export LNG to Japan, using the pricing formula modified in accordance with the April 19, 1994, "Third Amendatory Agreement" to the June 17, 1988, Liquefied Natural Gas Sale and Purchase Agreement, as discussed in the body of this Order.

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

Issued in Washington, D.C., on March 2, 1995.

  
\_\_\_\_\_  
Anthony J. Como  
Director  
Office of Coal & Electricity  
Office of Fuels Programs  
Office of Fossil Energy

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<sup>4/</sup> Because this LNG export arrangement 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.); therefore, neither an environmental impact statement nor an environmental assessment is required. See 40 C.F.R. § 1508.4 and 54 F.R. 15122 (April 24, 1992).

Commission and are available for public inspection.

Lois D. Cashell,  
Secretary.

[FR Doc. 95-6175 Filed 3-13-95; 8:45 am]

BILLING CODE 6717-01-M

All interested persons and Staff are permitted to attend.

Lois D. Cashell,  
Secretary.

[FR Doc. 95-6177 Filed 3-13-95; 8:45 am]

BILLING CODE 6717-01-M

Forrestal Building, 1000 Independence Avenue, SW., Washington, DC 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, DC, March 1, 1995.

Clifford P. Tomaszewski,

Director, Office of Natural Gas, Office of Fuels Programs, Office of Fossil Energy.

[FR Doc. 95-6248 Filed 3-13-95; 8:45 am]

BILLING CODE 6450-01-P

### Tennessee Gas Pipeline Co.; Notice of Filing

[Docket No. RP95-112-003]

March 8, 1995.

Take notice that on March 3, 1995, Tennessee Gas Pipeline Company (Tennessee) tendered for filing to become part of its FERC Gas Tariff, Original Volume No. 2, the following tariff sheets to be effective February 1, 1995:

First Revised Sub 30th Revised Sheet No. 5

Tennessee states that the purpose of this filing is to comply with the Commission's February 23, 1995 Order in Docket No. RP95-112 requiring Tennessee to make the Rate Schedule T-180 rate effective February 1, 1995.

Tennessee states that copies of the filing have been mailed to all affected parties.

Any persons desiring to protest said filing should file a protest with the Federal Energy Regulatory Commission, 825 North Capitol Street NE., Washington, D.C. 20426, in accordance with Rule 211 of the Commission's Rules of Practice and Procedure (18 CFR 385.211). All such protests should be filed before March 15, 1995. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Copies of this filing are on file with the Commission and are available for public inspection.

Lois D. Cashell,  
Secretary.

[FR Doc. 95-6176 Filed 3-13-95; 8:45 am]

BILLING CODE 6717-01-M

### Williston Basin Interstate Pipeline Co.; Notice of Technical Conference

[Docket Nos. RP90-137-015, RP90-137-018, and RP90-137-019]

March 8, 1995.

Pursuant to the Commission's letter order, issued on February 15, 1995, a technical conference will be held to resolve the issues raised in the above-captioned proceeding. The conference will be held on Tuesday, March 21, 1995 at 10 a.m. in a room to be designated at the offices of the Federal Energy Regulatory Commission, 810 First Street NE., Washington, DC 20426.

### Office of Fossil Energy

[FE Docket No. 94-81-LNG]

Phillips Alaska Natural Gas Corporation and Marathon Oil Company; Order Amending Authorization to Export Liquefied Natural Gas

AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of order.

**SUMMARY:** The Office of Fossil Energy of the Department of Energy gives notice that it has issued an order amending the long-standing authorization granted to Phillips Alaska Natural Gas Corporation (PANGC) and Marathon Oil Company (Marathon) to export liquefied natural gas (LNG) to Japan. Specifically, the order approves a modified LNG pricing formula, in accordance with an amendment to PANGC's and Marathon's June 17, 1988, LNG purchase agreement.

This order is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056, Forrestal Building, 1000 Independence Avenue, SW., Washington, DC 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, DC, March 2, 1995.  
Clifford P. Tomaszewski,

Director, Office of Natural Gas, Office of Fuels Programs, Office of Fossil Energy.

[FR Doc. 95-6247 Filed 3-13-95; 8:45 am]

BILLING CODE 6450-01-P

[FE Docket No 95-12-NG]

Petro-Canada Hydrocarbons Inc.; Order Granting Blanket Authorization To Import Natural Gas From Canada

AGENCY: Office of Fossil Energy, DOE.

ACTION: Notice of order.

**SUMMARY:** The Office of Fossil Energy of the Department of Energy gives notice that it has issued an order granting Petro-Canada Hydrocarbons Inc. authorization to import up to 150 Bcf of natural gas from Canada over a two-year term beginning on the date of the first delivery after March 3, 1995.

This order is available for inspection and copying in the Office of Fuels Programs Docket Room, 3F-056,

### ENVIRONMENTAL PROTECTION AGENCY

[HERL-RTP; FRL-5-5172-1]

#### Workshop on Endocrine Disruptors

AGENCY: Environmental Protection Agency.

ACTION: Notice of public meeting.

**SUMMARY:** The U.S. Environmental Protection Agency (EPA) is sponsoring a workshop to develop research needs to address the hypothesis that chemicals present in the environment may have adverse hormonally-mediated effects on humans and wildlife. The goals of this workshop are twofold: (1) to provide a forum for communication of information on endocrine disruptors among a diverse assembly of organizations and scientific specialties; and (2) to develop a national strategy that delineates short term and long term projects necessary for understanding the magnitude and nature of the issues related to endocrine disruptors. Specific activities will be focused on research needs related to potential effects on reproductive, immunologic, and neurologic function as well as on carcinogenic effects. How such research will be of use in the risk assessment process will be an important consideration in the deliberations.

**DATES:** The workshop will be held April 10-13, 1995, at the Radisson Plaza Hotel, Raleigh, North Carolina. The workshop is open to the public, although seating will be limited and advanced registration is required. Interested parties should contact Ms. Theresa Harris, U.S. Environmental Protection Agency, HERL, MD-70, Research Triangle Park, NC 27711; telephone 919-541-1133.

Dated: March 7, 1995.

Henry L. Longest II,  
Acting Assistant Administrator for Research and Development.

[FR Doc. 95-6268 Filed 3-13-95; 8:45 am]

BILLING CODE 6560-60-M