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**May 20, 2008**

**VIA HAND-DELIVERY**

Mr. Robert Corbin  
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

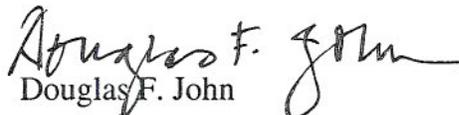
**Re: ConocoPhillips Alaska Natural Gas Corporation and Marathon Oil  
Company, FE Docket No. 07-02-LNG**

Dear Mr. Corbin:

Enclosed please find an original and fifteen (15) copies of the "Answer of ConocoPhillips Alaska Natural Gas Corporation and Marathon Oil Company to Comments of Chugach Electric Association, Inc."

I am also providing four (4) additional copies of this filing to be date-stamped and returned to our messenger. If you have any questions regarding this filing, please do not hesitate to contact the undersigned at (202) 429-8801.

Respectfully submitted,

  
Douglas F. John

Counsel for ConocoPhillips Alaska  
Natural Gas Corporation and  
Marathon Oil Company

Enclosure

**UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
OFFICE OF FOSSIL ENERGY**

<b>In the matter of:</b>	)	
	)	
<b>CONOCOPHILLIPS ALASKA</b>	)	
<b>NATURAL GAS CORPORATION</b>	)	<b>Docket No. 07-02-LNG</b>
<b>and</b>	)	
<b>MARATHON OIL COMPANY</b>	)	

**ANSWER OF CONOCOPHILLIPS ALASKA NATURAL GAS CORPORATION  
AND MARATHON OIL COMPANY TO  
COMMENTS OF CHUGACH ELECTRIC ASSOCIATION, INC.**

Pursuant to Section 590.302 of the Department of Energy’s (“DOE”) regulations,<sup>1</sup> ConocoPhillips Alaska Natural Gas Corporation (“CPANGC”) and Marathon Oil Company (“Marathon”) (collectively “Applicants”), hereby seek leave to answer the comments filed by Chugach Electric Association, Inc. (“Chugach”) on May 8, 2008, in response to the “Order Inviting Comments on Off-the-Record Communication” issued by the Office of Fossil Energy (“FE”) on May 1, 2008 (“May 1 Order”).

The administrative procedures governing off-the-record communications are set forth in 10 C.F.R. § 590.108 (2008). In pertinent part, Section 590.108(a)(6) provides that:

Upon being notified of an off-the-record communication made by a party in violation of this section, the Assistant Secretary may, to the extent consistent with the interests of justice and the policies of the NGA and the DOE Act, require the party to show cause why the party’s claim or interest in the proceeding should not be dismissed, denied, disregarded, or otherwise adversely affected on account of the violation.<sup>2</sup>

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<sup>1</sup> 10 C.F.R. § 590.302 (2008).

<sup>2</sup> 10 C.F.R. § 590.108(a)(6) (2008) (emphasis added).

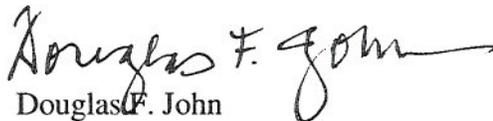
The scope of Section 590.108(a)(6) is therefore limited to ENSTAR Natural Gas Company (“ENSTAR”), the party that submitted the April 10, 2008 letter (“April 10 Letter”) that has been deemed to be an off-the-record communication.

Applicants did not ask ENSTAR to send the April 10 Letter to DOE/FE. ENSTAR did not share an advance draft of the April 10 Letter with Applicants. The first time that Applicants saw ENSTAR’s letter was when they received a signed copy of the letter as it was filed. Applicants had no reason to suspect that ENSTAR had failed to fully comply with the service requirements set forth in DOE’s rules. There is no basis whatsoever for DOE/FE to consider issuance of a show cause order against Applicants under these circumstances, or to grant “limited discovery” to test the veracity of these verified statements by Applicants, as suggested by Chugach.

Applicants do not believe that any further action by DOE/FE on ENSTAR’s filing is required. In its May 8, 2008 comments, ENSTAR explained that it did not intend for April 10 Letter to be an off-the-record communication, but rather a public document which it failed to serve on all parties to this proceeding due to an inadvertent error. Applicants do not have any reason to believe that ENSTAR’s April 10 Letter to Mr. Robert Corbin was anything more than a simple error, and that ENSTAR did not intend to violate DOE’s rules. Moreover, any technical violation of DOE’s rules has been cured by issuance of the May 1 Order which provided interested parties with an opportunity to respond to ENSTAR’s letter on the record. Clearly, DOE/FE has taken no substantive action in reliance on ENSTAR’s filing. For these reasons, no order to show cause why ENSTAR should not be sanctioned is warranted under 18 C.F.R. § 590.108(a)(6).

In the April 10 Letter, ENSTAR asks that DOE/FE promptly grant Applicants' export application, pointing to a link between DOE/FE action on the export application and ENSTAR's new gas supply contracts with ConocoPhillips and Marathon, respectively. In its comments, Chugach, seizing on this, asserts that the fact that certain provisions of ENSTAR's new gas supply contracts with Applicants are subject to revision and/or cancellation if the export authorization is not approved is evidence of "strong arm" tactics by the Applicants, and should be seen as evidence that Applicants have not met the supply test required for export authorization. Actually, all these contract provisions show is that, as Applicants have maintained throughout this proceeding, if the requested export authorization is denied by DOE/FE, the export terminal will likely be closed, as a consequence of which the peak protection commitments contained in the ENSTAR gas supply contracts may not be sustained. These are simply commercial considerations and have nothing to do with the reserve-based showing required for export authorization.

Respectfully submitted,



Douglas F. John  
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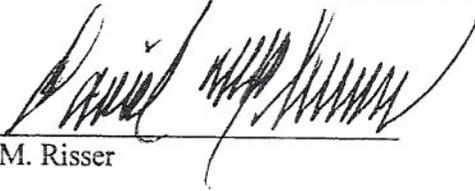
Counsel for ConocoPhillips Alaska Natural Gas  
Corporation and Marathon Oil Company

Dated: May 20, 2008

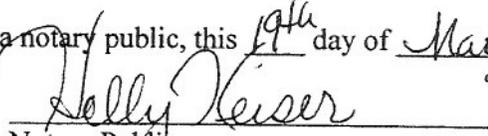
VERIFICATION

STATE OF TEXAS                    )  
  )  
COUNTY OF HARRIS                )        SS:

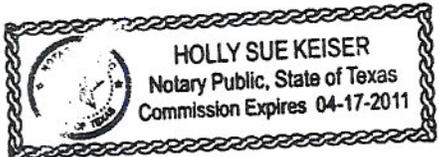
BEFORE ME, the undersigned authority, on this day personally appeared David M. Risser, who, having been by me first duly sworn, on oath says that he is Manager, Natural Gas Marketing for Marathon Oil Company and is duly authorized to make this Verification; that he has read the forgoing instrument and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

  
\_\_\_\_\_  
David M. Risser

Subscribed and sworn to before me, a notary public, this 19<sup>th</sup> day of May, 2008.

  
\_\_\_\_\_  
Notary Public

My Commission expires:  
4-17-2011

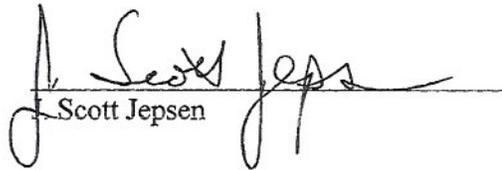


VERIFICATION

STATE OF ALASKA            )  
  )  
THIRD JUDICIAL DISTRICT    )

SS:

BEFORE ME, the undersigned authority, on this day personally appeared J. Scott Jepsen, who, having been by me first duly sworn, on oath says that he holds the office of Vice President of ConocoPhillips Alaska Natural Gas Corporation and is duly authorized to make this Verification; that he has read the forgoing instrument and that the facts therein stated are true and correct to the best of his knowledge, information and belief.

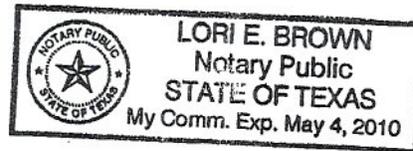
  
\_\_\_\_\_  
J. Scott Jepsen

Subscribed and sworn to before me, a notary public, this 20 day of May, 2008.

  
\_\_\_\_\_  
Notary Public

My Commission expires:

May 4, 2010



VERIFICATION

*Texas*  
STATE OF ALASKA )  
*County of Harris* )  
~~THIRD JUDICIAL DISTRICT~~ )

SS:

BEFORE ME, the undersigned authority, on this day personally appeared J. Scott Jepsen, who, having been by me first duly sworn, on oath says that he holds the office of Vice President of ConocoPhillips Alaska Natural Gas Corporation and is duly authorized to make this Verification; that he has read the forgoing instrument and that the facts therein stated are true and correct to the best of his knowledge, information and belief.

*J. Scott Jepsen*  
\_\_\_\_\_  
Scott Jepsen

Subscribed and sworn to before me, a notary public, this 20 day of May, 2008.

*Lori E. Brown*  
\_\_\_\_\_  
Notary Public

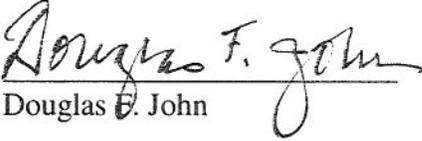
My Commission expires:

May 4, 2010



## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document upon the individuals listed on the official service list in this proceeding by first-class mail and email.

  
Douglas F. John

Dated at Washington, D.C., this 20th day of May, 2008.