

PUBLIC VERSION - CONFIDENTIAL INFORMATION REMOVED

**UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY****SPECTRUM LNG, LLC****FE DOCKET NUMBE20-33-LNG****APPLICATION OF SPECTRUM LNG, LLC FOR LONG-TERM AND
SHORT-TERM AUTHORIZATION TO EXPORT LIQUEFIED NATURAL GAS
TO NON-FREE TRADE AGREEMENT NATIONS**

Pursuant to Section 3 of the Natural Gas Act (“NGA”), 15 U.S.C. § 717b, and Part 590 of the regulations of the Department of Energy (“DOE”), 10 C.F.R. § 590, Spectrum LNG, LLC (“SLNG”), hereby submits this application to the DOE Office of Fossil Energy (“DOE/FE”) for long-term and short-term, multi-contract authorization to export up to approximately 2.5 billion cubic feet (“Bcf”) per year, of domestically-produced liquefied natural gas (“LNG”) to any country with which the United States does not have a free trade agreement requiring national treatment for trade in natural gas with which trade is not prohibited by United States law or policy (“Non-FTA Nations”). With respect to its request for authorization to export LNG to Non-FTA Nations, SLNG relies on DOE/FE’s recently enacted Final Rule amending its regulations to facilitate the authorization of small-scale natural gas export (“Small-Scale Export Rule”).¹ In support of this application, SLNG respectfully states the following:

DESCRIPTION OF THE APPLICANT

The name of the applicant is Spectrum LNG, LLC. SLNG is a limited liability company organized under the laws of the State of Oklahoma, with its principal place of business in Tulsa, Oklahoma. SLNG is majority owned by Spectrum Energy Services, LLC and Mark S. Ploen. Spectrum Energy Services, LLC is a limited liability company organized under the

¹ Small-Scale Natural Gas Exports, 83 Fed. Reg. 35106 (July 25, 2018) (revising 10 C.F.R. § 590.208).

laws of the State of Alaska, with its principal place of business in Anchorage, Alaska. Spectrum Energy Services, LLC is majority owned by Raymond R. Latchem. Raymond R. Latchem is the Managing Member of SLNG and Spectrum Energy Services, LLC. There is no foreign ownership in Spectrum LNG, LLC.

SLNG currently holds short-term authority to export LNG from the SLNG liquefaction facility in Ehrenberg, Arizona pursuant to DOE/FE Order No. 4289 (FTA authorization).

COMMUNICATIONS AND CORRESPONDENCE

All communications and correspondence regarding this application should be directed to the following person:

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APPENDIX

Attached hereto is Appendix required by Section 590.202 of DOE/FE's regulations:

Appendix A List of Liquefaction Facilities

AUTHORIZATION REQUESTED

SLNG requests long-term, multi-contract authorization to export up to 2.5 Bcf/year of domestically produced LNG for a 20-year period, commencing on the earlier of (1) the date of first export; or (2) two years from the date the requested authorization is granted.

Export Sources

SLNG requests authority to export LNG produced at an existing natural gas liquefaction facility owned and operated by SLNG (“Ehrenberg Plant” or “Facility”). Presently, the only facility that will supply LNG to be exported by SLNG pursuant to this application is the Ehrenberg Plant. It is located in Ehrenberg, Arizona, adjacent to the connection between Kinder Morgan and TC Energy’s North Baja Pipeline and is connected to the North Baja Pipeline. Feed gas is delivered to it through this extensive pipeline network operated by Kinder Morgan and TC Energy.

Other existing natural gas liquefaction facilities are currently being evaluated by SLNG based on their proximity to ports that can adequately serve potential customers. These facilities receive natural gas transported through existing pipeline facilities interconnected to the U.S. interstate pipeline grid. Should SLNG seek to source LNG from other small-scale LNG plants, it would file a request to amend its authorization at that time.

Transportation Chain

Delivery of LNG will be taken at the Facility, and the LNG will be transported within the United States over highways, using approved 40-foot ISO IMO7/TVAC-ASME LNG containers. These containers comply with all United States Department of Transportation regulations, and the third parties with whom SLNG will be contracting to handle transportation will comply with all required permits, including but not limited to, any federal, state and local permits relating to hazardous material and cryogenic handling regulations and requirements. SLNG intends to export the LNG from the ports of Long Beach/Los Angeles and San Diego; and any port in the North America capable of accommodating LNG exports via vessel or via ISO containers transported on ocean-going container vessels.

SLNG requests authority to export the LNG via vessels and also by use of approved IMO7/TVAC-ASME LNG containers transported on ocean-going container vessels to any country which has, or in the future develops, the capacity to import LNG delivered via vessels and also via ocean-going container vessels carrying approved IMO7/TVAC-ASME LNG containers to non-FTA countries.

Transaction Confirmations

SLNG expects to begin entering into short-term and long-term sales agreements with customers worldwide to export LNG, and to sell LNG under Purchase and Sale Agreements to serve those customers from the Facility, pursuant to Transaction Confirmations that would be executed for each sale. Upon entering into a Purchase and Sales Agreement, SLNG will execute a Transaction Confirmation which will include relevant transaction information, such as transaction term, quantity of gas to be purchased under the transaction, the liquefaction facility from which such LNG will be acquired, and the name of customer and the port of destination. Following the execution of each Purchase and Sales Agreement and Transaction Confirmation, SLNG will file such Transaction Confirmation with DOE under seal. DOE/FE has previously found that this commitment conforms to the requirements of 10C.F.R. § 590.202(b), which calls upon applicants to supply transaction-specific information "to the extent practicable."²

²C.F.R. § 590.202(b) requests certain information "to the extent applicable," and "supported to the extent practicable by necessary data or documents" regarding the source and security of the natural gas supply proposed for export, including contract volume and a description of the specific gas reserves supporting the project during the time or the requested export authorization; *see also Sabine Pass* at 41.

**SLNG'S APPLICATION MEETS THE STANDARD
FOR EXPORT AUTHORITY TO NON-FTA NATIONS**
SLNG's Application is in the Public Interest

SLNG's application to export LNG to non-FTA countries is reviewed under Section 3(a) of the NGA,³ which creates a rebuttable presumption that a proposed export of natural gas is in the public interest. Under this standard, the DOE/FE "must grant such an application unless opponents of the application overcome that presumption by making an affirmative showing of inconsistency with the public interest."⁴ In evaluating the "public interest" DOE/FE "has identified a range of factors that it evaluates when reviewing an application for export authorization."⁵ The factors include "economic impacts, international impacts, security of natural gas supply, and environmental impacts, among others."⁶

**SLNG's Application Doesn't
Adversely Impact Natural Gas Security**

DOE/FE also applies the principles set forth in its Policy Guidelines and Delegation Orders Relating to the Regulation of Imported Natural Gas, which are intended to promote free and open trade by minimizing federal government interference.⁷ Under the Policy Guidelines:

"The market, not government, should determine the price and other contract terms of imported [or exported] gas ... The federal government's primary responsibility in authorizing imports [or exports] should be to evaluate the need for the gas and whether the import [or export] arrangement will provide the gas on a competitively priced basis for the duration of the contract while minimizing regulatory impediments to a freely operating market."

³ 15 U.S.C. §717b.

⁴ *Cheniere Marketing, LLC and Corpus Christi Liquefaction, LLC*, DOE/FE Order No. 3638, FE Docket No. 12-97-LNG, "Final Opinion and Order Granting Long-term Multi-Contract Authorization to Export Liquefied Natural Gas by Vessel from the Proposed Corpus Christi Liquefaction Project to be Located in Corpus Christi, Texas to Non-Free Trade Agreement Nations," at 12 (May 12, 2015) ("*Cheniere Marketing*"); *Sabine Pass Liquefaction, LLC*, DOE/FE Order No. 2961, FE Docket No. 10-111-LNG, "Opinion and Order Conditionally Granting Long-Term Authorization to Export Liquefied Natural Gas from Sabine Pass LNG Terminal to Non-Free Trade Agreement Nations," at 28 (May 20, 2011) ("*Sabine Pass*").

⁵ *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 3282 at 6 (May 17, 2013).

⁶ *Id.*

⁷ Policy Guidelines and Delegation Orders Relating to the Regulation of Imported Natural Gas, 49 Fed. Reg. 6,684 (Feb. 22, 1984) ("Policy Guidelines").

In 2013, DOE/FE affirmed that “it continues to subscribe to the principle set forth in our 1984 Policy Guidelines that, under most circumstances, the market is the most efficient means of allocating natural gas supplies.”⁸ While the Policy Guidelines solely address imports, DOE/FE has found that the principles are applicable equally to exports.⁹

As stated above, DOE/FE recently amended its regulations to facilitate small-scale natural gas exports. In its Small-Scale Export Rule, DOE/FE determined that small-scale exports up to and including 51.75 Bcf/yr are consistent with the public interest under NGA section 3(a). DOE/FE recognized that there is an emerging market for small-scale natural gas exports in many countries that have heretofore not been targeted by larger scale LNG projects due to practical and economic constraints.¹⁰ Based on its analysis of the factors affecting the export of natural gas from the U.S., as well the unique characteristics and minimal adverse impacts of the emerging small-scale natural gas market, DOE/FE concluded that small-scale natural gas exports shall be deemed to be consistent with the public interest. In reaching this conclusion, DOE/FE analyzed the factors commonly evaluated in determining whether natural gas exports are in the public interest. Relying on the Energy Information Administration’s 2017 and 2018 Annual Energy Outlook (“AEO”), DOE/FE found that there are adequate natural gas resources to both meet the demand for natural gas in the United States and to export the volume of gas with small-scale export authorizations. DOE/FE, therefore, concluded that small-scale exports will not adversely affect the availability of natural gas supplies to domestic consumers.¹¹

SLNG’s Application Has Positive Economic and International Impacts

DOE/FE has also concluded that small-scale natural gas exports are expected to generate positive economic benefits in the United States through direct and indirect job creation,

⁸ *Freeport LNG Expansion, L.P. and FLNG Liquefaction, LLC*, DOE/FE Order No. 3282 at 112 (May 17, 2013).

⁹ *See, e.g., Jordan Cove Energy System, L.P.*, DOE/FE Order No. 3413 at 7 (Mar. 24, 2014) (citing *Phillips Alaska Natural Gas Corp. and Marathon Oil Co.*, DOE/FE Order No. 1473 at 14 (Apr. 2, 1999)).

¹⁰ Small-Scale Export Rule, 83 Fed. Reg. at 35107.

¹¹ 83 Fed. Reg. at 35109-35110.

increased economic activity, tax revenue, and improved U.S. balance of trade.¹² The DOE/FE's finding of positive economic impacts in the Small-Scale Export Rule is consistent with findings made by DOE/FE in numerous orders approving many other export applications.¹³

Having the authority and the opportunity to market LNG abroad will enable SLNG to foster the development of a domestic natural gas and natural gas by-product market. Developing a robust LNG export market will encourage the development of a market in natural gas liquids such as ethane, propane and condensates that can be substituted for petroleum products made from imported oil, thereby, in effect, reducing United States' dependence on imported oil and further promoting the effort to reduce United States trade imbalances. In fact, the export of natural gas produced in the United States will help to promote new international markets for natural gas, thereby encouraging the development of new, additional productive resources in the United States. These developments may help decouple international natural gas prices and oil prices in some markets and may exert downward pressure on natural gas prices in those markets. In addition, SLNG expects that its export of domestic LNG will encourage the development of jobs in the United States. Qualified domestic transportation companies will be used to transport the LNG from each facility to port, thereby supporting those businesses. As a growing company, SLNG will also be creating jobs as its marketing and sale of LNG to new markets increases its need for additional sales and administrative staff.

¹² *Id.* at 35112.

¹³ *See, e.g., ConocoPhillips Company*, DOE/FE Order No. 2731 at 10 (Nov. 30, 2009) (exportation of LNG will help to improve the United States' balance of payments with the destination countries.); *Cheniere Marketing, Inc.*, DOE/FE Order No. 2651 at 14 (June 8, 2009) (exports may mitigate of balance of payments); *Freeport LNG Expansion, L.P., FLNG Liquefaction, LLC, FLNG Liquefaction 2, LLC and FLNG Liquefaction 3, LLC*, DOE/FE Order No. 3357 at 153 (Nov. 15, 2013) (U.S. exports can counteract concentration within global LNG markets, thereby diversifying international supply options and improving energy security for many of this country's allies and trading partners); *Jordan Cove Energy System, L.P.*, DOE/FE Order No. 3413 at 142 (Mar. 24, 2014) (U.S. exports can diversify global LNG supplies, and increase the volumes of LNG available globally, it will improve energy security for many U.S. allies and trading partners.).

Finally, DOE/FE found small-scale exports from the U.S. will provide benefits to the emerging markets by providing these countries with a more diversified, reliable and cost-effective source of energy and improve their environment by allowing them to switch from fuel sources such as diesel and/or fuel oil to cleaner burning natural gas.

**SLNG's Application Doesn't Require An
Environmental Impact Statement or Assessment**

To qualify for authorization under the Small-Scale Export Rule, an applicant must (1) submit a complete application for authority to export no more than 51.75 Bcf/yr and (2) approval of the application must not require an environmental impact statement ("EIS") or environmental assessment ("EA") under the National Environmental Policy Act, 42 U.S.C. § 4321, et seq. ("NEPA"). 10 C.F.R. §§ 590.102(p); 590.208(a). Because SLNG will be sourcing LNG for export under this application only from existing facilities, SLNG's application is eligible for a categorical exclusion from the requirement that DOE/FE perform an EIS or EA under NEPA. Specifically, the application is eligible for categorical exclusion B5.7 under the DOE/FE's regulations implementing NEPA. 10 C.F.R. § 1021, subpart D, appendix B5.7. Consequently, SLNG has satisfied the two elements of the Small Scale Export Rule and is eligible for a small-scale natural gas export authorization.

For the reasons set forth above, SLNG requests that DOE/FE issue an order granting it the authorization requested. SLNG's application is not inconsistent with the public interest and, in fact, is deemed by DOE/FE's regulations to be in the public interest. Accordingly, the authorization should be granted pursuant to Section 3 of the Natural Gas Act and DOE/FE's Small Scale Export Rule.

Respectfully submitted:

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APPENDIX A

DESCRIPTION OF THE FACILITIES

Ehrenberg Spectrum LNG Facility: The Ehrenberg Spectrum LNG Facility is a small volume LNG production facility located in Ehrenberg, Arizona owned and operated by Spectrum LNG. The Ehrenberg LNG facility was built in 2010 and is subject to regulation by HMTA. The LNG plant can produce approximately 70,000 gallons of LNG/day. The plant processes natural gas received from the North Baja Pipeline by first removing several contaminants and then cooling the gas to the point of condensation at approximately 15 psig. The plant uses several reciprocating compressors and methane in an open cycle refrigeration loop. A propane refrigeration compression system also aids in cooling. The plant can store approximately 100,000 gallons of LNG. All production is shipped by truck and the plant is located very close to Interstate 10 in Ehrenberg, adjacent to Kinder Morgan and TC Energy's North Baja Pipeline interconnection point. The LNG is measured using a calibrated weigh scale weighing before and after loading weights of the truck and trailer combination.