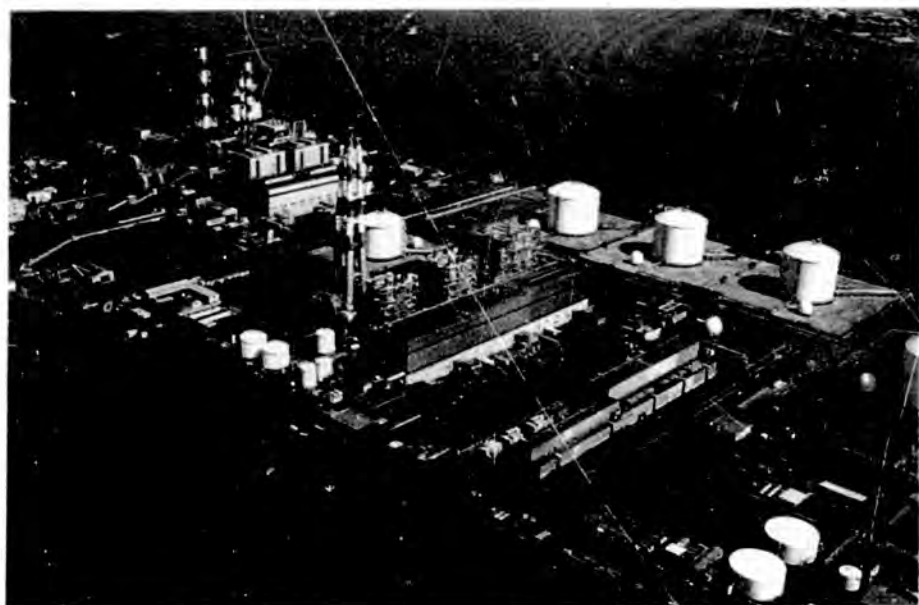


ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
2102 SCOMM 78: SENATE SPEC. COMM. ON OIL & GAS, 1991-1992

The Customers



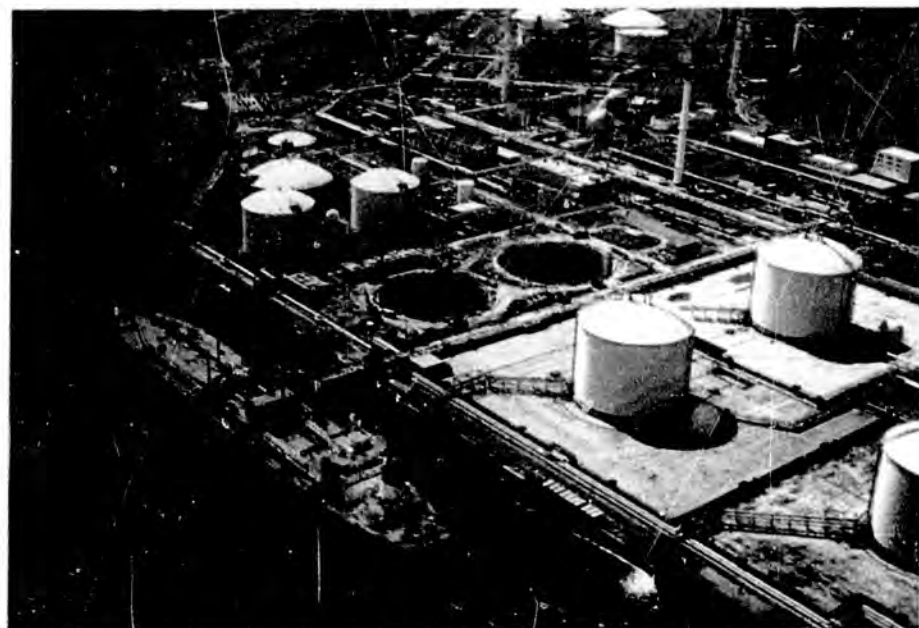
The Tokyo Electric Power Company Inc. (TEPCO) is the largest electric utility in Japan and the largest privately owned electric power company in the world. The company supplies electricity to about 20 million customers in the Greater Tokyo area. To assure a reliable supply of electricity and reduce air pollution, the company has diversified its fuels base, emphasizing clean-burning LNG and liquefied petroleum gas for 37 percent of its power. The rest of the TEPCO fuel base includes nuclear power, oil, hydroelectric power and coal. The company is the world's largest user of LNG and consumes 75 percent of the output from Kenai. In addition to Alaska, the company imports LNG from Abu Dhabi, Brunei, Malaysia, Indonesia and Australia. In the late 1980s TEPCO had assets in excess of \$75 billion.



東京電力株式会社

TOKYO GAS

Tokyo Gas Co., Ltd. is Japan's largest gas utility providing gas to about 7 million customers in the Greater Tokyo area. Tokyo Gas is the largest of the nation's 250 gas companies with almost 40 percent of the market.



東京瓦斯株式会社

Approximately 80 percent of Tokyo Gas's supplies are derived from LNG. Tokyo Gas began its research into the use of LNG in 1957. The company consumes 25 percent of the output from Kenai. Tokyo Gas also imports LNG

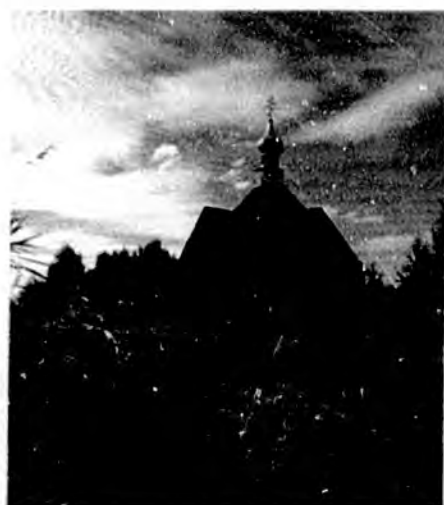
from Brunei and Malaysia and Australia. In the late 1980s Tokyo Gas had assets in excess of \$6 billion.

The Kenai Area

Alaska is at its best on the Kenai Peninsula. The setting features the beauty of Cook Inlet combined with the majesty of the Aleutian Mountain Range, dominated by the active volcano Mount Redoubt. Among the abundant wildlife are moose, caribou and bald eagles. White beluga whales enter Cook Inlet to feed in the summer.

The area's original occupants were the Tanaina Athabascan Indians. In 1791 Russian fur traders established Fort St. Nicholas at the mouth of the Kenai River. After Alaska was purchased from Russia by the United States in 1867, the American military briefly established an outpost at the site. The heritage of Russia can still be seen in three Kenai structures: Holy Assumption Church, built in 1895-96; St. Nicholas chapel, built in 1906; and the Orthodox Church rectory, built around 1886.

In addition to being a focal point for oil and gas, the peninsula is a key part of another industry – fishing. Commercial fleets are active in the summer





and vacationers come from around the world to fish the Kenai River for king salmon. Many varieties of salmon spawn in other area rivers also.

The Kenai LNG plant is at Nikiski, once a Russian fishing village. The site is the northernmost Cook Inlet port open all year and was chosen because it is close to the gas fields supplying the plant. Kenai, located 10 miles south of Nikiski, has a population of 6,500 and is the largest city on the peninsula. Anchorage, Alaska's largest city, is 165 miles away by road, 60 miles by air, and home for more than 200,000 people — about half the state's population.





The Future

The Kenai LNG project has a bright future to go along with its outstanding past. In the mid-1990s, new, larger LNG ships will be placed in service under the project agreement. In concert with these plans, the receiving facilities in Japan will be expanded. Meanwhile, the *Polar Alaska* and *Arctic Tokyo* will continue providing the same reliable service they have throughout the project's history.

Phillips and Marathon have sufficient uncommitted, proven gas reserves to meet contract requirements. In addition, the Cook Inlet Basin is still rich in hydrocarbons. In the late 1980s, after 25 years and 3 trillion cubic feet of production, the U.S. Geological Survey estimated an additional 5 trillion cubic feet of gas in Cook Inlet was economically recoverable. As demand for natural gas increases, exploration will resume.

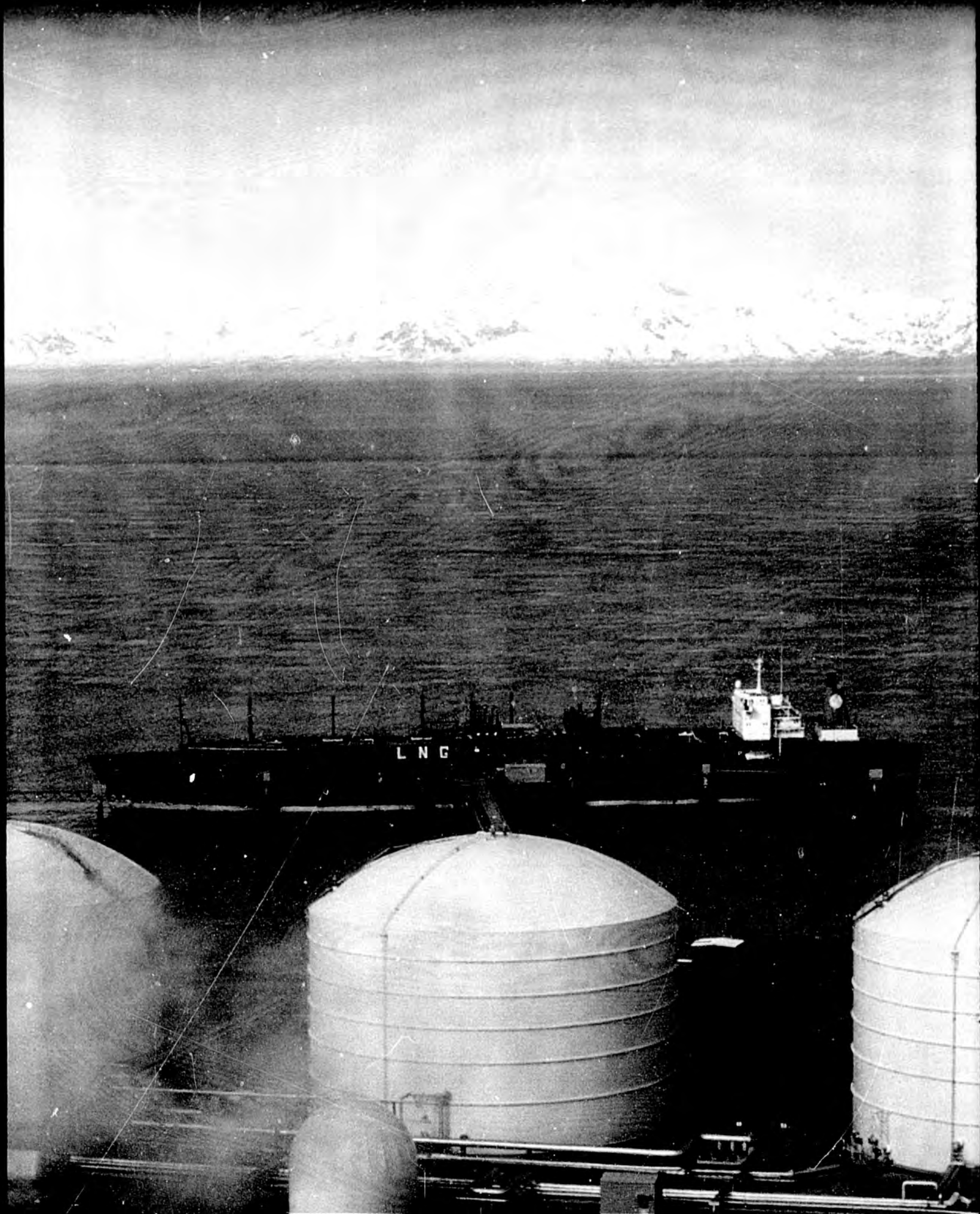
Because the United States already has sufficient gas supplies through 2010 (according to the American Gas Association), the increases in natural gas demand will likely be on the Pacific Rim. Japan, which



depends on imports to satisfy some 90 percent of its energy requirements, is expected to increase its LNG consumption into the next century. In addition, Taiwan and Korea have expanding energy markets.

Clean, versatile and high in caloric efficiency, LNG is an

ideal product to satisfy growing energy demand, to build better trade relations, and to benefit the overall development of the Pacific region.



Phillips and Marathon welcome
your comments about Kenai
LNG operations or other aspects
of their businesses. Write to one
of the addresses below:

Phillips 66 Natural Gas Company
800 Plaza Office Building
Bartlesville, Oklahoma 74004

Marathon Oil Company
539 South Main Street
Findlay, Ohio 45840



4/8/92

NATION



A firefighter stands in the remains of a house destroyed by a gas explosion near Brenham, Texas, Tuesday. The Associated Press

Gas explosion slams southeast Texas

By ROBERTO SURO

The New York Times

BRENHAM, Texas — A six-year-old boy was killed and at least 13 people were injured in an explosion that apparently resulted from a leak of a large amount of liquefied petroleum gas from a pipeline outside this southeast Texas town.

Several homes were left in shambles 1 to 2 miles from the blast and rolling pasture was charred. The explosion was of such force and of such a peculiar nature that it rattled buildings 70 miles away in Houston and was heard 140 miles away.

The officials investigating the blast said the gas appeared to have seeped from a pipeline that feeds an underground salt dome storage cavern. In the still morning air a substantial quantity of the gas is believed to have collected at the bottom of

a small valley, where it was ignited at about 7:15. The officials said they did not know how the leak was ignited.

In what was once green countryside with splashes of wildflowers there was ugly destruction and grieving after the explosion. A boy whose name was given as Derrek Meinan was killed when his trailer home was crushed by the blast, said Laureen Chernow, a spokeswoman for the Texas Department of Public Safety.

Four of the people injured were taken by helicopter to Hermann Hospital in Houston, where they were listed in serious to critical condition. At least nine people were treated for injuries at Trinity Medical Center in Brenham, Chernow said.

The police also said several people had received minor injuries when their cars were blown off nearby roads.

At least four or five homes were destroyed in the fields surrounding the area where the blast occurred, and about 50 other structures were severely damaged, Chernow said.

A few hundred yards from the blast one side of a small clapboard house had its windows blown out in the only sign of damage from the explosion. But the other side, the one facing the blast, was caved in as if it had been hit by a giant battering ram.

The yard was studded with blackened tree limbs that had been hurled into the air and had then landed with such force that they were left standing in the ground like spears.

The nearby woods and meadows were littered with the carcasses of cows, donkeys and other animals.

SCOMM

78:57

Alaska State Legislature

Senate Committee on Oil and Gas

Senator Sam Cotten, Chairman
Senator Drue Pearce, Vice-Chairman
Senator Bettye Fahrenkamp
Senator Lyman F. Hoffman
Senator Dick Shultz



P. O. Box V, State Capital
Juneau, AK 99811
(907) 465-3711

April 23, 1991

To: Members, Senate Oil and Gas Committee

From: Sam Cotten, Chair

The House Oil and Gas Committee has been hearing testimony on HJR 36, relating to off-shore oil exploration, development and tanker transportation. This Friday (at 3:00 in room 124) they will be hearing testimony from members of the oil industry. The committee has invited our Senate committee to attend.

The meeting will be teleconferenced, and will be the first to use the video-teleconferencing system.

The House committee has adopted a CS of the resolution; a draft of that CS and a memorandum from Chairman Hudson are attached. I urge you to attend.



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

Special Committee on Oil and Gas
Bill Hudson - Chairman

P.O. Box V
State Capitol
Juneau, Alaska 99811

DATE: April 22, 1991

TO: Senator Cotten, Chairman Senate Oil and Gas

SUBJECT: Industry Testimony - HJR 36

This Friday, April 26th, the House Special Committee on Oil and Gas will be meeting to hear the oil industry's testimony on HJR 36 (Relating to off-shore oil exploration, development and tanker transportation in the Beaufort and Chukchi seas). I believe that this will be a very informational meeting on a somewhat controversial topic and I invite you and your committee to attend. We will be meeting in the House Resources Conference room (124) at 3 pm.

This hearing will be teleconferenced state-wide with the addition of a television monitoring system. This is brand new technology which the Legislative Information Office would like to demonstrate and I have agreed to try it in our hearing.

I have included a copy of HJR 36 and a copy of the Committee substitute for your information. The CS was just adopted by the committee and the drafters have not completed the final, but it will give you an idea of where our committee has been headed.

Bill

Oil & Gas
PROPOSED CS FOR HJR 36 (by ~~Bill Hudson~~)

1 Relating to off-shore oil exploration, development, and tanker
2 activities in the Beaufort and Chukchi seas.

3 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 WHEREAS, the state supports the prudent and orderly
5 development of the state's oil and gas reserves in an
6 environmentally sound manner; and

7 WHEREAS, the state has been responsive to the nation's
8 need to decrease its dependence on foreign oil; and

9 WHEREAS, there is a high probability that the coastal
10 plain of the Arctic National Wildlife Refuge contains
11 economically recoverable oil reserves; and

12 WHEREAS, the oil industry has demonstrated that properly
13 regulated onshore oil and gas exploration, development and
14 transportation can occur in an environmentally sound manner;
15 and

16 WHEREAS, following an expedited environmental assessment
17 by his Outer Continental Shelf Task Force, the President
18 announced in June 1990 the closure until the year 2000 of
19 large outer continental shelf tracts off the coast of
20 California, Florida, New England, and the Northwest to oil and
21 gas leasing and activities; and

1 WHEREAS, the Outer Continental Shelf Task Force has not
2 yet been asked by the President to complete a similar
3 environmental assessment for off-shore areas totalling some
4 40,000,000 acres in the Beaufort and Chukchi seas which are
5 scheduled for leasing by the federal government in 1991; and

6 WHEREAS Alaska water, particularly arctic water, deserves
7 the same, if not higher, scrutiny regarding the wisdom and
8 environmental safety of oil and gas activities as was given
9 to water off-shore of the contiguous states; and

10 WHEREAS, the Beaufort and Chukchi seas are among the
11 world's most dynamic and relatively unspoiled wildlife
12 habitats, containing critical feeding and breeding grounds,
13 rest and brooding areas, and migratory corridors where a wide
14 variety of marine mammal, bird, and fish species
15 concentrate; and

16 WHEREAS, the Inupiat people largely derive their
17 nutritional needs and cultural identity through the
18 traditional harvest of marine species, particularly the
19 bowhead whale, and other marine mammals; and

20 WHEREAS, the Chukchi and Beaufort seas are
21 characterized by extreme weather conditions, including
22 prolonged ice cover and darkness, frigid temperatures, high
23 winds and waves, and low visibility; and

24 WHEREAS, the Alaska Oil Spill Commission, the Arctic
25 Research Commission, and the Minerals Management Service have

1 each acknowledged that effective oil spill response options
2 under certain arctic conditions for remote arctic waters
3 remains undemonstrated; and

4 WHEREAS, the Oil Pollution Act of 1990, P.L. 101-380, 104
5 stat. 484, which passed Congress in August of 1990, directed
6 the Secretary of the Interior, in consultation with the
7 Governor of Alaska, to prepare an extensive report on a
8 number of issues relating to off-shore oil spill contingency
9 planning in the Arctic, including compilations of known data
10 relating to potentially affected wildlife resources; existing
11 drilling and spill response technology; past, present, and
12 proposed exploratory operations; and specifically Native
13 Alaskan concerns;

14 WHEREAS, initial scientific data indicates that marine
15 mammals and birds in the Arctic react to industrial noise;
16 including noise from drilling, icebreaker, seismic
17 activities, aircraft overflights and other vessel
18 disturbances; and

19 BE IT RESOLVED that the Alaska State Legislature believes
20 that the oil industry has yet to conclusively demonstrate the
21 ability to adequately respond to, contain, or clean up a
22 significant oil spill in arctic waters under commonly
23 occurring environmental conditions; and be it

24 FURTHER RESOLVED that the Alaska State Legislature
25 believes that lease sales in the Beaufort and Chukchi Seas

1 must be approached in an extremely cautious way with complete
2 participation by the people residing in the impacted areas
3 who are the most knowledgeable about arctic conditions; and
4 be it

5 FURTHER RESOLVED that the Alaska Legislature believes
6 that the report mandated by Congress, in the Oil Pollution Act
7 of 1990, should be reviewed and an environmental assessment
8 of off-shore industrial operations in the Arctic be conducted
9 before further oil and gas exploration and development
10 activities take place in the Beaufort and Chukchi Seas; and
11 be it

12 FURTHER RESOLVED that the Alaska State Legislature
13 believes that more research is needed focusing on the unique
14 and unpredictable conditions found in the Arctic, in terms of
15 oil spill contingency plans, the impact of exploration
16 and development in general as well as specific research to
17 determine the impact of industrial noise on marine mammals
18 and the bowhead whale in particular.

19 COPIES of this resolution shall be sent to the Honorable
20 George Bush, President of the United States; to the Honorable
21 Dan Quayle, Vice President of the United States and President
22 of the U.S. Senate; to the Honorable Thomas S. Foley, Speaker
23 of the U.S. House of Representatives; to the Honorable Manuel
24 Lujan, Jr., Secretary of the Interior; to Barry Williamson,
25 Director of the Minerals Management Service; and to the

1 Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.
2 Senators, and the Honorable Don Young, U.S. Representative,
3 members of the Alaska delegation in Congress.