

State of Alaska FY2003 Governor's Operating Budget

Department of Environmental Conservation Industry Preparedness and Pipeline Operations Component Budget Summary

Component: Industry Preparedness and Pipeline Operations

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Component Mission

Protect public safety, public health and the environment by ensuring that producers, transporters and distributors of crude oil and refined oil products prevent oil spills, and are fully prepared materially and financially to clean up spills.

Component Services Provided

- Review and approve oil discharge prevention and contingency plans required under state law.
- Conduct and participate in announced and unannounced spill drills to verify that regulated operators are in compliance with state response planning requirements.
- Inspect regulated facilities and vessels for compliance with state spill prevention and best-available technology requirements.
- Review and approve applications for proof of financial responsibility to ensure that regulated operators have the financial resources to carry out oil spill response operations.
- Register oil spill primary response action contractors identified in oil discharge prevention and contingency plans.
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Component Goals and Strategies

- 1) PREVENT OIL AND HAZARDOUS SUBSTANCE SPILLS.
 - Prevent spills from oil terminals, pipelines, tank vessels and barges, railroads, refineries, nontank vessels, and exploration and production facilities.
 - Ensure that best available technology requirements for spill prevention are being implemented through the review and approval of oil discharge prevention and contingency plans and inspections and audits of marine vessels, facilities and pipelines.
- 2) BE PREPARED TO RESPOND TO OIL AND HAZARDOUS SUBSTANCE SPILLS.
 - Verify that facility and vessel operators have adequate resources to respond to oil spills through the review and approval of oil discharge prevention and contingency plans, inspections of response equipment inventories, and spill response exercises and drills.
 - Certify that 100% of regulated operators have the financial capability to respond to spills through the review and approval of applications for financial responsibility.
 - Ensure the effectiveness of spill plans which rely on contractors through their registration as primary oil spill response action contractors.

Key Component Issues for FY2002 – 2003

Complete and implement nontank vessel and railroad contingency planning regulations.

Increase the number of North Slope and Cook Inlet drills, inspections and compliance audits and implement improved mechanical response equipment capability on the North Slope. Implement the provisions of the Charter for Development of the Alaskan North Slope relating to spill prevention and response

Collaborate with federal agencies to improve oil spill prevention measures for Alaska's pipeline systems and initiate a risk assessment of oil pipelines associated with Cook Inlet oil and gas development

Review aging infrastructure issues associated with Alaska's oil and gas exploration and development by reviewing best-available technologies, corrosion and petroleum storage tank standards.

Streamline contingency planning through development of standardized tech manuals and scenario guidelines and assumptions on a subarea or statewide basis and continue efforts to streamline processing of financial responsibility applications and reviews.

Major Component Accomplishments in 2001

- Approved 90 new, renewal or amended contingency plans, including several plans that required extensive agency and public review.
- Completed 105 inspections on marine vessels, facilities and pipelines.
- Participated in 31 drills and spill response exercises; 16 agency-initiated drills were conducted, including major equipment deployment drills in the Aleutians, South East, Prince William Sound, the Beaufort Sea, Cook Inlet, and along the TransAlaska Pipeline System corridor.
- Statutory authority approved for non-tank vessels (400 gross tonnage and greater) and the railroad contingency plan requirements.
- Conducted Prince William Sound sea trials to enhance the Prince William Sound escort system capability and resolve the long-standing issue of best available control technology for the Hinchinbrook Entrance Area.
- Completed extensive field work and conducted preparedness drills on the North Slope consisting of industry, state, federal and local representatives towards resolving contingency plan response planning issues for open water and broken ice conditions in the Beaufort Sea. Completed 38 drills days (105 staff days).
- Completed spill prevention audits of North Slope tanks and 30% of the other state tank farm and terminals.

Statutory and Regulatory Authority

AS 46.04.030, AS 46.04.040, AS 46.04.035.

**Industry Preparedness and Pipeline Operations
Component Financial Summary**

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,981.4	2,213.1	2,557.9
72000 Travel	145.7	212.7	251.2
73000 Contractual	417.1	719.1	1,024.4
74000 Supplies	40.8	34.5	36.4
75000 Equipment	7.8	21.7	52.9
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,592.8	3,201.1	3,922.8
Funding Sources:			
1002 Federal Receipts	0.0	8.5	8.5
1004 General Fund Receipts	0.0	0.0	451.2
1007 Inter-Agency Receipts	108.5	231.0	236.1
1052 Oil/Hazardous Response Fund	2,484.3	2,961.6	3,227.0
Funding Totals	2,592.8	3,201.1	3,922.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
Unrestricted Fund	68515	38.5	101.1	101.1	101.1	101.1
Unrestricted Total		38.5	101.1	101.1	101.1	101.1
Restricted Revenues						
Federal Receipts	51010	0.0	8.5	8.5	8.5	8.5
Interagency Receipts	51015	108.5	231.0	231.0	236.1	236.1
Restricted Total		108.5	239.5	239.5	244.6	244.6
Total Estimated Revenues		147.0	340.6	340.6	345.7	345.7

Industry Preparedness and Pipeline Operations

Proposed Changes in Levels of Service for FY2003

Three positions will be added for second-year implementation of Senate Bill 16 and its associated fiscal note. Senate Bill 16 requires that certain nontank vessels and railroad cars submit contingency plans to the department for review and approval. The positions are required to review and approve these contingency plans and to conduct annual corresponding drills and compliance verification at covered facilities.

Alaska is experiencing a significant increase in the level of oil and gas exploration and development. Areas west of the Kuparuk River in the National Petroleum Reserve Alaska are being aggressively explored. During the winter of 2001-2002, 45 exploration wells are planned, versus 26 last year and 8 the year before. Oil companies from outside Alaska are moving forward with plans to drill in the foothills of the Brooks Range. Exploration and development of Cook Inlet reserves is increasing as the result of significant recent discoveries. New seismic technology that has a high exploratory drilling success rate is spurring interest to conduct re-exploration of existing oil and gas production areas and may lead to additional exploratory drilling and development. The Minerals Management Service is proceeding with plans to hold lease sales in the offshore frontier areas of the Beaufort Sea, Chuckchi Sea, Norton Sound, and Cook Inlet during the next five years (2002 - 2007). Additional state and federal acreage on the North Slope and Cook Inlet will be leased for oil and gas exploration. Significant interest in the development of potential shallow natural gas and coalbed methane deposits exists and is increasing. The state has so far authorized exploration for these new resources in Northwest Alaska, the Tanana Basin, and on the Kenai Peninsula.

DEC is not keeping pace with the current level of oil and gas activities in Alaska and cannot keep up with the expected increased level of exploration and development activities.

- Oil and gas facilities are seldom inspected for compliance with state environmental laws.
- The effects of oil and gas waste discharges to the air, land and water are not being monitored or measured.
- Too many permits are issued after long delays, uncertainty, and disagreement.
- There is little communication or collaboration with industry and concerned stakeholders on the planning and design of projects to minimize environmental problems and take advantage of opportunities to promote environmentally responsible development.

The oil safety and development initiative funds new and enhanced services in the Divisions of Spill Prevention and Response, Air and Water Quality, and Statewide Public Service. Services fall in three areas 1) environmental planning, design and consultation; 2) permitting; and 3) inspection and compliance.

Environmental Planning, Design and Consultation

DEC will:

- work proactively to identify potential environmental and public health issues early in the lease sale planning process when changes can be most effective in preventing future pollution problems.
- review plans and statements for lease sale plans to identify and avoid or mitigate potential air, land and water quality effects.
- identify and resolve potential environmental and public health issues early when changes to project designs can be most effective in preventing future pollution problems.
- identify potential improvements to streamline permit approvals.
- review and prepare a single coordinated and consolidated response.
- develop and implement assessments of the cumulative effects of oil and gas activities on Alaska's environment.
- increase its participation with stakeholder workgroups to resolve disagreements on what it means to "do it right".

Spill Prevention and Response/Industry Preparedness and Pipeline Operations will:

Permitting and Plan Approvals

- streamline contingency plan requirements through development of standardized technical manuals, scenario

- guidelines and assumptions.
- provide additional technical assistance and develop contingency plan submittal guidelines to prevent problems and expedite the approval process by initiating early action on potential issues.
- provide technical assistance to industry and consultants.
- develop educational materials and conduct stakeholder outreach.
- improve the timeliness of reviews for new, amended, and renewed oil spill contingency plans resulting from increased oil and gas activities and improve resolution of issues that prevent plan approvals in a timely manner.

Spill Prevention and Response/Industry Preparedness and Pipeline Operations will:

Inspection, Monitoring and Compliance

- increase the number of drills and exercises conducted to test and determine compliance with oil discharge prevention and contingency plans.
- increase the number of on-site inspections conducted to determine compliance with discharge prevention and response equipment and resource requirements, including personnel training and corrosion detection.
- investigate complaints on lack of proper oil and hazardous substance discharge prevention, preparedness, and cleanup.
- increase on-site monitoring and oversight of cleanups and field responses to significant spills.
- utilize third-party inspectors to assess leak detection and corrosion monitoring practices through term contracts.
- utilize third-party subject matter experts to assess and aid in correction of aging infrastructure-related problems through term contracts.

Summary of Component Budget Changes

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	8.5	3,192.6	3,201.1
Adjustments which will continue current level of service:				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	50.8	50.8
Proposed budget increases:				
-Second Year Implementation of SB16	0.0	0.0	219.7	219.7
-Oil Safety and Development Initiative	451.2	0.0	0.0	451.2
FY2003 Governor	451.2	8.5	3,463.1	3,922.8

Industry Preparedness and Pipeline Operations

Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2002</u> <u>Authorized</u>	<u>FY2003</u> <u>Governor</u>		
Full-time	33	38	Annual Salaries	1,946,853
Part-time	0	0	COLA	44,924
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	650,806
			<i>Less 3.20% Vacancy Factor</i>	<i>(84,683)</i>
			Lump Sum Premium Pay	0
Totals	33	38	Total Personal Services	2,557,900

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk III	3	0	0	1	4
Environ Conserv Mgr I	3	0	0	0	3
Environ Conserv Mgr III	1	0	0	0	1
Environ Eng Asst II	1	0	0	0	1
Environ Engineer II	1	0	0	0	1
Environmental Spec II	2	0	0	0	2
Environmental Spec III	15	2	3	2	22
Environmental Spec IV	3	0	0	1	4
Totals	29	2	3	4	38