

State of Alaska
FY2008 Governor's Operating Budget

Department of Environmental Conservation
Spill Prevention and Response
Results Delivery Unit Budget Summary

Spill Prevention and Response Results Delivery Unit

Contribution to Department's Mission

Reduce unlawful oil and hazardous substance contamination in the environment.

Core Services

- Manage Division resources to protect public health and the environment through the safe handling and cleanup of oil and hazardous substances.
- Ensure 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.
- Prevent and mitigate the effects of oil and hazardous substance releases and ensure their cleanup through government planning and rapid response.
- Oversee and conduct cleanups at contaminated sites in Alaska and prevent releases from underground storage tanks and unregulated aboveground storage tanks.
- Manage the Oil and Hazardous Substance Release Prevention and Response Fund as a viable, long-term funding source for the state's core spill prevention and response initiatives.

End Results	Strategies to Achieve Results
<p>A: Land and water is not contaminated by spills of oil and hazardous substances.</p> <p><u>Target #1:</u> 10% increase from the previous year in the number of historical contaminated sites remediated. <u>Measure #1:</u> % increase from the previous year in the number of historical contaminated sites remediated.</p> <p><u>Target #2:</u> 98% of new spills are cleaned up or are in monitoring status. <u>Measure #2:</u> % of new spills are cleaned up or are in monitoring status.</p>	<p>A1: Establish standards for protection from spills of oil and hazardous substances.</p> <p><u>Target #1:</u> Review and update all regulations by FY2009. <u>Measure #1:</u> % of regulations reviewed and updated.</p> <p>A2: Contain and cleanup incidents of contamination to the environment from oil and hazardous substance spills.</p> <p><u>Target #1:</u> 100% response to reports of new contamination from oil and hazardous substance spills. <u>Measure #1:</u> % of reports of new contamination responded to.</p> <p>A3: Prevent spills of oil and hazardous substances.</p> <p><u>Target #1:</u> Reduce number of new spills of oil and hazardous substances from regulated industry. <u>Measure #1:</u> % change in number of new spills of oil and hazardous substances from regulated industry.</p>

Major Activities to Advance Strategies

- Ensure emergency response and removal of oil and hazardous substance releases.
- Ensure the remediation of contaminated sites.
- Review regulated facility and vessel applications for compliance with oil discharge prevention and contingency plan requirements.
- Review oil discharge prevention and contingency plan requirements and update regulations.

FY2008 Resources Allocated to Achieve Results

FY2008 Results Delivery Unit Budget: \$19,029,200

Personnel:

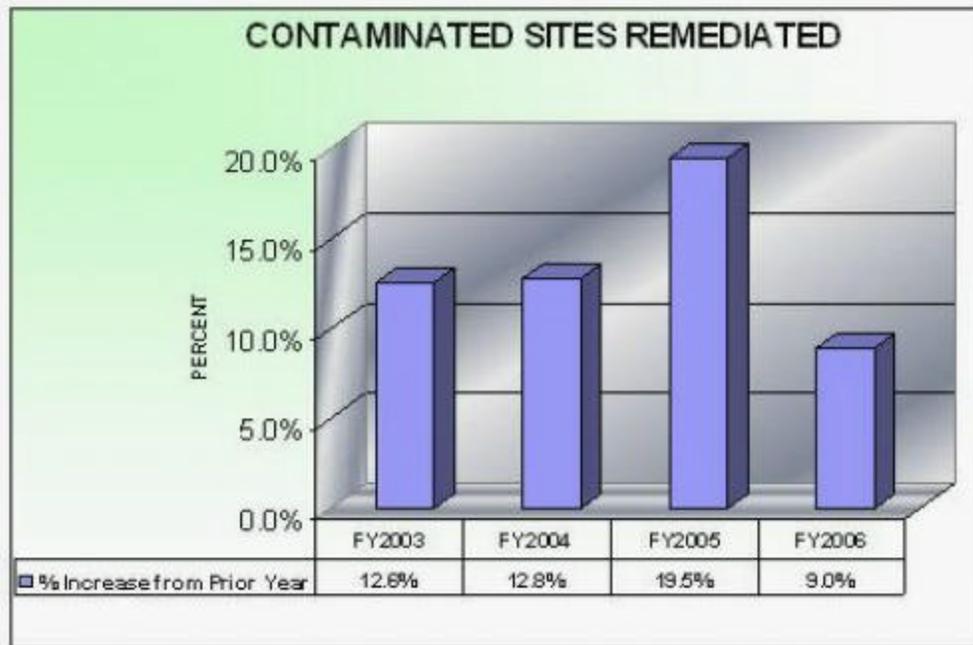
Full time	156
Part time	1
Total	157

Performance Measure Detail

A: Result - Land and water is not contaminated by spills of oil and hazardous substances.

Target #1: 10% increase from the previous year in the number of historical contaminated sites remediated.

Measure #1: % increase from the previous year in the number of historical contaminated sites remediated.

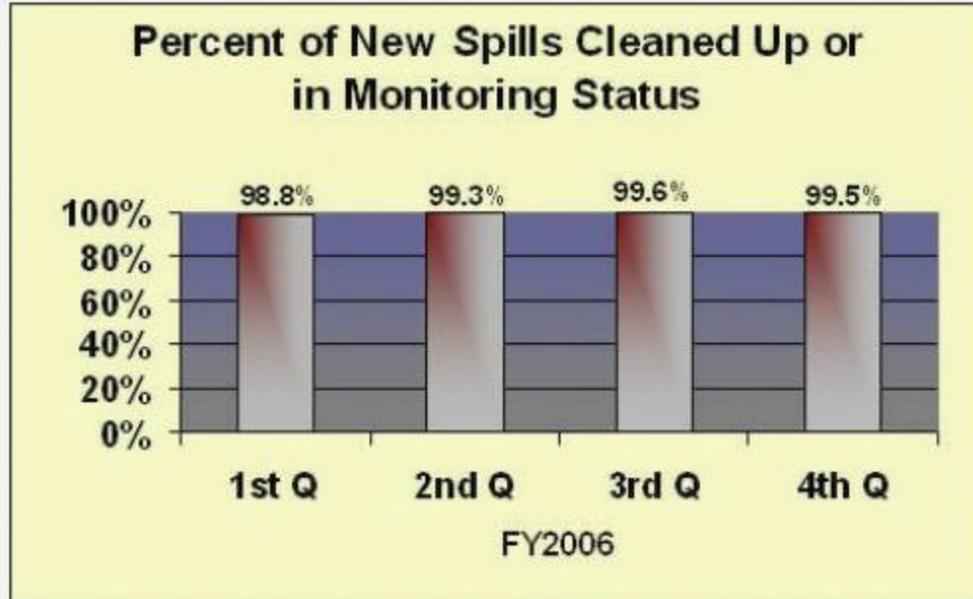


Analysis of results and challenges: Alaska has many sites that have been contaminated with oil or hazardous substances. Most of the contamination is historic, much of it occurring before the risks to the environment and human health were known, and additional historic contaminated sites are discovered almost daily. Severely contaminated sites may also have adverse economic and social impacts in terms of cleanup costs, or limitations on land use or land sales or transfers.

2006 performance data shows that our 10% increase goal was not met. In 2005, the goal was exceeded by a significant amount due to the completion of cleanup at the former Adak Naval Air Station, which was comprised of 170 individual sites. That huge increase in closures was a one time impact. But in addition to the anomaly in closures in 2005, the Contaminated Sites program has also seen a change in our cleanup strategy to focus short term resources at sites with a higher level risk to human health and the environment. When performing cleanups, we now focus on removing risk rather than reaching closure. Once risk is reduced at a site to a point where human health is not impacted, resources are then directed toward other sites where risk is still a factor – even though the first site has not been closed. Due to this change in our strategy, Contaminated Sites is implementing a new measurement tool to allow tracking of risk reduction, in addition to closures. This new tool will be available to track data for a new 2008 performance measure targeting risk reduction.

Target #2: 98% of new spills are cleaned up or are in monitoring status.

Measure #2: % of new spills are cleaned up or are in monitoring status.



Analysis of results and challenges: The sooner a spill of oil or hazardous substances is contained and cleaned, the less impact it will have on the environment, on human health and on the economy. Our goal is to respond to, contain, and clean up spills as they occur to prevent them from causing wide-spread damage to water sources, land, wildlife, and adjoining properties.

When sites are in monitoring status, they have been cleaned to a point that allows continued use of the site. Frequently, this will include removing and storing contaminated soils, which are monitored during field visits until the contamination has declined to a level that meets acceptable state standards.

Only the largest and most complex new spills (for example, spills that impact ground water) are turned over to the contaminated sites program for long-term remediation.

Data indicates that in FY2006, 99.5% of new spills reported were contained and cleaned to a point that allows continued use of property with no further cleanup action required.

A1: Strategy - Establish standards for protection from spills of oil and hazardous substances.

Target #1: Review and update all regulations by FY2009.

Measure #1: % of regulations reviewed and updated.



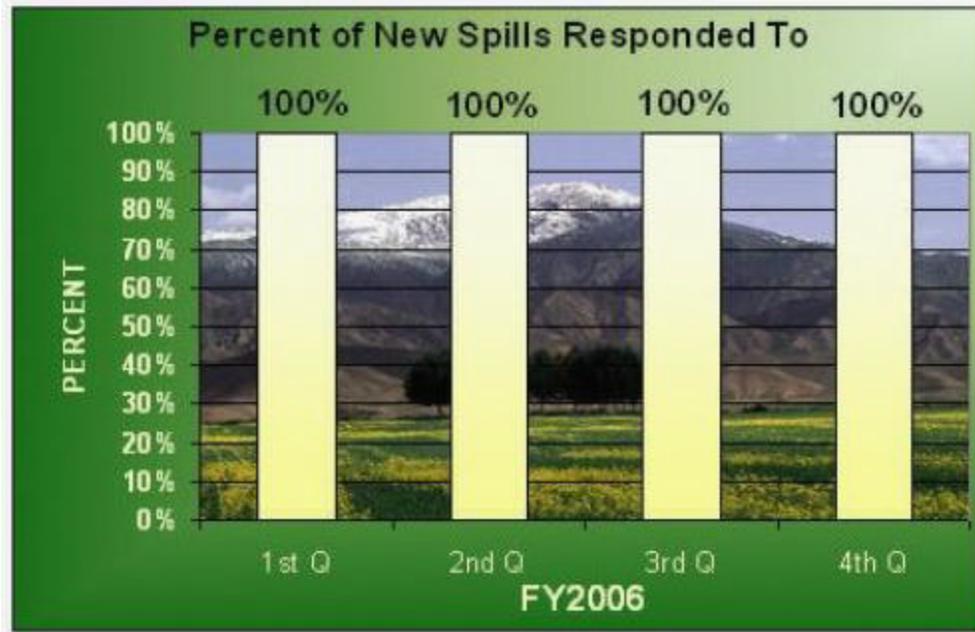
Analysis of results and challenges: As part of the Department's 4-year plan, regulations governing contingency plan (C-plan) preparation are being reviewed for clarity and effectiveness toward meeting the objectives they are meant to accomplish.

The division has completed Phase 1 of a four-phase, multi-year project to comprehensively review, revise, and update the C-plan regulations at 18 AAC 75. Phase 1 was an update of C-plan regulations for oil exploration and production facilities. Final regulations for Phase 1 became effective May 26, 2004. Phase 2, a review and update of the oil pollution prevention regulations, has begun. Phase 3 will consist of a review and revision of the C-plan approval process, and Phase 4 will be a comprehensive update of general C-plan requirements. We do not anticipate any challenges with meeting this goal.

A2: Strategy - Contain and cleanup incidents of contamination to the environment from oil and hazardous substance spills.

Target #1: 100% response to reports of new contamination from oil and hazardous substance spills.

Measure #1: % of reports of new contamination responded to.



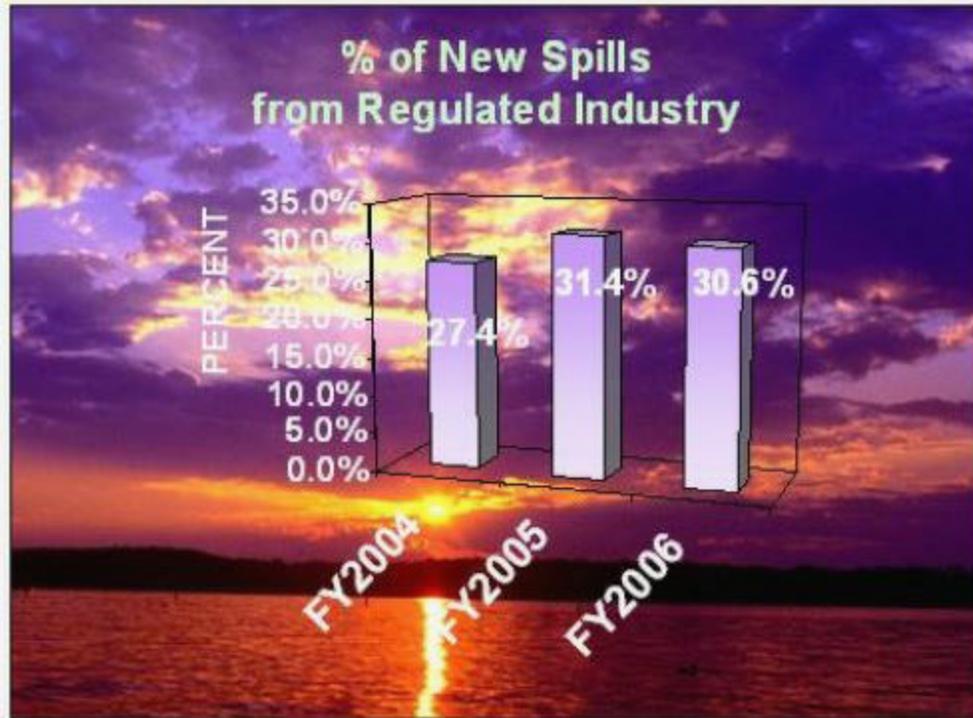
Analysis of results and challenges: Regulations require that spills of oil or hazardous substances be reported to the department. Depending on the size and nature of the spill, a response may range from providing verbal instruction to the responsible party to deployment of division staff, equipment, and contractors. Regardless of size, the sooner a spill of oil or hazardous substances is contained and cleaned, the less impact it will have on the environment, on human health and on the economy.

The division has been able to respond to all new spills reported.

A3: Strategy - Prevent spills of oil and hazardous substances.

Target #1: Reduce number of new spills of oil and hazardous substances from regulated industry.

Measure #1: % change in number of new spills of oil and hazardous substances from regulated industry.



Analysis of results and challenges: Regulated industry includes such things as oil exploration and production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms and tankers, non-crude oil tank vessels and barges, and non-tank vessels. Regulations require that new spills be reported, regardless of source. However, because of the high volume of oil handled or carried by these entities, and the potential consequences of a major spill, additional requirements are placed upon them, including development of spill prevention plans and contingency plans for response to spills.

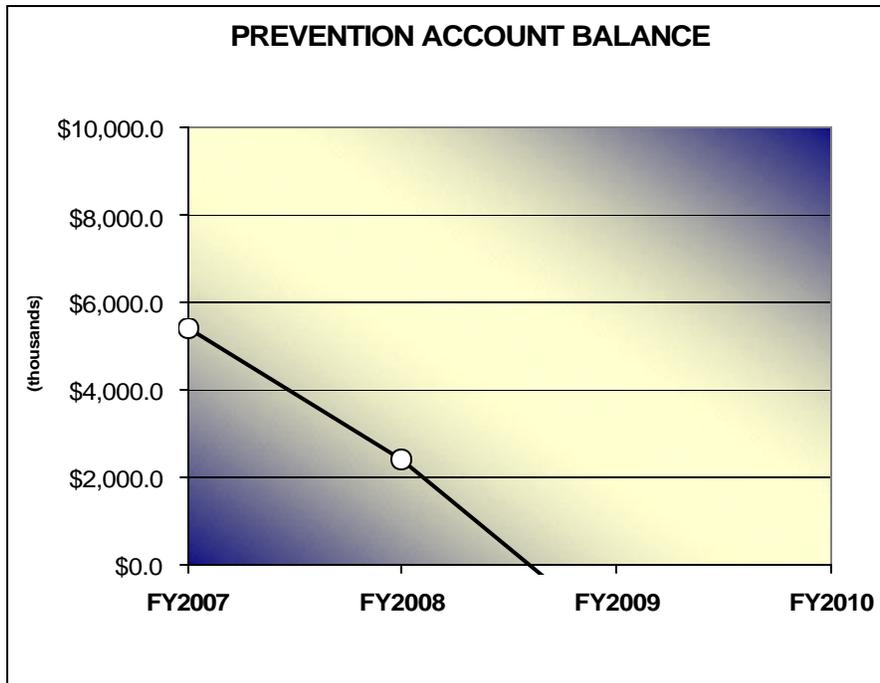
The increase in spills in the third quarter is consistent with quarterly data from previous years and is due to increased oil production, exploration, and transportation that occur in the spring. Additionally, as harsher weather begins to subside, spills that occurred during the winter months are discovered.

Certain components of oil facilities are not regulated under state law. A challenge with interpreting and recording this data is identifying whether the spill originated from the regulated component of the facility.

Key RDU Challenges

Sustain state's core spill prevention, preparedness, and response capability in the face of declining revenues. The division's goals are prevention, preparedness, and response. Three programs in the division implement a wide array of interrelated activities to meet these goals. The programs include the Prevention and Emergency Response Program, Industry Preparedness Program and Contaminated Sites Program. The programs are designed to meet the Department's statutory obligation to protect human health and the environment while fostering economic growth and resource development through rational, unambiguous, predictable and integrated regulatory requirements.

Revenues to the Prevention Account of the Oil and Hazardous Substance Release Prevention and Response Fund come from a combination of cost recovery, fines, penalties and settlements, investment income, and a 4-cent surcharge against each barrel of crude oil produced in the state. In recent years revenues have been declining due to a number of factors, including the reduction in crude oil production from a peak of 2 million barrels per day to less than 800,000 barrels per day. Revenues have declined to a point where they can no longer sustain the division's core spill prevention, preparedness and response programs (see graph below).



*Updated 10/26/2006 Includes ongoing appropriations to DOT and DNR.

Utilize risk-based decision making, site cleanup prioritization, and data-quality management to achieve the most cost-effective return on the State's investment.

Significant Changes in Results to be Delivered in FY2008

DEC OIL AND GAS INTEGRITY MANAGEMENT INITIATIVE

Alaska is experiencing a significant increase in issues concerning integrity management of aging oil production and transportation infrastructure within the state. The number of spills from oil exploration and production facilities is increasing annually. As the average age of Alaska's pipelines and production facilities increases, maintenance issues and oversight of system integrity becomes vitally important to ensure continued safe operation and to reduce the number and severity of oil spills. Aggressive oversight is also important to ensure that revenues from oil production not be reduced or stopped due to inadequate industry maintenance and operational processes.

Along with aging oil transportation infrastructure issues, oil exploration in Alaska is currently on an upswing, necessitating additional resources to accommodate additional facilities and new oilfield operators unfamiliar with state pollution control requirements.

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 oil and gas integrity issues or exploration and development activities.

- Oil and gas facilities are not inspected for compliance with state environmental laws as thoroughly or as often as required to provide adequate oversight.
- The aging oil production infrastructure requires additional oversight to maintain compliance with state requirements.
- The cumulative impact of oil and gas waste discharges to the air, from the North Slope industrial operations, have not been monitored or measured to assess the aggregate potential harm to land, water, vegetation, wildlife and humans.
- As new oilfield operators enter the state, significant compliance assistance is needed to make sure that state requirements are met.

- 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.
- Much of the work carried out on the North Slope is made by contractors whose day to day activities are often not monitored or given departmental oversight due to the current lack of a full-time field presence of staff.

The oil and gas integrity management initiative funds new and enhanced services in the Divisions of Water, Air Quality, Spill Prevention and Response, and Environmental Health. Services fall in two areas 1) inspection, monitoring and compliance and 2) environmental planning, design and consultation.

Inspection, Monitoring and Compliance

DEC will:

SPILL PREVENTION AND RESPONSE

- Provide a continuous field presence to increase general oversight of all oil field operators including the numerous contractors currently employed by the oil companies.
- 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.
- Increase inspections of regulated oil and gas facilities to ensure compliance with spill prevention requirements.
- Verify equipment and resources are available and ready in accordance with oil spill contingency plans.
- Increase technical oversight of operations and maintenance practices designed to prevent oil spills and unanticipated shutdowns.
- 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.
- Utilize third-party subject matter experts to assess and aid in correction of aging infrastructure-related problems.
- Conduct engineering review of pipeline corrosion management planning.
- Implement new regulations for oil flow lines.
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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.
- 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.
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SPILL PREVENTION AND RESPONSE

- Develop standardized technical manuals, scenario guidelines and assumptions.
- Provide technical assistance for contingency plan review.
- Provide full time, on-site technical assistance to industry and consultants.
- Develop educational materials and conduct stakeholder outreach.
- Establish minimum design and construction performance standards for oil spill prevention.
- Review oil and gas leases, plans of operation and EIS reviews to insure adequate measures are in place for spill prevention and response.

The oil and gas integrity management initiative funds new and enhanced services in the **Industry Preparedness and Pipeline Operations** component as follows:

- Implement engineering evaluation and review of corrosion management programs for 1,500 miles of flowlines on the North Slope and Cook Inlet oil and gas fields which are subject to new state regulations.
- Implement and increase technical field inspections and compliance monitoring of new oil spill prevention requirements.
- Increase verification of response capability for exploration, production, and refinery facilities by 15%.
- Increase engineering support for design review of new flowline installations and leak detection systems for crude oil transmission pipelines.
- Complete specialized training requiring certification for inspection of pipelines and bulk fuel storage facilities.
- Conduct independent third party audits of corrosion management and other spill prevention requirements for regulated facilities to ensure integrity of oil and gas operations and protection of the environment.

The oil and gas integrity management initiative funds new and enhanced services in the **Prevention and Emergency Response** component as follows:

- Day-to-day presence of DEC personnel on the North Slope to ensure operations are conducted in a safe and environmentally sound manner.
- Increase in inspections and monitoring of the aging infrastructure.
- Increase inspections of spill response equipment.
- Increased monitoring of spill responses and cleanups.
- Increased monitoring of industry training and spill drills.
- Provides for immediate technical assistance.

Major RDU Accomplishments in 2006

Received 2,112 spill reports, conducted follow-up for 769 and initiated emergency responses to 32 significant spills statewide.

Conducted 110 inspections of regulated facilities and completed 182 oil spill contingency plan reviews.

Completed assessment, clean up or monitoring at 280 contaminated sites and facilitated successful reuse and economic redevelopment at 15 locations.

Completed implementation of the Charter Agreement for the North Slope.

Contact Information

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**Spill Prevention and Response
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2006 Actuals				FY2007 Management Plan				FY2008 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures												
None.												
Non-Formula Expenditures												
Spill Prev. & Resp. Director	0.0	0.0	262.2	262.2	0.0	0.0	249.1	249.1	0.0	0.0	277.9	277.9
Contaminated Sites Program	0.0	2,518.7	3,208.0	5,726.7	0.0	3,178.0	3,262.9	6,440.9	0.0	3,504.3	3,643.2	7,147.5
Industry Prep. & Pipeline Op.	0.0	157.2	3,086.3	3,243.5	0.0	187.8	3,555.2	3,743.0	0.0	208.3	5,089.5	5,297.8
Prevention and Emerg. Response	0.0	0.0	3,543.7	3,543.7	0.0	0.0	3,835.8	3,835.8	0.0	0.0	4,758.7	4,758.7
Response Fund Administration	0.0	36.1	1,307.0	1,343.1	0.0	38.4	1,454.3	1,492.7	0.0	39.7	1,507.6	1,547.3
Totals	0.0	2,712.0	11,407.2	14,119.2	0.0	3,404.2	12,357.3	15,761.5	0.0	3,752.3	15,276.9	19,029.2

**Spill Prevention and Response
Summary of RDU Budget Changes by Component
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	0.0	3,404.2	12,357.3	15,761.5
Adjustments which will continue current level of service:				
-Spill Prev. & Resp. Director	0.0	0.0	0.2	0.2
-Industry Prep. & Pipeline Op.	0.0	0.0	-99.6	-99.6
Proposed budget increases:				
-Spill Prev. & Resp. Director	0.0	0.0	28.6	28.6
-Contaminated Sites Program	0.0	326.3	380.3	706.6
-Industry Prep. & Pipeline Op.	0.0	20.5	1,633.9	1,654.4
-Prevention and Emerg. Response	0.0	0.0	922.9	922.9
-Response Fund Administration	0.0	1.3	53.3	54.6
FY2008 Governor	0.0	3,752.3	15,276.9	19,029.2