

# **State of Alaska FY2009 Governor's Operating Budget**

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

**Component: Industry Preparedness and Pipeline Operations**

**Contribution to Department's 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.

**Core Services**

- Review and approval of oil discharge prevention and contingency plans.
- Conduct and participate in spill drills to verify by demonstration that regulated operators are in compliance with state response planning requirements.
- Inspect regulated facilities and vessels to provide assistance and to ensure compliance with state spill prevention and Best Available Technology (BAT) requirements.
- Review and approve applications for proof of financial responsibility to ensure that regulated operators have the financial resources to respond to an oil spill and mitigate environmental damage.
- Register oil spill primary response action contractors identified in oil discharge prevention and contingency plans.
- Regulate and provide technical assistance and training to underground storage tank operators and owners to ensure proper tank operation and maintenance and basic spill prevention.
- Certify third party underground storage tank inspectors.

End Result	Strategies to Achieve End Result
<p><b>A: Regulated facilities and vessel operators are able to prevent and respond to spills of oil and hazardous substances.</b></p> <p><u>Target #1:</u> 100% of regulated facilities and vessel operators are without major violations of their contingency plans.</p> <p><u>Measure #1:</u> % of regulated facilities and vessels operators are without major violation of their contingency plans within the past year.</p>	<p><b>A1: Review oil discharge prevention and contingency plan requirements and update regulations as necessary.</b></p> <p><u>Target #1:</u> Oil discharge prevention and contingency plan regulations are reviewed and updated by FY2010.</p> <p><u>Measure #1:</u> % of review and update of oil discharge prevention and contingency plan regulations complete.</p> <p><b>A2: Review and approve contingency plans.</b></p> <p><u>Target #1:</u> Contingency plan applications are reviewed within the regulatory timeframes.</p> <p><u>Measure #1:</u> % contingency plan applications reviewed within the regulatory timeframes.</p> <p><b>A3: Conduct exercises and inspections of regulated facilities and vessel operators.</b></p> <p><u>Target #1:</u> Annually 100% of contingency plan holders identified as high risk, are inspected or participate in an oil discharge exercise.</p> <p><u>Measure #1:</u> % of annual targeted inspections and exercises completed.</p>

**Major Activities to Advance Strategies**

- Review oil discharge prevention and contingency plan requirements and improve and expand the regulations to increase clarity and effectiveness.

### Major Activities to Advance Strategies

- Review and expand oil spill prevention oversight of industry, including new regulations and increased regulatory oversight of higher risk operations.
- Review regulated facility and vessel applications for compliance with oil discharge prevention and contingency plan requirements.
- Inspect and conduct spill response exercises at facilities and vessels identified as high risk.

### FY2009 Resources Allocated to Achieve Results

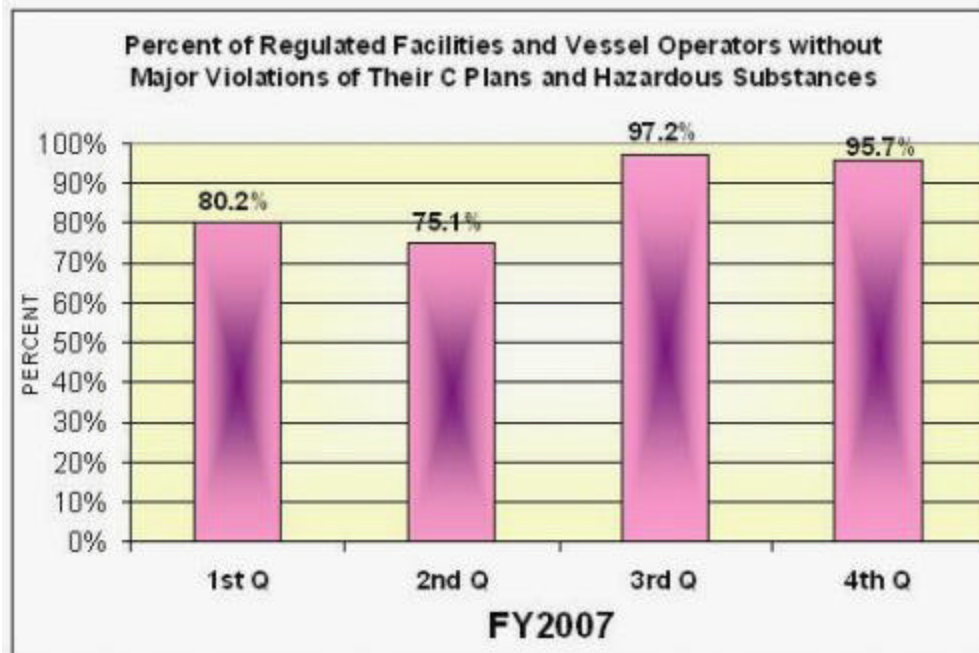
FY2009 Component Budget: \$4,327,100	<b>Personnel:</b>	
	Full time	39
	Part time	1
	<b>Total</b>	<b>40</b>

### Performance Measure Detail

#### A: Result - Regulated facilities and vessel operators are able to prevent and respond to spills of oil and hazardous substances.

**Target #1:** 100% of regulated facilities and vessel operators are without major violations of their contingency plans.

**Measure #1:** % of regulated facilities and vessels operators are without major violation of their contingency plans within the past year.



**Analysis of results and challenges:** In Alaska, several types of regulated facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they are allowed to operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and

human health.

Facilities and operators required to have C-plans include oil exploration and oil production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms, and tankers, non-crude oil tank vessels and barges, and non-tank vessels. C-plans must be submitted every 5 years and are reviewed and approved by Department staff to ensure all response requirements are addressed. Examples of major violations would include such things as insufficient or unusable response equipment, lack of required contracts with response action contractors, or significant changes to a facility's oil storage capacity without a corresponding amendment of the C-plan.

**A1: Strategy - Review oil discharge prevention and contingency plan requirements and update regulations as necessary.**

**Target #1:** Oil discharge prevention and contingency plan regulations are reviewed and updated by FY2010.

**Measure #1:** % of review and update of oil discharge prevention and contingency plan regulations complete.



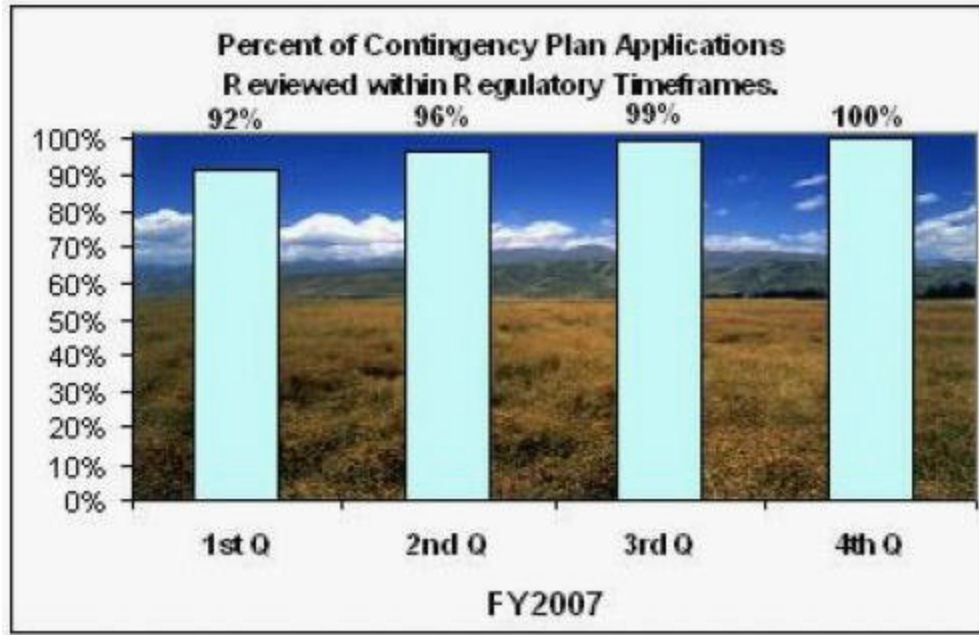
**Analysis of results and challenges:** In Alaska, several types of facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they are allowed to operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and human health.

As part of the Department's 4-year plan, regulations governing C-plan preparation and approval are being reviewed for clarity and effectiveness. Phase 1 of this 4-phase project, relating to oil exploration and production facilities was completed in FY2006. Phase 2, relating to oil spill prevention, was completed in FY2007. The Department is on track to achieve its target by 2010.

**A2: Strategy - Review and approve contingency plans.**

**Target #1:** Contingency plan applications are reviewed within the regulatory timeframes.

**Measure #1:** % contingency plan applications reviewed within the regulatory timeframes.



**Analysis of results and challenges:** In Alaska, several types of facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they are allowed to operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and human health.

Facilities and operators required to have C-plans include oil exploration and oil production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms, and tankers, non-crude oil tank vessels and barges, and non-tank vessels. C-plans must be submitted every 5 years and are reviewed and approved by Department staff to ensure all response requirements are addressed.

Since these facilities and vessels operators cannot legally operate without approved C-plans, it is imperative that department staff review and approve the plans within the time frames required by regulation. Thus far, this goal has been met and future challenges to attaining the goal are not anticipated.

### A3: Strategy - Conduct exercises and inspections of regulated facilities and vessel operators.

**Target #1:** Annually 100% of contingency plan holders identified as high risk, are inspected or participate in an oil discharge exercise.

**Measure #1:** % of annual targeted inspections and exercises completed.



**Analysis of results and challenges:** In Alaska, several types of facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and human health.

Facilities and operators required to have C-plans include oil exploration and oil production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms, oil tankers, non-crude oil tank vessels and barges, and non-tank vessels over 400 gross tons. C-plans must be submitted every 5 years and are reviewed and approved by Department staff to ensure all response requirements are addressed.

Facilities and vessels in the state that handle crude oil are considered a higher risk because of the larger volumes of oil involved and the increased environmental consequences of a crude oil spill compared to refined oil product spill of a similar magnitude. As an added precaution, it is important to inspect high risk facilities to ensure compliance with their C-plan, or to test C-plan effectiveness by conducting exercises. In an exercise, a mock spill is conducted, and the C-plan response procedures are applied as though it were a real life situation, in order to test and ensure their effectiveness.

The annual cumulative totals typically exceed 100% due to repeat inspections and/or exercises at some facilities.

### Key Component Challenges

A comprehensive baseline risk assessment of the entire Alaska North Slope crude oil infrastructure including production, storage, transportation systems, the Trans Alaska Pipeline and Valdez Marine Terminal will begin in FY2008. The system wide risk assessment will evaluate the safety, environmental and operational risk associated with the system and reliability of the existing infrastructure. The risk assessment will also evaluate the extent, degree and adequacy of government oversight and make recommendations for continued safe and reliable operation of the system.

New state regulations for flowlines are being phased in under a new compliance inspection program beginning late in 2007. Flowlines include all oil-containing pipelines upstream of separation facilities, including multi-phase and produced water pipelines. Compliance oversight for the new regulations will involve significant revision of our field inspection strategies, and will also require additional staff and a substantial amount of additional training for staff.

Repositioning of the Underground Storage Tank program in order to meet the requirements of the federal UST Compliance Act will require a concerted effort to accomplish.

## Significant Changes in Results to be Delivered in FY2009

No significant changes are anticipated.

## Major Component Accomplishments in 2007

- Reviewed and approved 12 crude oil terminal contingency plan renewals, 22 oil terminal contingency plan renewals, 6 non-crude oil tank vessel contingency plans and 327 non-tank vessel contingency plans. A total of 87 new plans were reviewed. Of this amount, 82 were nontank vessel plans, 3 were noncrude tank vessel plans and 2 were exploration, production and refinery plans.
- Conducted 77 inspections of oil terminals/tank farms, oil exploration and production facilities, crude oil transmission pipelines, tankers, non-tank vessels over 400 gross tons, and tank barges.
- Evaluated 51 oil spill exercises conducted throughout the state involving oil terminals and tank farms, crude oil transmission pipelines such as TAPS, crude and non-crude tankers, tank barges, non-tank vessels, and the Alaska Railroad.
- The Underground Storage Tank spill prevention program successfully met the initial requirements of the federal Underground Storage Tank Compliance Act, reduced the number of underground storage tanks without registration tags to 127 (of 1,154 active tanks), performed 9 inspector audits, reviewed inspection reports for 384 tanks (of which 295 received registration tags) and reduced the number of facilities not in Significant Operational Compliance (SOC) to 184.
- Adopted new oil spill regulations for all regulated facilities and vessels and added flowlines that have been identified as a significant spill threat to the state's oil spill safety net.
- Conducted oversight of corrosion monitoring programs for North Slope oil fields and managed 3 specific oil spill prevention and response research projects under the state's charter agreement with North Slope operators.
- Issued certifications for 21 primary response action contractors.
- Issued 528 non-tank vessel financial responsibility certificates and 299 financial responsibility certificates for tank vessels, tank barges, oil exploration and production facilities, oil terminals, and crude oil transmission pipelines.
- Undertook regulatory action and utilized non-regulatory avenues to gain industry compliance with state requirements for leak detection, spill response equipment, spill response exercises, tank inspections, and corrosion inspection and mitigation.
- Issued 1 Notice of Violation. There were no referrals to the State Attorney General for civil action.
- Monitored federal rulemakings, including US Department of Transportation low-stress pipeline regulations and U.S. Coast Guard response plan regulations that had the potential to affect state regulatory activities.

## Statutory and Regulatory Authority

AS 46.03, AS 46.04, AS 46.08, AS 46.09, 18 AAC 75.

### Contact Information

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

*All dollars shown in thousands*

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	2,651.8	3,407.1	3,558.6
72000 Travel	117.1	141.8	141.8
73000 Services	467.6	586.9	586.9
74000 Commodities	83.5	39.8	39.8
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>3,320.0</b>	<b>4,175.6</b>	<b>4,327.1</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	157.5	208.3	213.4
1004 General Fund Receipts	0.0	606.5	619.3
1007 Inter-Agency Receipts	299.8	263.7	268.4
1052 Oil/Hazardous Response Fund	2,512.7	2,747.1	2,858.0
1166 Commercial Passenger Vessel Environmental Compliance Fund	350.0	350.0	368.0
<b>Funding Totals</b>	<b>3,320.0</b>	<b>4,175.6</b>	<b>4,327.1</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
<b>Unrestricted Revenues</b>				
Unrestricted Fund	68515	2.0	0.0	32.0
<b>Unrestricted Total</b>		<b>2.0</b>	<b>0.0</b>	<b>32.0</b>
<b>Restricted Revenues</b>				
Federal Receipts	51010	157.5	208.3	213.4
Interagency Receipts	51015	299.8	263.7	268.4
<b>Restricted Total</b>		<b>457.3</b>	<b>472.0</b>	<b>481.8</b>
<b>Total Estimated Revenues</b>		<b>459.3</b>	<b>472.0</b>	<b>513.8</b>



**Summary of Component Budget Changes  
From FY2008 Management Plan to FY2009 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2008 Management Plan</b>	<b>606.5</b>	<b>208.3</b>	<b>3,360.8</b>	<b>4,175.6</b>
<b>Adjustments which will continue current level of service:</b>				
-FY 09 Bargaining Unit Contract Terms: General Government Unit	12.8	5.1	133.6	151.5
<b>FY2009 Governor</b>	<b>619.3</b>	<b>213.4</b>	<b>3,494.4</b>	<b>4,327.1</b>

**Industry Preparedness and Pipeline Operations  
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2008</u> <u>Management</u> <u>Plan</u>	<u>FY2009</u> <u>Governor</u>		
Full-time	39	39	Annual Salaries	2,324,789
Part-time	1	1	COLA	143,807
Nonpermanent	0	0	Premium Pay	4,162
			Annual Benefits	1,262,070
			<i>Less 4.72% Vacancy Factor</i>	<i>(176,228)</i>
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>40</b>	<b>40</b>	<b>Total Personal Services</b>	<b>3,558,600</b>

**Position Classification Summary**

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	2	0	0	1	3
Administrative Clerk III	1	0	0	0	1
Environ Eng Asst II	1	0	0	0	1
Environ Engineer II	1	0	0	0	1
Environ Program Manager I	1	1	0	1	3
Environ Program Manager III	1	0	0	0	1
Environ Program Spec II	2	0	1	0	3
Environ Program Spec III	11	2	1	2	16
Environ Program Spec IV	6	0	1	1	8
Tech Eng II / Architect II	3	0	0	0	3
<b>Totals</b>	<b>29</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>40</b>