

State of Alaska
FY2011 Governor's Operating Budget

Department of Law
BP Corrosion
Component Budget Summary

Component: BP Corrosion**Contribution to Department's Mission**

The BP Corrosion component is managed by the Environmental Section and this information is reported in that component.

Key Component Challenges

The BP Corrosion component is managed by the Environmental Section and this information is reported in that component.

Significant Changes in Results to be Delivered in FY2011

The BP Corrosion component is managed by the Environmental Section and this information is reported in that component.

Major Component Accomplishments in 2009

The BP Corrosion component is managed by the Environmental Section and this information is reported in that component.

Statutory and Regulatory Authority

The BP Corrosion component is managed by the Environmental Section and this information is reported in that component.

Contact Information

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**BP Corrosion
Component Financial Summary**

All dollars shown in thousands

	FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Services	4,525.4	3,500.0	4,000.0
74000 Commodities	0.0	0.0	0.0
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
Expenditure Totals	4,525.4	3,500.0	4,000.0
Funding Sources:			
1004 General Fund Receipts	4,525.4	3,500.0	4,000.0
Funding Totals	4,525.4	3,500.0	4,000.0

**Summary of Component Budget Changes
From FY2010 Management Plan to FY2011 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2010 Management Plan	3,500.0	0.0	0.0	3,500.0
Adjustments which will continue current level of service:				
-Reverse One Time Item, BPXA Corrosion Litigation	-3,500.0	0.0	0.0	-3,500.0
Proposed budget increases:				
-Pending Litigation, 2006 Prudhoe Bay Pipeline spills and production shutdown	4,000.0	0.0	0.0	4,000.0
FY2011 Governor	4,000.0	0.0	0.0	4,000.0

Component Detail All Funds
Department of Law

Component: BP Corrosion (2909)
RDU: Civil Division (35)

	FY2009 Actuals	FY2010 Conference Committee	FY2010 Authorized	FY2010 Management Plan	FY2011 Governor	FY2010 Management Plan vs FY2011 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
73000 Services	0.0	0.0	0.0	0.0	4,000.0	4,000.0	100.0%
74000 Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	0.0	0.0	0.0	0.0	4,000.0	4,000.0	100.0%
Fund Sources:							
1004 Gen Fund	0.0	0.0	0.0	0.0	4,000.0	4,000.0	100.0%
General Funds	0.0	0.0	0.0	0.0	4,000.0	4,000.0	100.0%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
Permanent Full Time	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

Component Detail All Funds
Department of Law

Component: BP Corrosion (2909)
RDU: BP Corrosion (563)

	FY2009 Actuals	FY2010 Conference Committee	FY2010 Authorized	FY2010 Management Plan	FY2011 Governor	FY2010 Management Plan vs FY2011 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
73000 Services	4,525.4	3,500.0	3,500.0	3,500.0	0.0	-3,500.0	-100.0%
74000 Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	4,525.4	3,500.0	3,500.0	3,500.0	0.0	-3,500.0	-100.0%
Fund Sources:							
1004 Gen Fund	4,525.4	3,500.0	3,500.0	3,500.0	0.0	-3,500.0	-100.0%
General Funds	4,525.4	3,500.0	3,500.0	3,500.0	0.0	-3,500.0	-100.0%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
Permanent Full Time	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

Change Record Detail - Multiple Scenarios With Descriptions
Department of Law

Component: BP Corrosion (2909)
RDU: Civil Division (35)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
Subtotal		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
***** Changes From FY2010 Management Plan To FY2011 Governor *****												
Pending Litigation, 2006 Prudhoe Bay Pipeline spills and production shutdown												
1004 Gen Fund	IncOTI	4,000.0	0.0	0.0	4,000.0	0.0	0.0	0.0	0.0	0	0	0
		4,000.0										
Please note that the BP Corrosion increment is treated as a one-time increment. The FY2010 increment that is backed out of the FY2011 base is \$3,500.0.												
Law (DOL) requests an appropriation for FY2011 in the amount of \$4.0 million to continue the pending litigation seeking penalties and lost revenues for the 2006 Prudhoe Bay pipeline spills and production shutdowns. The State filed its complaint in Superior Court on March 31, 2009, seeking recovery of lost revenues for 2006-08 due to curtailments of oil production stemming from BPXA's negligent corrosion practices. The case is being hotly contested.												
FY2011 is a critical year for the litigation. The jury trial is scheduled for September 2011. The bulk of the discovery and post discovery pre-trial work will occur in FY2011 under the Pretrial Order entered by Judge Michalski in August. For the discovery phase, this means offensive and defensive discovery; discovery and dispositive motion practice; third party discovery; depositions (BPXA estimates over a hundred depositions will be required); and expert work, expert reports and expert depositions. The post discovery pre-trial phase will include dispositive motion practice, motions in limine, trial preparation, witness testimony preparation, exhibits, demonstrative exhibits, and designation of deposition testimony.												
This is an electronic document intensive case. Pursuant to the original investigative subpoenas, we have received over 2 million pages of electronic documents and project receiving another 2 million pages or more through discovery of BPXA and its working interest owners. Anticipating contentious discovery disputes over claims of business confidential information, the parties have agreed to the appointment of a discovery master and a protective order has been put in place. From the defensive side, we have collected over 175,000 pages of documents from state employees which require privilege review. The case also requires a number of experts to address pipeline corrosion, oil field management, oil production mechanisms, reservoir issues, and economic loss calculations.												
Reverse One Time Item, BPXA Corrosion Litigation												
1004 Gen Fund	OTI	-3,500.0	0.0	0.0	-3,500.0	0.0	0.0	0.0	0.0	0	0	0
		-3,500.0										
***** Changes From FY2010 Conference Committee To FY2010 Authorized *****												
FY2010 Conference Committee												
1004 Gen Fund	ConfCom	3,500.0	0.0	0.0	3,500.0	0.0	0.0	0.0	0.0	0	0	0
		3,500.0										
Subtotal		4,000.0	0.0	0.0	4,000.0	0.0	0.0	0.0	0.0	0	0	0
***** Changes From FY2010 Authorized To FY2010 Management Plan *****												
Totals		4,000.0	0.0	0.0	4,000.0	0.0	0.0	0.0	0.0	0	0	0

Line Item Detail
Department of Law
Services

Component: BP Corrosion (2909)
RDU: Civil Division (35)

Line Number	Line Name		FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
73000	Services		0.0	0.0	4,000.0
Expenditure Account			FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
	Servicing Agency	Explanation			
73000 Services Detail Totals			0.0	0.0	4,000.0
73075	Legal & Judicial Svc	2006 Prudhoe Bay Pipeline Spills and Production Shutdown pending litigation.	0.0	0.0	4,000.0

Line Item Detail
Department of Law
Services

Component: BP Corrosion (2909)
RDU: BP Corrosion (563)

Line Number	Line Name		FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
73000	Services		4,525.4	3,500.0	0.0
Expenditure Account			FY2009 Actuals	FY2010 Management Plan	FY2011 Governor
73000 Services Detail Totals			4,525.4	3,500.0	0.0
73075	Legal & Judicial Svc	2006 Prudhoe Bay Pipeline Spills and Production Shutdown pending litigation.	4,525.4	3,500.0	0.0