

State of Alaska FY2015 Governor's Operating Budget

Department of Natural Resources Petroleum Systems Integrity Office Component Budget Summary

Component: Petroleum Systems Integrity Office

Contribution to Department's Mission

The Petroleum Systems Integrity Office (PSIO) contributes to the department's local and statewide mission by improving the development of resources through coordination of oil and gas oversight activities among local, state and federal agencies, and by reviewing oil and gas operators' performance-based management programs to maximize implementation of prudent systems integrity practices.

Core Services

- Review the quality management programs of unit/lease operators relative to oil and gas systems integrity; prioritize areas of risk and identify gaps or weaknesses in the programs for corrective action, and assign or exercise oversight of compliance.
- Coordinate oversight activities between state and federal agencies with oil and gas related responsibility, including coordination of investigations of incidents and public/employee concerns.
- Ensure no regulatory gaps or duplicative efforts occur in the State regulation and oversight of oil and gas related activities.

Major Component Accomplishments in 2013

During the past year, PSIO utilized various unit agreement provisions and oil and gas lease requirements as authority to oversee the integrity of petroleum systems of the operators of these units and leases, e.g., leaseholders are required to operate leases utilizing good engineering practices. Significant accomplishments include:

- The "practice of engineering" as defined in Alaska Statute 08.48 was clarified for operator submittals to DNR that include engineering documentation. Evidence of Alaska professional engineering preparation of submitted plans signifies that minimum standards of technical competence have been met and that the engineer of record is obligated by his/her license to practice engineering in Alaska in a way that protects the public and the environment.
- A regulations project was started to clarify requirements to leaseholders for dismantlement, removal, and restoration (DR&R) of Cook Inlet offshore infrastructure at the end of useful life.
- Closer coordination of pipeline oversight in Cook Inlet between the state and the federal Pipeline and Hazardous Materials Safety Administration (PHMSA) has resulted in a clarified approach to regulated pipeline jurisdiction.
- Some pipelines are authorized by the state as a permitted land use, but safety oversight is absent. PSIO is working to move oversight of these pipelines to the state pipeline coordinator's office (SPCO) where the safety aspects of the majority of pipelines on state lands are monitored and inspected.
- PSIO has engaged the Process Safety Center at Texas A&M University to provide technical assistance on issues regarding safety and integrity, and to provide independent root cause analysis of incidents and near misses that may occur in the oil fields.

Key Component Challenges

- Ensuring that oil and gas infrastructure is designed and maintained in a safe and environmentally sound manner in compliance with state law.
- Minimizing economic impacts of unplanned interruptions in oil and gas production to the ongoing functions of state government.
- Avoiding premature abandonment of oil and gas infrastructure and waste of state resources.
- Ensuring efficient and effective oversight of oil and gas industry practices by utilizing existing state government structures and processes to the maximum extent possible.

Significant Changes in Results to be Delivered in FY2015

- The risk profile of the state's petroleum infrastructure is increasing due to aging infrastructure and the arrival of

- new operators, who may have varying levels of integrity management and quality assurance systems in place.
- PSIO plans to develop an assessment protocol for operators' management systems. The goal of the program is to allow the state to gain assurance that operators incorporate management systems that, among other things, conduct operations safely, assess risk properly, and respond to major incidents.
 - PSIO will support department and statewide Arctic policy initiatives by providing technical expertise and leadership, and by identifying partnership opportunities with federal agencies and others that will advance the goals of a secure and safe infrastructure in the Arctic.

Statutory and Regulatory Authority

AS 38.05.020
AS 38.05.180 (a) (1) (A)
AS 38.05.180 (a) (2) (A) (ii)
AS 38.05.850
AS 44.37.020 (a)

Additional Authorities: Administrative Order 234 and agreements with companies including standard oil and gas leases, unit plans of development, and plans of operations.

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**Petroleum Systems Integrity Office
Component Financial Summary**

All dollars shown in thousands

	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	467.6	731.2	735.2
72000 Travel	21.8	25.6	25.6
73000 Services	307.4	83.3	83.3
74000 Commodities	9.9	8.5	8.5
75000 Capital Outlay	21.1	1.0	1.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	827.8	849.6	853.6
Funding Sources:			
1004 General Fund Receipts	827.8	849.6	853.6
Funding Totals	827.8	849.6	853.6

**Summary of Component Budget Changes
From FY2014 Management Plan to FY2015 Governor**

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2014 Management Plan	849.6	0.0	0.0	0.0	849.6
Adjustments which will continue current level of service:					
-FY2015 Salary Increases	6.4	0.0	0.0	0.0	6.4
-FY2015 Health Insurance and Working Reserve Rate Reductions	-2.4	0.0	0.0	0.0	-2.4
FY2015 Governor	853.6	0.0	0.0	0.0	853.6

**Petroleum Systems Integrity Office
Personal Services Information**

Authorized Positions			Personal Services Costs	
	FY2014 Management Plan	FY2015 Governor		
Full-time	4	4	Annual Salaries	503,491
Part-time	0	0	COLA	6,570
Nonpermanent	2	2	Premium Pay	0
			Annual Benefits	240,749
			<i>Less 2.08% Vacancy Factor</i>	<i>(15,610)</i>
			Lump Sum Premium Pay	0
Totals	6	6	Total Personal Services	735,200

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
College Intern	2	0	0	0	2
Petroleum Facil Integ/Comp Mgr	1	0	0	0	1
Petroleum Facil Integrity Eng	1	0	0	0	1
Petroleum Facil Integrity Spec	1	0	0	0	1
Tech Eng I / Architect I	1	0	0	0	1
Totals	6	0	0	0	6

Component Detail All Funds
Department of Natural Resources

Component: Petroleum Systems Integrity Office (AR37577) (2847)
RDU: Oil and Gas (601)

	FY2013 Actuals	FY2014 Conference Committee	FY2014 Authorized	FY2014 Management Plan	FY2015 Governor	FY2014 Management Plan vs FY2015 Governor	
71000 Personal Services	467.6	726.0	731.2	731.2	735.2	4.0	0.5%
72000 Travel	21.8	25.6	25.6	25.6	25.6	0.0	0.0%
73000 Services	307.4	83.3	83.3	83.3	83.3	0.0	0.0%
74000 Commodities	9.9	8.5	8.5	8.5	8.5	0.0	0.0%
75000 Capital Outlay	21.1	1.0	1.0	1.0	1.0	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	827.8	844.4	849.6	849.6	853.6	4.0	0.5%
Fund Sources:							
1004Gen Fund (UGF)	827.8	844.4	849.6	849.6	853.6	4.0	0.5%
Unrestricted General (UGF)	827.8	844.4	849.6	849.6	853.6	4.0	0.5%
Designated General (DGF)	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%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
Permanent Full Time	4	4	4	4	4	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	2	2	0	0.0%

Change Record Detail - Multiple Scenarios with Descriptions
Department of Natural Resources

Component: Petroleum Systems Integrity Office (2847)

RDU: Oil and Gas (601)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2014 Conference Committee To FY2014 Authorized *****												
FY2014 Conference Committee												
1004 Gen Fund	ConfCom	844.4	726.0	25.6	83.3	8.5	1.0	0.0	0.0	4	0	0
Compensation of Non-Covered Employees Ch47 SLA2013 (SB95) (Sec2 Ch14 SLA2013 P43 L10 (HB65) and Sec2 Ch15 P8 L10 (HB66))												
1004 Gen Fund	FisNot	5.2	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Subtotal		849.6	731.2	25.6	83.3	8.5	1.0	0.0	0.0	4	0	0

SB95 relates to the compensation, allowances, geographic differentials in pay, and leave of certain public officials, officers, and employees not covered by collective bargaining agreements, and relates to certain petroleum engineers and petroleum geologists employed by the Department of Natural Resources.

***** Changes From FY2014 Authorized To FY2014 Management Plan *****												
Add College Intern Positions (10-404SI, 10-405SI)												
	PosAdj	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	2
These college interns work within the Petroleum Systems Integrity Office (PSIO) on a part-time basis in coordination with their field of study. The PSIO is a dynamic agency comprised of land managers to engineers, geologists, geophysicists, etc. Each year the Department of Natural Resources receives applications for internships and when there is an intern with a field of study that is a good match for one of the PSIO projects, it can be mutually beneficial for both the intern and the division. The PSIO has not budgeted for these interns in the past, but feels a need to budget for them now to assure they will have adequate space for interns to work in the future under the new space standards policy.												
College Intern (10-404SI) Range 5 Anchorage College Intern (10-405SI) Range 5 Anchorage												
Subtotal		849.6	731.2	25.6	83.3	8.5	1.0	0.0	0.0	4	0	2

***** Changes From FY2014 Management Plan To FY2015 Governor *****												
FY2015 Salary Increases												
1004 Gen Fund	SalAdj	6.4	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0

Cost of living allowance for certain bargaining units: \$6.4

Year two cost of living allowance for non-covered employees - 1%: \$5.2

Year two cost of living allowance for Alaska State Employees Association/General Government Unit - 1%: \$1.2

Change Record Detail - Multiple Scenarios with Descriptions
Department of Natural Resources

Component: Petroleum Systems Integrity Office (2847)
RDU: Oil and Gas (601)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
FY2015 Health Insurance and Working Reserve Rate Reductions												
1004 Gen Fund	SalAdj	-2.4	-2.4	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
FY2015 budget reduction for decrease in the AlaskaCare health insurance premium and working reserve rates: \$-2.4												
Working reserve rate decrease from 3.94% to 3.56%: Leave Cash-In = 2.17%, Terminal Leave = 1.03%, Unemployment Insurance = 0.36% : \$-1.8												
AlaskaCare health benefit decrease from \$1,389 to \$1,371: \$-0.6												
Totals		853.6	735.2	25.6	83.3	8.5	1.0	0.0	0.0	4	0	2

Personal Services Expenditure Detail
Department of Natural Resources

Scenario: FY2015 Governor (11059)
Component: Petroleum Systems Integrity Office (2847)
RDU: Oil and Gas (601)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range / Step	Comp Months	Split / Count	Annual Salaries	COLA	Premium Pay	Annual Benefits	Total Costs	GF Amount
10-404SI	College Intern	NP	A	XE	Anchorage	N00	5A	3.0		7,920	89	0	960	8,969	8,969
10-405SI	College Intern	NP	A	XE	Anchorage	N00	5A	3.0		7,920	89	0	960	8,969	8,969
10-4255	Tech Eng I / Architect I	FT	A	GP	Anchorage	200	24C / D	12.0		90,933	1,237	0	49,622	141,792	141,792
10-T015	Petroleum Facil Integrity Eng	FT	A	XE	Anchorage	N00	26	12.0		126,240	1,640	0	61,272	189,152	189,152
10-T016	Petroleum Facil Integrity Spec	FT	A	XE	Anchorage	N00	26	12.0		126,250	1,641	0	61,275	189,166	189,166
10-T017	Petroleum Facil Integ/Comp Mgr	FT	A	XE	Anchorage	N00	26	12.0		144,228	1,874	0	66,660	212,762	212,762

Total Positions:	New	Deleted	Total Salary Costs:	503,491
Full Time Positions:	4	0	Total COLA:	6,570
Part Time Positions:	0	0	Total Premium Pay::	0
Non Permanent Positions:	2	0	Total Benefits:	240,749
Positions in Component:	6	0	Total Pre-Vacancy:	750,810
			Minus Vacancy Adjustment of 2.08%:	(15,610)
			Total Post-Vacancy:	735,200
			Plus Lump Sum Premium Pay:	0
			Personal Services Line 100:	735,200

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1004 General Fund Receipts	750,810	735,200	100.00%
Total PCN Funding:	750,810	735,200	100.00%

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column. [No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

Line Item Detail
Department of Natural Resources
Travel

Component: Petroleum Systems Integrity Office (2847)
RDU: Oil and Gas (601)

Line Number	Line Name		FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
72000	Travel		21.8	25.6	25.6
Expenditure Account	Servicing Agency	Explanation	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
72000 Travel Detail Totals			21.8	25.6	25.6
72110	Employee Travel (Instate)	Instate travel is budgeted for meetings and travel to conferences and professional courses to maintain proficiency, to develop new analytical techniques and to promote state oil and gas permitting.	5.7	10.7	10.7
72410	Employee Travel (Out of state)	Conferences and professional courses to maintain proficiency, to develop new analytical techniques and to promote state oil and gas permitting.	16.1	14.9	14.9

Line Item Detail
Department of Natural Resources
Services

Component: Petroleum Systems Integrity Office (2847)
RDU: Oil and Gas (601)

Line Number	Line Name		FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
73000	Services		307.4	83.3	83.3
Expenditure Account	Servicing Agency	Explanation	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
73000 Services Detail Totals			307.4	83.3	83.3
73025	Education Services	Technical training, tuition and conference registration fees for the division's technical staff.	16.0	17.8	17.2
73150	Information Technlgy	Shared cost of various software	0.6	19.9	19.9
73156	Telecommunication	Telecommunication expenses for cellular and long distance charges.	1.0	2.0	2.0
73225	Delivery Services	Postage and delivery fees	0.3	0.5	0.5
73450	Advertising & Promos	Legal Notices	0.0	2.2	2.2
73750	Other Services (Non IA Svcs)	Contract program management and consultants with other services. (Gap Analysis, Quality Management Symposium).	20.2	20.2	20.2
73804	Economic/Development (IA Svcs)	Administrative Services Geological Material Center support	250.0	0.0	0.0
73804	Economic/Development (IA Svcs)	Anchorage Campus Project management training-4th session.	1.0	1.0	1.0
73805	IT-Non-Telecommunication	Enterprise Technology Services ETS/EPR Annual Computer Services	3.1	2.1	2.7
73805	IT-Non-Telecommunication	Enterprise Technology Services Microsoft contract	0.0	0.8	0.8
73806	IT-Telecommunication	Enterprise Technology Services Basic telephone services	2.2	0.7	0.7
73806	IT-Telecommunication	Enterprise Technology Services ETS EPR phone services	0.0	2.1	2.1
73809	Mail	Central Mail Central Mailroom	0.1	0.1	0.1
73810	Human Resources	Personnel Personnel/Human Resources	0.5	0.7	0.7

Line Item Detail
Department of Natural Resources
Services

Component: Petroleum Systems Integrity Office (2847)

RDU: Oil and Gas (601)

Expenditure Account	Servicing Agency	Explanation	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor	
73000 Services Detail Totals			307.4	83.3	83.3	
73811	Building Leases	Leases	Lease costs for LPPG	10.8	10.8	10.8
73815	Financial	Finance	AKSAS, AKPAY, ALDER, IRIS	0.3	0.3	0.3
73816	ADA Compliance	Labor Relations	ADA compliance	0.1	0.1	0.1
73818	Training (Services-IA Svcs)	Admin	DOA financial and procurement training	1.0	1.5	1.5
73819	Commission Sales (IA Svcs)	State Travel Office	State Travel Office fees	0.2	0.5	0.5

Line Item Detail
Department of Natural Resources
Commodities

Component: Petroleum Systems Integrity Office (2847)
RDU: Oil and Gas (601)

Line Number	Line Name		FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
74000	Commodities		9.9	8.5	8.5
Expenditure Account	Servicing Agency	Explanation	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
74000 Commodities Detail Totals			9.9	8.5	8.5
74222	Books And Educational	Technical reference books and manuals	3.6	3.8	3.8
74226	Equipment & Furniture	Office furniture and file storage	2.7	0.8	0.8
74229	Business Supplies	Funds are used for the purchase of general office supplies, paper, print cartridges, copy machine supplies, furniture, software and general office equipment replacement necessary for the current staff and 4 new positions.	2.7	2.7	2.7
74233	Info Technology Equip	The funds are used for the purchase of cartographic supplies, camera film, polyester film and technical books to assist with resource evaluation, also used for data processing supplies: paper, tapes, blank CDs and diskettes as well as other networking tools used for the North Slope office.	0.8	0.8	0.8
74482	Clothing & Uniforms	Arctic safety winter clothing and boots.	0.1	0.4	0.4

Line Item Detail
Department of Natural Resources
Capital Outlay

Component: Petroleum Systems Integrity Office (2847)
RDU: Oil and Gas (601)

Line Number	Line Name		FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
75000	Capital Outlay		21.1	1.0	1.0
Expenditure Account	Servicing Agency	Explanation	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
75000 Capital Outlay Detail Totals			21.1	1.0	1.0
76150	Other Equipment	Replacing and upgrading existing hardware such as computerized copiers, printers, plotters, servers, scanners, and cisco switches.	21.1	1.0	1.0

Inter-Agency Services
Department of Natural Resources

Component: Petroleum Systems Integrity Office (2847)
RDU: Oil and Gas (601)

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2013 Actuals	FY2014		
					Management Plan	FY2015 Governor	
73804	Economic/Development (IA Svcs)	Geological Material Center support	Inter-dept	Administrative Services	250.0	0.0	0.0
73804	Economic/Development (IA Svcs)	Project management training-4th session.	Intra-dept	Anchorage Campus	1.0	1.0	1.0
73804 Economic/Development (IA Svcs) subtotal:				251.0	1.0	1.0	
73805	IT-Non-Telecommunication	ETS/EPR Annual Computer Services	Inter-dept	Enterprise Technology Services	3.1	2.1	2.7
73805	IT-Non-Telecommunication	Microsoft contract	Inter-dept	Enterprise Technology Services	0.0	0.8	0.8
73805 IT-Non-Telecommunication subtotal:				3.1	2.9	3.5	
73806	IT-Telecommunication	Basic telephone services	Inter-dept	Enterprise Technology Services	2.2	0.7	0.7
73806	IT-Telecommunication	ETS EPR phone services	Inter-dept	Enterprise Technology Services	0.0	2.1	2.1
73806 IT-Telecommunication subtotal:				2.2	2.8	2.8	
73809	Mail	Central Mailroom	Inter-dept	Central Mail	0.1	0.1	0.1
73809 Mail subtotal:				0.1	0.1	0.1	
73810	Human Resources	Personnel/Human Resources	Inter-dept	Personnel	0.5	0.7	0.7
73810 Human Resources subtotal:				0.5	0.7	0.7	
73811	Building Leases	Lease costs for LPPG	Inter-dept	Leases	10.8	10.8	10.8
73811 Building Leases subtotal:				10.8	10.8	10.8	
73815	Financial	AKSAS, AKPAY, ALDER, IRIS	Inter-dept	Finance	0.3	0.3	0.3
73815 Financial subtotal:				0.3	0.3	0.3	
73816	ADA Compliance	ADA compliance	Inter-dept	Labor Relations	0.1	0.1	0.1
73816 ADA Compliance subtotal:				0.1	0.1	0.1	
73818	Training (Services-IA Svcs)	DOA financial and procurement training	Inter-dept	Admin	1.0	1.5	1.5
73818 Training (Services-IA Svcs) subtotal:				1.0	1.5	1.5	
73819	Commission Sales (IA Svcs)	State Travel Office fees	Inter-dept	State Travel Office	0.2	0.5	0.5
73819 Commission Sales (IA Svcs) subtotal:				0.2	0.5	0.5	
Petroleum Systems Integrity Office total:				269.3	20.7	21.3	
Grand Total:				269.3	20.7	21.3	