

# **State of Alaska FY2004 Governor's Operating Budget**

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

## **Component: Industry Preparedness and Pipeline Operations**

**Contact: Bill Hutmacher, Program Manager**

**Tel:** (907) 269-3054 **Fax:** (907) 269-7687 **E-mail:** bill\_hutmacher@dec.state.ak.us

### **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.

### **Component Goals and Strategies**

#### 1) PREVENT OIL AND HAZARDOUS SUBSTANCE SPILLS.

- Inspect oil terminals, pipelines, tank vessels and barges, railroads, refineries, nontank vessels, and exploration and production facilities for compliance with spill prevention requirements.
- Enforce best available technology requirements for spill prevention 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.
- Test the effectiveness of spill plans that rely on contractors through their registration as primary oil spill response action contractors.

### **Key Component Issues for FY2003 – 2004**

Implement the Contingency Plan Review (CPR) Project to re-evaluate the adequacy of existing regulations, identify ways of making the contingency plan review process simpler and more effective based on lessons learned since implementation, and create better plans for prevention and response using stakeholder scoping and negotiated rulemaking.

Implement a risk-based decision-making process, identify high-risk regulated entities and regulated entities where spills could have high consequences and increase the number of inspections, drills, and compliance audits of these entities.

Implement the five-year Best Available Technology (BAT) review project and associated conference to identify and ensure the continuing use of BAT in oil discharge prevention and contingency plans.

Ensure the continuous improvement of Alaska's oil and gas exploration, production, transportation and storage system through the review of corrosion prevention practices, oil storage tank standards, the Trans-Alaska Pipeline System

(TAPS) lease renewal, the North Slope Charter Agreement, and Office of Pipeline Safety (OPS) spill prevention standards.

Complete and implement nontank vessel and railroad contingency planning regulations.

### **Major Component Accomplishments in 2002**

- Implemented new legislation requiring oil spill contingency plans for the Alaska Railroad and nontank marine vessels of over 400 gross tons by conducting formal public review of the proposed regulations in the first part of 2002.
- Prepared a formal public review draft of proposed railroad regulations for public comment in early FY 2003.
- Monitored the progress of the North Slope oil companies in fulfilling the terms of the Charter Agreement for the North Slope, which requires an industry investment of at least 17 million dollars in oil spill prevention, remediation and research over a ten-year period.
- Evaluated work accomplished under the Charter, including funding to support four Arctic oil spill research and development projects; review of industry corrosion control and management programs by an independent technical contractor; inspection of 137,000 pipeline weld locations for corrosion; and entry into service of the first new double-hulled tanker, the Polar Endeavor, with eight additional double-hulled tankers on order.
- Inspected 85% of the tankers operating in Prince William Sound, 55% of the crude oil spot charter vessels, and one-third of all regulated tank farms and terminals.
- Conducted equipment verification inspections in conjunction with oil spill contingency plan reviews.
- Approved 88 new, renewal, or amended spill contingency plans, a large percentage of which required significant interagency and public review.
- Participated in 43 oil spill drills and exercises conducted throughout the state.
- Maintained registration of 19 primary response action contractors, with one renewal registration and no new applications in fiscal year 2002.
- Took regulatory action to gain industry compliance with state requirements for leak detection, equipment, spill drills, secondary containment, corrosion protection, internal tank inspections, pipeline pressure testing, and other requirements.
- Issued 365 financial responsibility approval certificates for oil facilities, pipelines, terminals, tank barges, and tankers and 436 financial responsibility approval certificates for nontank vessels.
- Obtained funding to evaluate oil spill response and prevention technologies and determine whether the technologies are “best available technology” for use by Alaskan facilities.

### **Statutory and Regulatory Authority**

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

## Industry Preparedness and Pipeline Operations

## Component Financial Summary

*All dollars in thousands*

|                                  | FY2002 Actuals | FY2003 Authorized | FY2004 Governor |
|----------------------------------|----------------|-------------------|-----------------|
| <b>Non-Formula Program:</b>      |                |                   |                 |
| <b>Component Expenditures:</b>   |                |                   |                 |
| 71000 Personal Services          | 2,119.7        | 2,436.7           | 2,467.8         |
| 72000 Travel                     | 185.4          | 223.2             | 221.4           |
| 73000 Contractual                | 556.2          | 740.2             | 740.2           |
| 74000 Supplies                   | 37.0           | 35.7              | 35.7            |
| 75000 Equipment                  | 25.9           | 35.8              | 16.0            |
| 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             |
| <b>Expenditure Totals</b>        | <b>2,924.2</b> | <b>3,471.6</b>    | <b>3,481.1</b>  |
| <b>Funding Sources:</b>          |                |                   |                 |
| 1002 Federal Receipts            | 0.0            | 8.5               | 8.5             |
| 1007 Inter-Agency Receipts       | 275.8          | 236.1             | 240.5           |
| 1052 Oil/Hazardous Response Fund | 2,648.4        | 3,227.0           | 3,232.1         |
| <b>Funding Totals</b>            | <b>2,924.2</b> | <b>3,471.6</b>    | <b>3,481.1</b>  |

**Industry Preparedness and Pipeline Operations  
Proposed Changes in Levels of Service for FY2004**

No significant change in services is anticipated.

**Summary of Component Budget Changes  
From FY2003 Authorized to FY2004 Governor**

*All dollars in thousands*

|   | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|---|----------------------|----------------------|--------------------|--------------------|
| <b>FY2003 Authorized</b>  | <b>0.0</b>           | <b>8.5</b>           | <b>3,463.1</b>     | <b>3,471.6</b>     |
| <b>Adjustments which will continue current level of service:</b>                                      |                      |                      |                    |                    |
| -Annualize FY2003 COLA Increase for General Government, Confidential and Supervisory Bargaining Units | 0.0                  | 0.0                  | 31.1               | 31.1               |
| <b>Proposed budget decreases:</b>   |                      |                      |                    |                    |
| -Per Fiscal Note, 3rd Year Implementation of Ch. 8, SLA 2001 (SB16) Oil Dischg Prevention:Nontank Ves | 0.0                  | 0.0                  | -21.6              | -21.6              |
| <b>FY2004 Governor</b>  | <b>0.0</b>           | <b>8.5</b>           | <b>3,472.6</b>     | <b>3,481.1</b>     |

**Industry Preparedness and Pipeline Operations**

**Personal Services Information**

|               | Authorized Positions               |                                  | Personal Services Costs          |                  |
|---------------|------------------------------------|----------------------------------|----------------------------------|------------------|
|               | <u>FY2003</u><br><u>Authorized</u> | <u>FY2004</u><br><u>Governor</u> |                                  |                  |
| Full-time     | 33                                 | 33                               | Annual Salaries                  | 1,937,645        |
| Part-time     | 2                                  | 2                                | Premium Pay                      | 0                |
| Nonpermanent  | 0                                  | 0                                | Annual Benefits                  | 606,518          |
|               |                                    |                                  | <i>Less 3.00% Vacancy Factor</i> | <i>(76,325)</i>  |
|               |                                    |                                  | Lump Sum Premium Pay             | 0                |
| <b>Totals</b> | <b>35</b>                          | <b>35</b>                        | <b>Total Personal Services</b>   | <b>2,467,838</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 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    | 3         | 0         | 0        | 1        | 4         |
| Environmental Spec III   | 11        | 2         | 3        | 2        | 18        |
| Environmental Spec IV    | 1         | 0         | 1        | 1        | 3         |
| <b>Totals</b>            | <b>24</b> | <b>2</b>  | <b>4</b> | <b>5</b> | <b>35</b> |