

State of Alaska FY2004 Governor's Operating Budget

Department of Natural Resources Pipeline Coordinator Component Budget Summary

Component: Pipeline Coordinator

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Component Mission

To encourage the development of petroleum pipelines on State land that make a significant contribution to the general welfare of the people of Alaska, and to encourage excellent operations of those pipelines.

Component Services Provided

State Pipeline Coordinator Office (SPCO) provides right-of-way leases for petroleum pipelines on State lands, administers the rights-of-way under our jurisdiction, oversees the operations of the pipelines on those rights-of-way, and informs stakeholders of the results of our adjudication, administration, and oversight activities. These services are provided through a joint state and federal agency cooperative concept. The Department of Natural Resource's State Pipeline Coordinator works in parallel with the Authorized Officer for the Bureau of Land Management as a "dual boss" agency known as the Joint Pipeline Office (JPO). Other State agencies with representation in JPO are ADEC, ADOL, ADGC, ADF&G, ADPS and ADOTPF. Other Federal agencies with representation in JPO are U.S. EPA, U.S. DOT, U.S. MMS, U.S. Coast Guard and Army Corps of Engineers. The purpose of this joint agency is to speak with one voice to the oil companies who apply for leases across state and federal lands and for consistency on oversight issues. Our budget is largely funded by statutory designated program receipts from the following projects: Trans Alaska Pipeline (Alyeska Pipeline Services Company), Trans Alaska Gas (Yukon Pacific Corp.), Alpine, Kuparuk, Kuparuk Extension and Oliktok Pipelines (Phillips Petroleum), Northstar, Milne NGL, Milne Point, Endicott, Badami and Point Thomson Pipelines (BP Exploration/Transportation), and Kenai Kachemak Gas Pipeline (NORSTAR Pipeline Company).

Component Goals and Strategies

- Process applications, and negotiate and deliver Right-of-Way Leasing Act leases, in a manner that serves the State's interests.
- Administer leases under our jurisdiction, including oversight of the construction, operation, maintenance and termination of pipelines on the leases.
- Coordinate our oversight of TAPS with the U.S. Bureau of Land management, so that TAPS remains available to bring North Slope crude to market.
- Apply Reliability Centered Maintenance (RCM) methodology to identify failure management policies necessary to preserve the functions of critical TAPS systems.
- Protect public and the environment through monitoring modification, maintenance, and operation of high-risk systems.
- Increase emphasis on information accountability to ensure cradle to grave documentation of oversight activities.

Key Component Issues for FY2003 – 2004

- After renewal of the Trans-Alaska Pipeline System (TAPS), JPO will largely revert back to oversight activities ensuring Alyeska maintains the pipeline in a manner that protects the public and the environment while supplying the critical fuels the nation needs. As a relatively new initiative, JPO has begun focusing on Reliability Centered Maintenance as a way to ensure Alyeska maintains the critical pipeline systems. In addition, during the next few years, Alyeska is going to undertake a major reconfiguration and move to a more automated pipeline system. JPO will oversee this transition which could bring changes in procedures, processes and the types of personnel JPO will need to employ for oversight.
- During the remainder of FY03 and into FY04, JPO will also increase emphasis on oversight of the North Slope and Kenai Peninsula pipelines. Checklists will be written and site visits will increase to ensure compliance with the various agencies' directives, laws, and regulations. Annual audits of surveillance and monitoring programs will be

performed to ensure compliance. Pipelines we oversee include Alpine, Badami, Northstar, Kenai/Kachemak, Point Thomson, Milne NGL, Nuiqsut, Oliktok, Endicott, Kuparuk, Kuparuk Extension, and Milne Point. Review of quality programs will be done and we will have several changes of ownership to process.

- JPO will continue to issue permits, process authorizations and approvals, lease amendments, applications for rights-of-way, notices to proceed and requests for construction on the various pipelines. JPO will also write annual State of the Pipeline and compliance reports. It will be necessary to process requests for compatibility requiring coordination with other lessees and DNR offices for TAPS (average 8 to 10 per year), TAGS realignment, Kuparuk oil pipeline pig launcher and receiver buildings, and Badami pigging with Endicott.
- We also need to conduct Audits of material sales for TAPS (40 per year) and review for approval 57 new mining and reclamation plans as required by AS 27.19.
- In parallel with our oversight programs we have begun and will continue to proceed with our new information accountability enhancement program. This initiative takes a look at our processes and information flow and record keeping from cradle to grave. This system will allow us to pull every document associated with an inspection, surveillance or major event both physically and electronically within a short period of time greatly enhancing responsiveness to public or internal inquiries.

Major Component Accomplishments in 2002

- Renewal of the Trans Alaska Pipeline System (TAPS) right-of-way dominated the office during FY02 and into FY03. In preparation for renewal, the entire TAPS system was looked at and the 12th Comprehensive Monitoring Program report "TAPS Maintenance and Sustained Useful Life, January 2001-May 2002" was released in July 2002. The federal Draft Environmental Impact Statement (DEIS) and the Department of Natural Resources Commissioner's Statement of Reasons and Proposed Written Determination on TAPS were released July 5, 2002 for a 45-day review. Both products were major "firsts" in the history of the State and Nation due to the significant and controversial nature of TAPS. The public comment period to provide input on these documents ended August 20. Seven public hearings were conducted with 158 people either giving testimony or providing written comments. Approximately 300 additional submittals were received through the other means of providing comments. The Department of Natural Resources Commissioner extended the administrative review period on TAPS renewal until November 29, 2002 to consider all the comments submitted. In addition, the Division of Governmental Coordination (DGC) completed coordination of the state's review of existing federal rights-of-way grant and state lease renewal for TAPS for consistency with the Alaska Coastal Management Program (ACMP) and developed this final consistency determination based on reviewers' comments. Based on that review, the state found the project consistent with the ACMP. The renewal of TAPS will ensure this vital state and national resource keeps operating for another 30 years.
- In parallel with the TAPS renewal effort was the on-going oversight of TAPS. Significant events for FY02 included : Working the Milepost 400 issue dealing with a bullet hole in the pipeline—the Milepost 400 After Action Report was released in February. The jointly prepared report documented actions taken and recommendations for improvement. An After-After Action Update was completed in October 2002; Monitoring the annual maintenance shutdown including replacement of remote gate valve 39 in July 2002; JPO's State Fire Marshal's representative prepared a technical paper on Alyeska's Fire Protection/Fire Safety Program covering in-depth looks at Alyeska's fire prevention efforts from April 2000 to August 2002; Public hearings were held in Valdez and Anchorage for the Valdez Marine Terminal Oil Discharge Prevention and Contingency Plan.
- Another significant accomplishment for JPO was the renewal of five North Slope pipelines: Oliktok, Kuparuk, Kuparuk Extension, Endicott, and Milne Point. The comment period for the Commissioner's Statement of Reasons and Proposed Written Determination for renewal of these pipeline Right-of-Way Leases ended August 22, 2002. The Commissioner also extended the administrative review period for the five North Slope pipeline right-of-way leases until November 29, 2002. The State Pipeline Coordinator's Office (SPCO) coordinated the state's reviews for consistency with the Alaska Coastal Management Program (ACMP). The SPCO developed final consistency determinations based on reviewers' comments and found the lease renewals consistent with the ACMP.
- A new project for JPO, the Kenai-Kachemak Pipeline project was public noticed in April 2002. The proposed pipeline was to extend 62 miles in length from Kenai to Anchor Point. Test well drilling later failed to locate adequate quantities of commercial gas in the Anchor Point area and the project was reduced to 33 miles extending only to Ninilchik. Work continues on this lease application. This project will give a significant number of Kenai

Peninsula residents access to natural gas and boost the local economy in the area.

- Another new project for JPO is Point Thomson. The State Pipeline Coordinator's Office received an Application for Pipeline Right-of-Way Lease for the Point Thomson Gas Cycling Project Export Pipeline from ExxonMobil Pipeline Company. This is a proposed 22-mile pipeline connecting to Badami.
- Lastly, the BLM office in Albuquerque, New Mexico requested technical advice from the JPO on a pipeline right-of-way project from Texas to New Mexico and possibly extending to Utah later. They are interested in the JPO concept of state and federal agencies under one roof and the ease of coordination between numerous agencies and economies of scale this type of structure entails. We have sent several BLM employees down to assist in the effort.

Statutory and Regulatory Authority

AS 27.19 Mining Reclamation
AS 38.05 Alaska Land Act
AS 38.35 Right-of-Way Leasing Act
AS 46.15 Alaska Water Use Act
AS 46.40 Alaska Coastal Zone Management Program

6 AAC 50 Alaska Coastal Zone Management Program
11 AAC 51 Public Easements
11 AAC 53 Records, Survey, Platting
11 AAC 71 Timber and material Sites
11 AAC 80 Pipeline Rights-of-Way
11 AAC 96 Miscellaneous Land Use
11 AAC 97 Mining Reclamation

43 CFR 2880

Pipeline Coordinator
Component Financial Summary

All dollars in thousands

	FY2002 Actuals	FY2003 Authorized	FY2004 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,660.1	1,980.5	1,850.8
72000 Travel	82.4	188.0	188.0
73000 Contractual	1,510.8	1,640.8	1,640.8
74000 Supplies	56.4	71.8	71.8
75000 Equipment	78.5	8.0	8.0
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
Expenditure Totals	3,388.2	3,889.1	3,759.4
Funding Sources:			
1002 Federal Receipts	30.9	40.5	41.0
1005 General Fund/Program Receipts	402.5	410.2	410.9
1007 Inter-Agency Receipts	9.7	21.4	21.7
1061 Capital Improvement Project Receipts	102.5	0.0	0.0
1108 Statutory Designated Program Receipts	2,842.6	3,417.0	3,285.8
Funding Totals	3,388.2	3,889.1	3,759.4

Pipeline Coordinator

Proposed Changes in Levels of Service for FY2004

After TAPS Renewal:

Staff will move from renewal applications processing back to lease application processing, construction, and operations oversight. This budget can be reduced by \$147.4 in SDPR due to completion of the TAPS Renewal project during FY03. This will include the deletion of one full-time employee and two non-perm whose services are no longer needed and for which the companies will no longer reimburse us.

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>
FY2003 Authorized	410.2	40.5	3,438.4	3,889.1
Adjustments which will continue current level of service:				
-Annualize FY2003 COLA Increase for General Government and Supervisory Bargaining Units	0.0	0.5	15.4	15.9
-\$75 per Month Health Insurance Increase for Non-covered Staff	0.7	0.0	1.1	1.8
Proposed budget decreases:				
-Reduction Associated with TAPS Renewal Project Completion	0.0	0.0	-147.4	-147.4
FY2004 Governor	410.9	41.0	3,307.5	3,759.4

Pipeline Coordinator

Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2003</u> <u>Authorized</u>	<u>FY2004</u> <u>Governor</u>		
Full-time	23	23	Annual Salaries	1,438,960
Part-time	0	0	Premium Pay	0
Nonpermanent	9	7	Annual Benefits	454,053
			<i>Less 2.23% Vacancy Factor</i>	(42,213)
			Lump Sum Premium Pay	0
Totals	32	30	Total Personal Services	1,850,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk II	1	0	0	0	1
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Administrative Manager II	1	0	0	0	1
Data Processing Mgr I	1	0	0	0	1
Dep St Pipeline Coord Engrng	1	0	0	0	1
Engineer/Architect IV	1	0	0	0	1
Habitat Biologist IV	1	0	0	0	1
Information Officer III	1	0	0	0	1
Micro/Network Tech II	1	0	0	0	1
Natural Resource Mgr II	1	0	0	0	1
Natural Resource Mgr III	1	0	0	0	1
Natural Resource Spec II	4	0	0	0	4
Natural Resource Spec III	3	0	0	0	3
Pipe Line Coordinator	1	0	0	0	1
Records Analyst I	1	0	0	0	1
Secretary	1	0	0	0	1
Student Intern I	2	0	0	0	2
Student Intern II	4	0	0	0	4
Tech Eng I / Architect I	1	0	0	0	1
Totals	30	0	0	0	30