

# **State of Alaska FY2005 Governor's Operating Budget**

## **Department of Natural Resources Pipeline Coordinator Component Budget Summary**

# Contents

<i>Component: Pipeline Coordinator</i> .....	3
<i>End Results</i> .....	3
<i>Strategies to Achieve Results</i> .....	3
Component Financial Summary.....	9
Summary of Component Budget Changes.....	10
Personal Services Information.....	11

**Component: Pipeline Coordinator**

**Contribution to Department's 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.

**Core Services**

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, 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 industry who may 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).

End Results	Strategies to Achieve Results
<p><b>(1) Generate Revenue for the State of Alaska through outstanding lease application processing and oversight of oil and gas transportation pipelines.</b></p> <p><u>Target:</u> Maximize use of existing transport, transmission, common carrier rights-of-ways, easements for pipeline purposes.</p> <p><u>Measure:</u> New miles of pipeline infrastructure</p> <p><u>Target:</u> Develop comprehensive compliance monitoring program for each pipeline system.</p> <p><u>Measure:</u> Number of annual pipeline monitoring reports generated.</p>	<p><b>(1) Coordinated processing of lease and resource permit applications within negotiated deadlines.</b></p> <p><u>Target:</u> Sufficient petroleum pipeline infrastructure to transport petroleum production.</p> <p><u>Measure:</u> Number of miles of pipeline added to infrastructure.</p> <p>Number of rights-of-way/and rights-of-way amendment applications processed.</p> <p><b>(2) Excellent pipeline operations through outstanding oversight and coordination with pipeline operators.</b></p> <p><u>Target:</u> 100% availability of pipelines for oil transport.</p> <p><u>Measure:</u> Percentage of time available for oil transportation in pipelines.</p>

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> <li>• Process applications, and negotiate and deliver Right-of-Way leases, in a manner that serves the state's interests.</li> <li>• Expedited permitting.</li> <li>• Coordinate concurrent regulatory process of all JPO participating agencies.</li> <li>• Open season requirements.</li> <li>• Administer leases under state jurisdiction.</li> </ul>	<ul style="list-style-type: none"> <li>• Keep public informed.</li> <li>• Conduct oversight consistent with applicable regulations</li> <li>• Common carrier regulations.</li> <li>• Provide facility connections.</li> </ul>

### FY2005 Resources Allocated to Achieve Results

<b>FY2005 Component Budget: \$3,840,900</b>	<b>Personnel:</b>	
	Full time	25
	Part time	0
	<b>Total</b>	<b>25</b>

### Performance Measure Detail

#### (1) Result: Generate Revenue for the State of Alaska through outstanding lease application processing and oversight of oil and gas transportation pipelines.

**Target:** Maximize use of existing transport, transmission, common carrier rights-of-ways, easements for pipeline purposes.

**Measure:** New miles of pipeline infrastructure

**Target:** Develop comprehensive compliance monitoring program for each pipeline system.

**Measure:** Number of annual pipeline monitoring reports generated.

#### (1) Strategy: Coordinated processing of lease and resource permit applications within negotiated deadlines.

**Target:** Sufficient petroleum pipeline infrastructure to transport petroleum production.

**Measure:** Number of miles of pipeline added to infrastructure.

Number of rights-of-way/and rights-of-way amendment applications processed.

##### Miles of Pipeline Added

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2003	N/A	N/A	N/A	N/A	22

**Analysis of results and challenges:** The 22 miles of new pipeline infrastructure is the Kenai Kachemak natural gas pipeline.

#### (2) Strategy: Excellent pipeline operations through outstanding oversight and coordination with pipeline operators.

**Target:** 100% availability of pipelines for oil transport.

**Measure:** Percentage of time available for oil transportation in pipelines.

##### Availability of Pipelines for Petroleum Transport

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2003	N/A	N/A	N/A	N/A	99.8%

**Analysis of results and challenges:** This measure shows the "up time" rate of pipelines we oversee. Our oversight of these pipelines emphasizes public safety and preservation of the environment.

### Key Component Challenges

- After renewal of the Trans-Alaska Pipeline System (TAPS), JPO will begin TAPS reconfiguration and 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. 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 FY04 and into FY05, 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 JPO oversees 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.
- JPO also needs 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.

## Significant Changes in Results to be Delivered in FY2005

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.

## Major Component Accomplishments in 2003

**Information Accountability Project.** Information management is challenging for most offices today. For many years, information was retained in individual and common storage files in hard copy form. The electronic age has sped up the creation and dissemination of information. As a result, the SPCO/JPO rethought and retooled to keep up with the enormous volume of information in multiple formats, agency requirements, and requests for documents. This multi-faceted project was referred to as "**Information Accountability.**" Some of the key components are:

- 1) All incoming and outgoing information is scanned and available in a group mailbox.
- 2) In addition to incoming and outgoing information, many previously existing documents have also been scanned into a data search and retrieval system. Discussion is on going to determine disposition of remaining documents.
- 3) The Comprehensive Monitoring Program database includes results from oversight activities.
- 4) An overall records retention plan which encompassed the retention requirements for all participating agencies was developed and approved by the State of Alaska and Bureau of Land Management, the lead federal Agency.
- 5) Manuals and governing documents are available with the most recent updates and electronically available.
- 6) Reports and documents due in and out of the office have been identified and are now tracked for timely delivery.

### Kenai-Kachemak Gas Pipeline -

- The right-of-way lease for the 32-mile Kenai-Kachemak Gas Pipeline from Kenai to Ninilchik was signed and transportation of gas began in September 2003. Pre-application meetings and site visits have taken place in anticipation of a right-of-way lease amendment application for an approximate 15-mile extension from Happy Valley to the southern end of the Kenai-Kachemak Gas Pipeline. Construction of the extension is tentatively scheduled for June – October 2004 with a start-up date in the October – November time frame.

**Trans-Alaska Pipeline System (TAPS) Oversight -**

- The TAPS owners have proposed to reconfigure the system to increase efficiencies and lower costs of transportation by taking advantage of technology. This would involve reconfiguring the pump stations from turbine power to electrical power pumps requiring major construction at four of the five remaining pump stations. The project, “**Strategic Reconfiguration**,” has scheduled project design in 2004 and construction in 2005. The office has completed a Notice to Proceed (NTP) process outline for Alyeska, completed initial plans to work the project, benchmarked Canadian gas facilities that now operate or reconfigured to electrical power pumps, and preparation of an Environmental Assessment has been discussed. Proposed changes will be evaluated for compliance with the Grant and Lease and state and federal laws and regulations governing TAPS. A number of agencies will conduct reviews and issue permits and approvals. An application for amendment to the TAPS Oil Discharge Prevention and Contingency Plans (C-Plans) has been received, public noticed, and returned to Alyeska with a request for additional information.
- A number of follow-up activities were agreed to and outlined in the joint agency and Alyeska Pipeline Service Company report, “After-Action for the TAPS Bullet Hole Incident at Milepost 400 October 2001.” Among the improvements evaluated were source control devices, pump around skid, fire foam skid, and mobile command post. Source control testing is ongoing and contingency plan updates are being incorporated into the plan. A new “state-of-the-art mobile command post has been delivered and a number of prototype source control devices have been tested including a hydraulic clamp that would not require a crane to attach. Lessons learned from this incident by agencies and industry are leading to improved environmental protection plans and improved training and equipment should similar incidents ever occur.

**State Pipeline Coordinator’s Office (SPCO) Pipeline (Non-TAPS) Oversight -**

The SPCO administers twenty-one pipeline right-of-way (ROW) leases (including leases in the application stage) throughout the state. The administration of these leases is the responsibility of the Right-of-Way Section. A significant component of this responsibility is verification of the lessee’s compliance with lease conditions and requirements.

To accomplish this task, the Right-of-Way Section developed a comprehensive oversight program to monitor each lessee’s compliance with the conditions and requirements set forth in the lease. Currently, this program is being applied to the pipelines referenced below. Lease compliance oversight is accomplished on a cyclic basis and is comprised of three main elements: 1) SPCO lease compliance monitoring; 2) the Annual Lessee Reports; and 3) the Annual State Pipeline Coordinator’s Report.

Annual reports for each pipeline, produced for the first time in 2003, provide a summary of the oversight activities conducted by SPCO staff and the information submitted to the State Pipeline Coordinator by the lessee.

Non-TAPS pipelines subject to oversight monitoring as described above:

Alpine Oil Pipeline (ADL 415701), Alpine Utility Pipeline (ADL 415857), Alpine Diesel Pipeline (ADL 415932), Badami Oil Pipeline (ADL 415472), Badami Utility Pipeline (ADL 415965), Endicott Oil Pipeline (ADL 410562), Kuparuk Oil Pipeline (ADL 402294), Kuparuk Oil Pipeline Extension (ADL 409027), Milne Point Oil Pipeline (ADL 410221), Milne Point Products Pipeline (ADL 416172), Northstar Oil Pipeline (ADL 415700), Northstar Gas Pipeline (ADL 415975), Nuiqsut Gas Pipeline (ADL 416202), Oliktok Pipeline (ADL 411731), Tesoro Pipeline (ADL 69354), Kenai-Kachemak Gas Pipeline (ADL 228162)

Annual reports reviewed and annual audits of surveillance and monitoring programs have been conducted for:

Badami Oil Pipeline  
 Badami Gas Line  
 Endicott Oil Pipeline  
 Milne Point Oil Pipeline  
 Milne Point Natural Gas Liquids Pipeline  
 Oliktok Natural Gas Liquids Pipeline  
 Kuparuk Oil Pipeline  
 Kuparuk Extension Pipeline

Annual State of the Pipeline and compliance reports have been written for:

- Kuparuk Extension Oil Pipeline
- Oliktok Natural Gas Liquids Pipeline
- Endicott Oil Pipeline
- Badami Oil Pipeline
- Badami Gas Line

**State Pipeline Coordinator's Office (SPCO) Pipeline Lease Administration –**

Process as-built surveys, accept releases of right-of-way and change revenue and bill system for:

- Badami Oil Pipeline and Badami Gas Line
- Northstar Oil Pipeline and Natural Gas Pipeline
- Milne Point Natural Gas Liquids Pipeline
- Alpine Oil Pipeline, Alpine Products Pipeline, Alpine Sea Water Pipeline
- Nuiqsut Natural Gas Pipeline

Process change of ownership, amend Guaranties and change LRIS for:

- Alpine Oil Pipeline, Alpine Products Pipeline, Alpine Sea Water Pipeline
- Kuparuk Oil Pipeline and Kuparuk Extension Oil Pipeline
- Oliktok Natural Gas Liquids Pipeline

Review and approve quality programs for:

- Badami Oil Pipeline and Badami Gas Line
- Endicott Oil Pipeline
- Milne Point Oil Pipeline and Milne Point Natural Gas Liquids Pipeline

Process authorizations and approvals required under the lease for:

- Trans-Alaska Pipeline System
- Trans-Alaska Gas System
- Alaska Natural Gas Transportation System
- Alpine Oil Pipeline, Alpine Products Pipeline, Alpine Sea Water Pipeline
- Kuparuk Oil Pipeline and Kuparuk Extension Oil Pipeline
- Oliktok Natural Gas Liquids Pipeline
- Milne Point Oil Pipeline and Milne Point Natural Gas Liquids Pipeline
- Northstar Oil Pipeline and Northstar Natural Gas Pipeline
- Endicott Oil Pipeline
- Badami Oil Pipeline and Badami Gas Line
- Nuiqsut Natural Gas Pipeline
- Nikiski Products Pipeline

Process Lease amendments and Notices to Proceed or requests for construction requiring the entire AS 38.35 process to be followed (i.e. this is equivalent to processing a new lease for each) for:

- Trans-Alaska Pipeline System – average six to eight per year
- Trans-Alaska Gas System – re-alignment
- Alpine Products Pipeline – diesel to multiple products
- Kuparuk Oil Pipeline – two new buildings

Process requests for compatible uses requiring coordination with other lessees and ADNR offices use for:

- Trans-Alaska Pipeline System – eight to 10 per year
- Kuparuk Oil Pipeline pig launcher and receiver buildings
- Badami pigging with Endicott

In process of approving change of use for:

- Alpine Products Pipeline

Issue permits (this is the only time that combining pipeline may take place) and updating department database:

- Alpine – four to five per year
- Kuparuk and Kuparuk Extension – two to five per year
- Badami – five to six per year

Trans-Alaska Pipeline System – 60 to 100 per year

Conduct audits of material sales for the Trans-Alaska Pipeline System – 40 per year and review for approval – 57 new mining and reclamation plans as required by AS 27.19.

Process amendments for length of renewal period from 10 to 30 years for:

Alpine Oil Pipeline and Alpine Products Pipeline  
 Northstar Oil Pipeline and Northstar Natural Gas Pipeline  
 Badami Oil Pipeline and Badami Natural Gas Pipeline  
 Milne Point Natural Gas Liquids Pipeline

Prepare and process request reappraisal for Alaska Natural Gas Transportation System grant of right-of-way on State land, set up Memorandum of Agreement for this work.

Review for approval guaranties for British Petroleum Transportation Alaska Pipelines:

Endicott  
 Badami Oil and Badami Utility  
 Northstar Oil  
 Northstar Natural Gas

## 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

### Contact Information

**Contact:** John Kerrigan, State Pipeline Coordinator  
**Phone:** (907) 257-1304  
**Fax:** (907) 272-0690  
**E-mail:** [jkerriga@jpo.doi.gov](mailto:jkerriga@jpo.doi.gov)

**Pipeline Coordinator  
Component Financial Summary**

*All dollars shown in thousands*

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	1,747.1	1,870.2	1,932.3
72000 Travel	78.0	188.0	188.0
73000 Contractual	1,502.3	1,640.8	1,640.8
74000 Supplies	40.0	71.8	71.8
75000 Equipment	31.8	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
<b>Expenditure Totals</b>	<b>3,399.2</b>	<b>3,778.8</b>	<b>3,840.9</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	36.6	41.3	42.3
1005 General Fund/Program Receipts	357.0	413.7	413.7
1007 Inter-Agency Receipts	0.0	21.7	21.7
1061 Capital Improvement Project Receipts	11.3	0.0	0.0
1108 Statutory Designated Program Receipts	2,994.3	3,302.1	3,363.2
<b>Funding Totals</b>	<b>3,399.2</b>	<b>3,778.8</b>	<b>3,840.9</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
<b>Unrestricted Revenues</b>				
General Fund Program Receipts	51060	920.4	920.4	920.4
<b>Unrestricted Total</b>		<b>920.4</b>	<b>920.4</b>	<b>920.4</b>
<b>Restricted Revenues</b>				
Federal Receipts	51010	36.6	41.3	42.3
Interagency Receipts	51015	0.0	21.7	21.7
General Fund Program Receipts	51060	357.0	413.7	413.7
Statutory Designated Program Receipts	51063	2,994.3	3,302.1	3,363.2
Capital Improvement Project Receipts	51200	11.3	0.0	0.0
<b>Restricted Total</b>		<b>3,399.2</b>	<b>3,778.8</b>	<b>3,840.9</b>
<b>Total Estimated Revenues</b>		<b>4,319.6</b>	<b>4,699.2</b>	<b>4,761.3</b>

**Summary of Component Budget Changes  
From FY2004 Authorized to FY2005 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2004 Authorized</b>	<b>413.7</b>	<b>41.3</b>	<b>3,323.8</b>	<b>3,778.8</b>
<b>Adjustments which will continue current level of service:</b>				
-Changes to Retirement and Other Personal Services Rates	0.0	1.0	61.1	62.1
<b>FY2005 Governor</b>	<b>413.7</b>	<b>42.3</b>	<b>3,384.9</b>	<b>3,840.9</b>

**Pipeline Coordinator  
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2004</u> <u>Authorized</u>	<u>FY2005</u> <u>Governor</u>		
Full-time	23	25	Annual Salaries	1,452,839
Part-time	0	0	Premium Pay	0
Nonpermanent	7	6	Annual Benefits	560,387
			<i>Less 4.02% Vacancy Factor</i>	(80,926)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>30</b>	<b>31</b>	<b>Total Personal Services</b>	<b>1,932,300</b>

**Position Classification Summary**

<b>Job Class Title</b>	<b>Anchorage</b>	<b>Fairbanks</b>	<b>Juneau</b>	<b>Others</b>	<b>Total</b>
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 III	1	0	0	0	1
Information Officer III	1	0	0	0	1
Micro/Network Spec I	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
Natural Resource Tech II	1	0	0	0	1
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	3	0	0	0	3
Student Intern II	3	0	0	0	3
Tech Eng I / Architect I	1	0	0	0	1
<b>Totals</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31</b>