

State of Alaska
FY2007 Governor's Operating Budget

Department of Natural Resources
Pipeline Coordinator
Component Budget Summary

Component: Pipeline Coordinator

Contribution to Department's Mission

To encourage and facilitate the development and sound operation of pipelines on State land.

Core Services

Core Services:

- Process AS 38.35 applications under the Alaska Lands Act and the Right-of-Way Leasing Act and negotiate and deliver pipeline and other right-of-way leases in a manner that serves the State's interests
- Administer leases under SPCO jurisdiction including revenue, permitting, authorizations, and oversight of the construction, operation, maintenance and termination of pipelines on State leased land.
- Coordinate SPCO Trans-Alaska Pipeline System (TAPS) Lease oversight with the U.S. Bureau of Land Management to ensure that TAPS remains available for delivery of North Slope crude oil to market.
- Keep the public informed of SPCO activities.

Currently, the SPCO is responsible for oversight of 17 active pipeline leases and grants issued under AS 38.35 and 38.05. The budget is largely funded by the sponsors through statutory designated program receipts from the following projects:

Trans Alaska Pipeline System (Alyeska Pipeline Services Company), Trans Alaska Gas System (Yukon Pacific Corp.), Alpine, Kuparuk, Kuparuk Extension and Oliktok Pipelines (Conoco Phillips Petroleum), Northstar, Milne NGL, Milne Point, Endicott and Badami Pipelines (BP Exploration/Transportation), and Kenai Kachemak Gas Pipeline (NORSTAR Pipeline Company), and Nikiski Pipeline (Tesoro).

In addition to the active lease administration, the SPCO is working with several applicants on projects that are in the pre-application or application stage.

The SPCO shares resources with the federal government for oversight activities associated with the Trans-Alaska Pipeline System (TAPS). The co-located state and federal agencies are collectively known as the Joint Pipeline Office (JPO). **Participating state agencies include:** The State Departments of Natural Resources (with representatives from the Office of Project Management and Permitting [OPMP] and the Office of Habitat Management and Permitting [OHMP]), Department of Environmental Conservation, Department of Labor, and the Department of Public Safety. Participating federal agencies include BLM, EPA, USDOT, Minerals Management Service, and the Coast Guard. The SPCO administers 16 active leases while the JPO efforts are focused primarily on TAPS.

End Results	Strategies to Achieve Results
<p>A: Assure pipelines administered by the State Pipeline Coordinator's Office are designed, constructed, operated and maintained in a safe and environmentally-sound manner consistent with lease requirements and applicable laws.</p> <p><u>Target #1:</u> Efficient application processing and pipeline oversight is achieved to assure a wide variety of pipeline related concerns are mitigated through 30+ coordinated agreements with state and federal agencies and industry.</p> <p><u>Measure #1:</u> Number of signed agreements coordinated/maintained with State agencies, BLM, and</p>	<p>A1: Coordinate multi-agency processing of lease and permit application/authorization requests within timelines negotiated with lessee/applicant and/or as legally or contractually required.</p> <p><u>Target #1:</u> 100% of applications and requests are processed within timelines negotiated with the applicant/lessee or as legally or contractually required.</p> <p><u>Measure #1:</u> Percentage of applications and requests processed through the SPCO within timelines negotiated with the applicant/lessee or as legally or contractually required.</p>

Industry:

A2: Coordinate multi-agency oversight of pipeline operations to ensure compliance with lease requirements and applicable laws.

Target #1: TAPS - perform, document and approve operational and project activities to ensure compliance with lease requirements and applicable laws through surveillances, technical reviews/reports, assessments and notices-to-proceed.

Measure #1: TAPS - Number of surveillances, technical reviews/reports, assessments and notices-to-proceed.

Target #2: Non-TAPS – perform, document and approve operational and project activities to ensure compliance with lease requirements and applicable laws through surveillances, technical reviews/reports and assessments.

Measure #2: Non-TAPS - Number of surveillances and assessments.

Target #3: Office of Habitat Management & Permitting Liaison conducts pipeline oversight to assure resource development activities meet agency requirements for protecting fish, wildlife and their habitats.

Measure #3: Number of reviews, permits issued, and lease and permit compliance activities performed by OHMP Liaison.

Target #4: Dept. of Labor Liaisons provide oversight of pipeline activities to ensure compliance with lease requirements and applicable laws related to labor, safety, and electrical code.

Measure #4: Number of safety and electrical related surveillances, technical reports, assessments, and JPO staff consultations conducted by Dept. of Labor Liaisons.

Target #5: DEC Liaison/Staff provide environmental oversight of pipeline activities.

Measure #5: Number of environmental surveillances, assessments, inspections and oil spill contingency drills/exercises.

Target #6: DPS Fire Marshal Liaison provides fire safety and fire code compliance oversight of pipeline activities.

Measure #6: Fire and Life Safety Plan Reviews and Inspections conducted by DPS Fire Marshal Liaison.

Target #7: Alaska Coastal Zone Management Program Liaison conducts pipeline oversight activities related to responsible development of coastal uses and resources within Alaska's coastal area and the Outer Continental Shelf.

Measure #7: Effective and Efficient Delivery of Project Management & Review Services.

Major Activities to Advance Strategies

- Process applications, and negotiate and deliver Right-of-Way leases.
- Expedite permits and authorizations.
- Coordinate concurrent regulatory process of all JPO participating agencies.
- Maintain public records.
- Administer leases under state jurisdiction.
- Conduct oversight consistent with applicable statutes, regulations and lease requirements.
- Negotiate agreements with lessees and state agencies.
- Keep public informed.

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$4,266,200

Personnel:

Full time	24
Part time	0
Total	24

Performance Measure Detail

A: Result - Assure pipelines administered by the State Pipeline Coordinator's Office are designed, constructed, operated and maintained in a safe and environmentally-sound manner consistent with lease requirements and applicable laws.

Target #1: Efficient application processing and pipeline oversight is achieved to assure a wide variety of pipeline related concerns are mitigated through 30+ coordinated agreements with state and federal agencies and industry.

Measure #1: Number of signed agreements coordinated/maintained with State agencies, BLM, and Industry:

Number of Agreements coordinated/maintained:

Fiscal Year	YTD Total
FY 2004	32
FY 2005	33
FY 2006	32

FY05 Data is as of 10/26/2005.

Analysis of results and challenges: Memorandums of Agreement, Memorandums of Understanding, and Reimbursable Service Agreements are key to the State Pipeline Coordinator's Office's ability to provide "one stop shopping" convenience for right-of-way lessees and applicants. The agreements enable multi-agency processing of lease and permit requests, pipeline oversight, and also provide for reimbursement of state expenditures through statutory designated program receipts. Current agreements include fourteen RSA's between state agencies, one Bureau of Land Management (BLM) Assistance Agreement, and sixteen pipeline project MOU's.

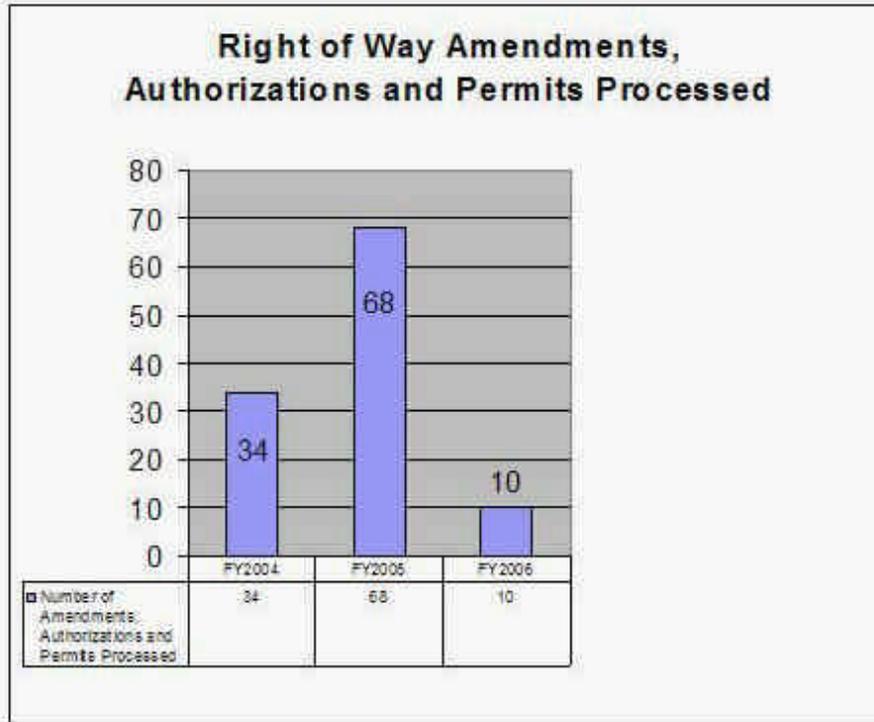
Additionally, final signatures were obtained on a new agreement on 10/11/05. The "Programmatic Agreement among the Bureau of Land Management, the Alaska Department of Natural Resources, the Alaska State Historic Preservation Officer, and the Advisory Council on Historic Preservation Regarding Consideration and Management of Historic Properties Affected by Operations and Maintenance Activities Along the Trans-Alaska Pipeline System", September 2005.

Signatories: US BLM Alaska State Director, ADNRC Commissioner, Alaska State Historic Preservation Officer, and Advisory Council on Historic Preservation Executive Director.

A1: Strategy - Coordinate multi-agency processing of lease and permit application/authorization requests within timelines negotiated with lessee/applicant and/or as legally or contractually required.

Target #1: 100% of applications and requests are processed within timelines negotiated with the applicant/lessee or as legally or contractually required.

Measure #1: Percentage of applications and requests processed through the SPCO within timelines negotiated with the applicant/lessee or as legally or contractually required.



Percentage of applications and requests processed through the SPCO within timelines negotiated with the applicant/lessee or as legally or contractually required.

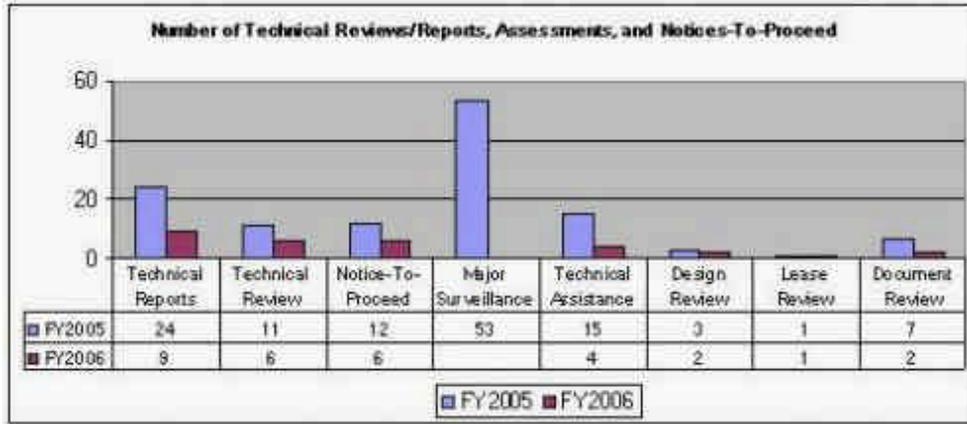
Fiscal Year	YTD Total
FY 2005	100%
FY 2006	100%

Analysis of results and challenges: FY06 data is as of 10/27/2005.

A2: Strategy - Coordinate multi-agency oversight of pipeline operations to ensure compliance with lease requirements and applicable laws.

Target #1: TAPS - perform, document and approve operational and project activities to ensure compliance with lease requirements and applicable laws through surveillances, technical reviews/reports, assessments and notices-to-proceed.

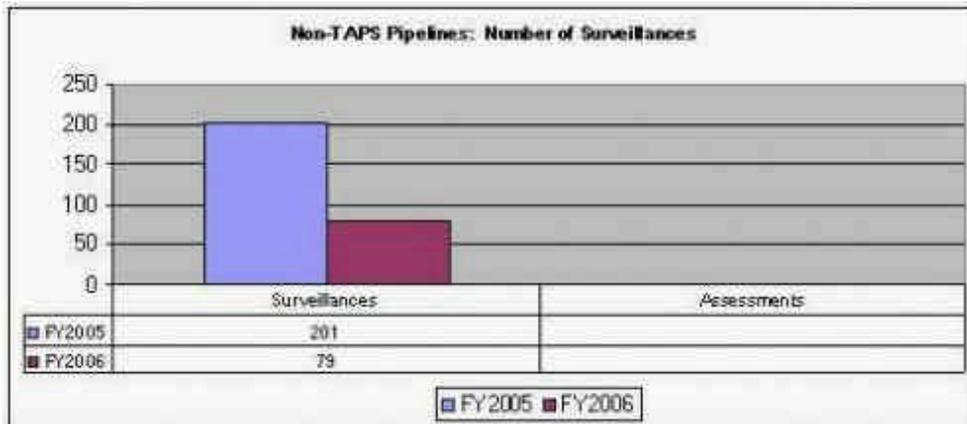
Measure #1: TAPS - Number of surveillances, technical reviews/reports, assessments and notices-to-proceed.



Analysis of results and challenges: FY06 data is as of 10-28-2005. Data reported for this measure is specific to TransAlaska Pipeline System.

Target #2: Non-TAPS – perform, document and approve operational and project activities to ensure compliance with lease requirements and applicable laws through surveillances, technical reviews/reports and assessments.

Measure #2: Non-TAPS - Number of surveillances and assessments.



Analysis of results and challenges: FY06 Data is as of 10-28-2005. Data reported for this measure is related to Non-TAPS pipelines.

This is a new measure for FY06.

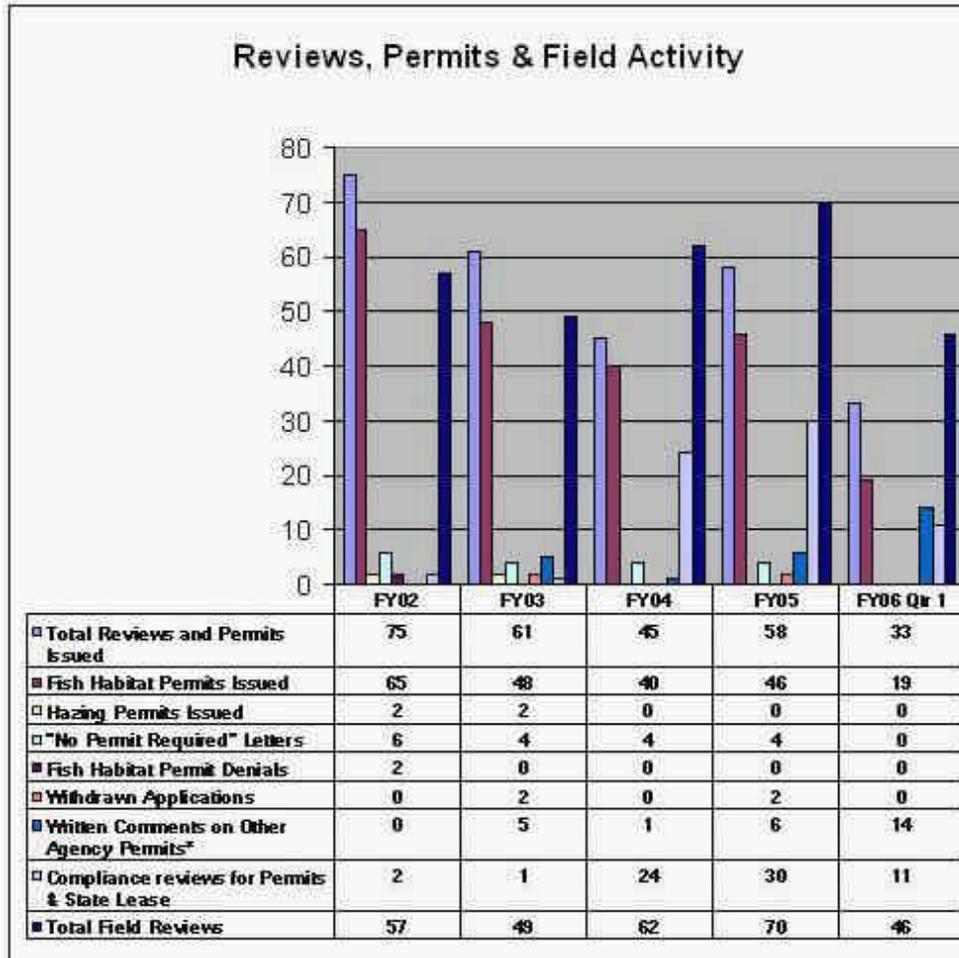
There are 16 active pipelines currently operating in Alaska, in addition to the Trans Alaska Pipeline System (TAPS). During FY05, 201 surveillances were conducted on Non-TAPS pipelines.

Beginning FY2006, the 16 non-TAPS active pipelines are subject to monitoring and oversight on a two-year cycle. In year one, the SPCO will perform and document lease compliance surveillances for eight pipelines. For the remaining eight pipelines, the SPCO will conduct an assessment of one of the lessee's core programs such as corrosion monitoring, maintenance, cathodic protection, etc. In year two, surveillances/assessments will be conducted for alternate eight pipelines. This two-year cycle will form the basis for the SPCO oversight program for these pipelines.

It should be noted that each assessment is based upon a significant number of surveillances.

Target #3: Office of Habitat Management & Permitting Liaison conducts pipeline oversight to assure resource development activities meet agency requirements for protecting fish, wildlife and their habitats.

Measure #3: Number of reviews, permits issued, and lease and permit compliance activities performed by OHMP Liaison.



*Historically undercounted using previous Fish Habitat Permit tracking database.

FY06 data is as of 10/31/2005.

Percentage of permitted activities in compliance with the permit/authorization.

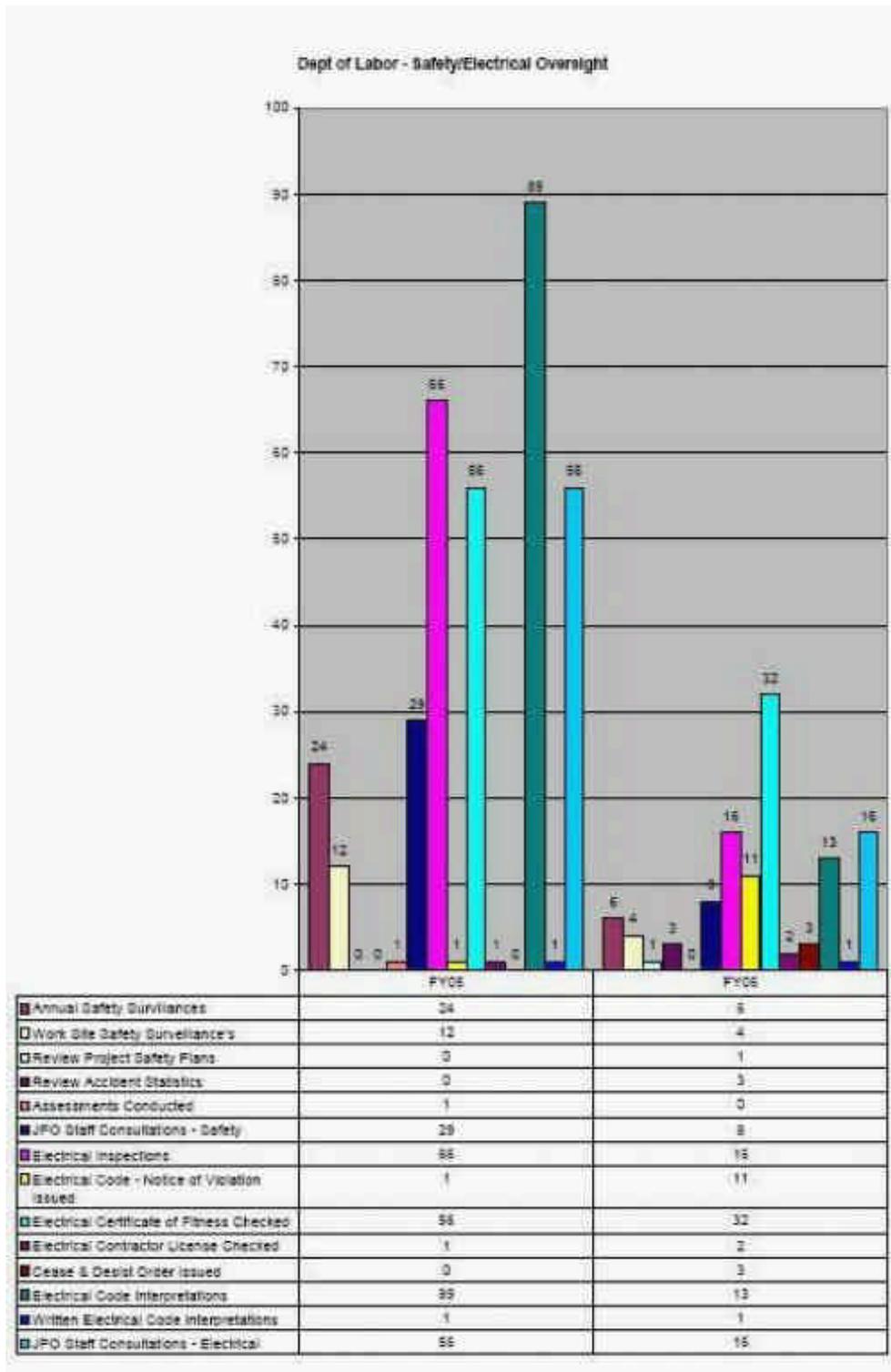
Fiscal Year	YTD Total
FY 2005	100%
FY 2006	100%

FY06 data is as of 10/27/2005.

Analysis of results and challenges: The Office of Habitat Management and Permitting Liaison issues permits/authorizations and works to protect Alaska's valuable fish and wildlife resources and their habitats during resource development activities. Surveillances are conducted to ensure compliance with those permits/authorizations.

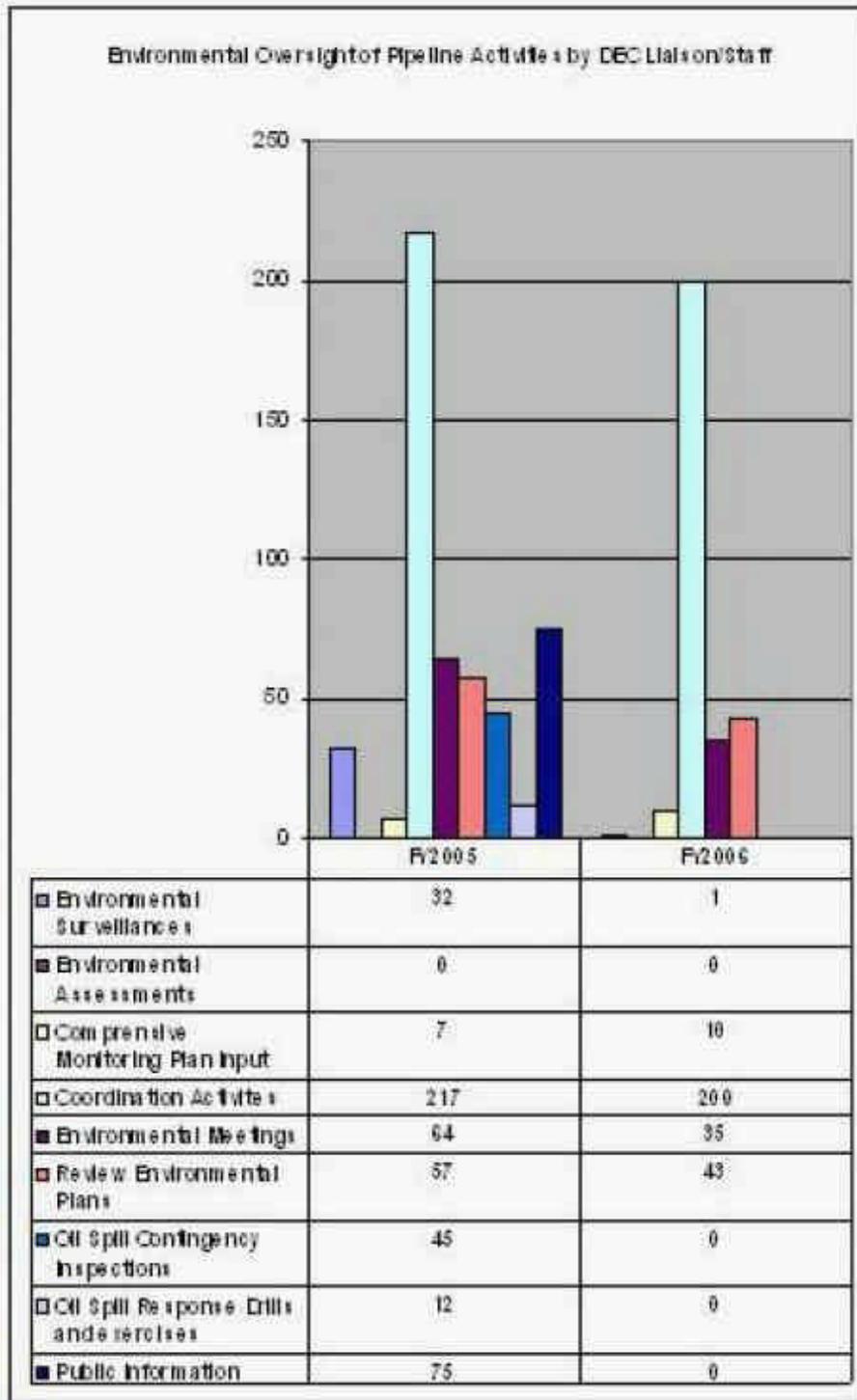
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Measure #4: Number of safety and electrical related surveillances, technical reports, assessments, and JPO staff consultations conducted by Dept. of Labor Liaisons.



Target #5: DEC Liaison/Staff provide environmental oversight of pipeline activities.

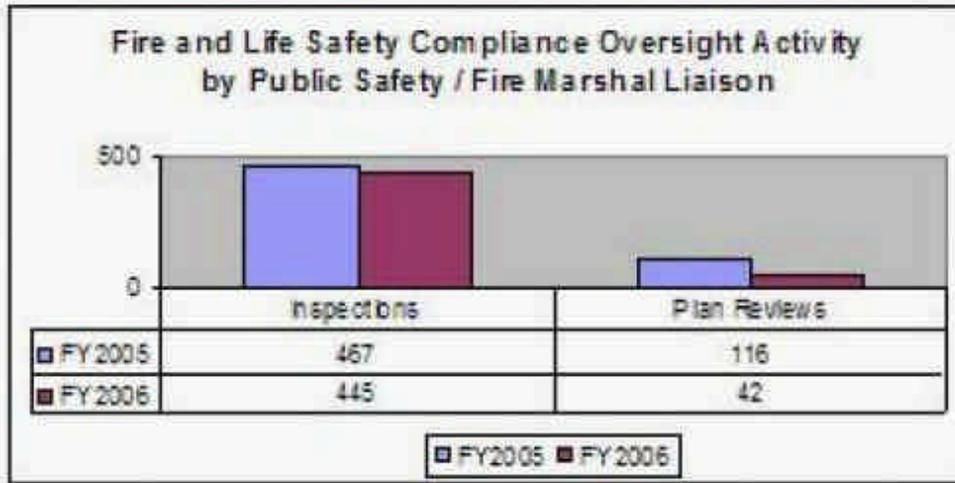
Measure #5: Number of environmental surveillances, assessments, inspections and oil spill contingency drills/exercises.



Analysis of results and challenges: FY06 data is as of 10/27/2005.

Target #6: DPS Fire Marshal Liaison provides fire safety and fire code compliance oversight of pipeline activities.

Measure #6: Fire and Life Safety Plan Reviews and Inspections conducted by DPS Fire Marshal Liaison.

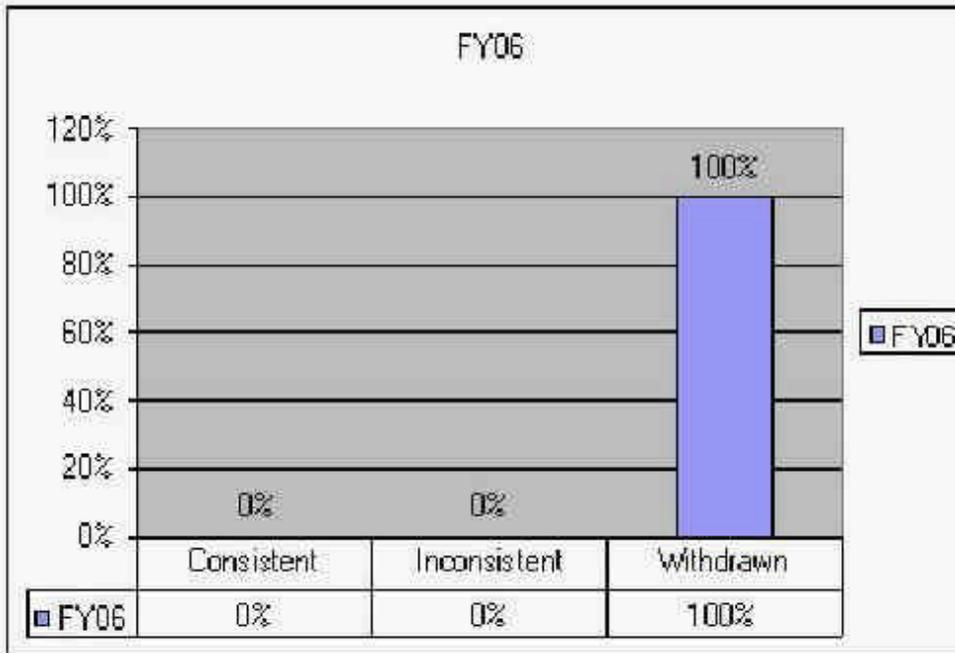


Analysis of results and challenges: FY06 data is as of 10/28/2005.

Target #7: Alaska Coastal Zone Management Program Liaison conducts pipeline oversight activities related to responsible development of coastal uses and resources within Alaska's coastal area and the Outer Continental Shelf.

Measure #7: Effective and Efficient Delivery of Project Management & Review Services.

Percentage of projects found Consistent versus Inconsistent



Consistent projects include those considered consistent as proposed, consistent with conditions, those determined to have no coastal effects and projects receiving expedited approvals.

Analysis of results and challenges: Data is as of 10-31-2005.

The 1st Quarter of FY06 experienced a vacancy /staff turnover. The ACMP Liaison position was vacated in 4th Quarter of FY05 and filled during 1st Quarter FY06.

While the program only coordinated the review of one project (which was withdrawn) during the 1st Quarter of

FY06, the program regularly coordinates proposed project submittals that are considered "No Reviews". These "No Review" proposed project submittals require a fair amount of time for each project.

Key Component Challenges

- The BP Liberty prospect is back in play. Will require a pipeline right-of-way if the prospect is developed.
- Support the Gas Pipeline Office should a Parks Highway gas pipeline proposal move forward.
- Support the Gas Pipeline Office should a Delta Junction-Glennallen gas pipeline proposal move forward.
- Potential for the State to receive an additional 114 miles of the TAPS right-of-way from BLM.
- Dismantlement, Removal and Restoration issues associated with TAPS Strategic Reconfiguration.
- Shell Oil Company is pursuing their Hammerhead prospect. Preliminary feasibility analysis for a pipeline right-of-way from the prospect to Prudhoe Bay may begin in FY07.

Significant Changes in Results to be Delivered in FY2007

Alyeska is undertaking a major reconfiguration to move to a more automated pipeline system. JPO will continue to oversee this transition that could bring changes in procedures, processes and the types of personnel JPO will need to employ for oversight.

Major Component Accomplishments in 2005

In FY05 the JPO assured that the following pipelines were designed, constructed, operated, and maintained in a safe and environmentally-sound manner consistent with lease requirements and applicable laws:

1. Trans Alaska Pipeline System
2. Alpine Oil Pipeline
3. Alpine Utility Pipeline
4. Alpine Diesel Pipeline
5. Badami Oil Pipeline
6. Badami Utility Pipeline
7. Northstar Oil Pipeline
8. Northstar Gas Pipeline
9. Kenai/Kachemak Gas Pipeline
10. Milne Point Oil Pipeline
11. Milne Point Products Pipeline
12. Nuiqsut Gas Pipeline
13. Oliktok Natural Gas Liquids Pipeline
14. Endicott Oil Pipeline
15. Kuparuk Oil Pipeline
16. Kuparuk Extension Oil Pipeline
17. Tesoro Alaska Product Pipeline (Nikiski)

This allows the operators of these pipelines to gain the maximum production with minimal downtime, thus resulting in maximum revenues to the State.

Trans-Alaska Pipeline System (TAPS) Oversight -

The TAPS owners proposed to reconfigure the system to increase efficiencies and lower costs of transportation by taking advantage of technology. This involves 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 re-scheduled much of the project design and construction to occur during 2005 and 2006.

11 AAC 80 Pipeline Rights-of-Way
11 AAC 96 Miscellaneous Land Use
11 AAC 97 Mining Reclamation

Contact Information

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**Pipeline Coordinator
Component Financial Summary**

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,715.2	2,061.5	2,278.5
72000 Travel	68.0	187.5	187.5
73000 Services	1,280.8	1,791.4	1,720.4
74000 Commodities	81.0	79.8	79.8
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	3,145.0	4,120.2	4,266.2
Funding Sources:			
1002 Federal Receipts	34.2	42.3	62.6
1005 General Fund/Program Receipts	403.2	429.9	439.7
1007 Inter-Agency Receipts	29.2	143.8	143.8
1061 Capital Improvement Project Receipts	110.5	0.0	0.0
1108 Statutory Designated Program Receipts	2,567.9	3,504.2	3,620.1
Funding Totals	3,145.0	4,120.2	4,266.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	786.4	527.4	527.4
Unrestricted Total		786.4	527.4	527.4
Restricted Revenues				
Federal Receipts	51010	34.2	42.3	62.6
Interagency Receipts	51015	29.2	143.8	143.8
General Fund Program Receipts	51060	403.2	429.9	439.7
Statutory Designated Program Receipts	51063	2,567.9	3,504.2	3,620.1
Capital Improvement Project Receipts	51200	110.5	0.0	0.0
Restricted Total		3,145.0	4,120.2	4,266.2
Total Estimated Revenues		3,931.4	4,647.6	4,793.6

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	429.9	42.3	3,648.0	4,120.2
Adjustments which will continue current level of service:				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	3.0	0.1	35.8	38.9
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.3	0.0	3.8	4.1
-FY 07 Retirement Systems Cost Increase	5.4	0.2	63.8	69.4
Proposed budget increases:				
-Increase federal receipts to match cooperative operating agreement with BLM	0.0	20.0	0.0	20.0
-Risk Management Self-Insurance Funding Increase	1.1	0.0	12.5	13.6
FY2007 Governor	439.7	62.6	3,763.9	4,266.2

**Pipeline Coordinator
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	24	24	Annual Salaries	1,494,568
Part-time	0	0	COLA	41,130
Nonpermanent	6	6	Premium Pay	9,273
			Annual Benefits	808,782
			<i>Less 3.20% Vacancy Factor</i>	<i>(75,253)</i>
			Lump Sum Premium Pay	0
Totals	30	30	Total Personal Services	2,278,500

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
Information Officer III	1	0	0	0	1
Micro/Network Spec I	1	0	0	0	1
Natural Resource Mgr II	1	1	0	0	2
Natural Resource Mgr III	1	0	0	0	1
Natural Resource Spec II	2	1	0	0	3
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
Totals	28	2	0	0	30