

# **State of Alaska FY2008 Governor's Operating Budget**

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

**Component: Industry Preparedness and Pipeline Operations**

**Contribution to Department's 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.

**Core Services**

- Review and approval of oil discharge prevention and contingency plans.
- Conduct and participate in spill drills to verify by demonstration that regulated operators are in compliance with state response planning requirements.
- Inspect regulated facilities and vessels to provide assistance and to ensure compliance with state spill prevention and Best Available Technology (BAT) requirements.
- Review and approve applications for proof of financial responsibility to ensure that regulated operators have the financial resources to respond to an oil spill and mitigate environmental damage.
- Register oil spill primary response action contractors identified in oil discharge prevention and contingency plans.
- Regulate and provide technical assistance and training to underground storage tank operators and owners to ensure proper tank operation and maintenance and basic spill prevention.
- Certify third party underground storage tank inspectors.
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End Results	Strategies to Achieve Results
<p><b>A: Regulated facilities and vessel operators are able to prevent and respond to spills of oil and hazardous substances.</b></p> <p><u>Target #1:</u> 100% of regulated facilities and vessel operators are without major violations of their contingency plans.</p> <p><u>Measure #1:</u> % of regulated facilities and vessels operators are without major violation of their contingency plans within the past year.</p>	<p><b>A1: Review oil discharge prevention and contingency plan requirements and update regulations as necessary.</b></p> <p><u>Target #1:</u> Oil discharge prevention and contingency plan regulations are reviewed and updated by FY2009.</p> <p><u>Measure #1:</u> % of review and update of oil discharge prevention and contingency plan regulations complete.</p> <p><b>A2: Review and approve contingency plans.</b></p> <p><u>Target #1:</u> Contingency plan applications are reviewed within the regulatory timeframes.</p> <p><u>Measure #1:</u> % contingency plan applications reviewed within the regulatory timeframes.</p> <p><b>A3: Conduct exercises and inspections of regulated facilities and vessel operators.</b></p> <p><u>Target #1:</u> Annually 100% of contingency plan holders identified as high risk, are inspected or participate in an oil discharge exercise.</p> <p><u>Measure #1:</u> % of annual targeted inspections and exercises completed.</p>

**Major Activities to Advance Strategies**

- Review oil discharge prevention and contingency plan requirements and improve and expand the regulations to increase clarity and effectiveness.

**Major Activities to Advance Strategies**

- Review and expand oil spill prevention oversight of industry, including new regulations and increased regulatory oversight of higher risk operations.
- Review regulated facility and vessel applications for compliance with oil discharge prevention and contingency plan requirements.
- Inspect and conduct spill response exercises at facilities and vessels identified as high risk.

**FY2008 Resources Allocated to Achieve Results**

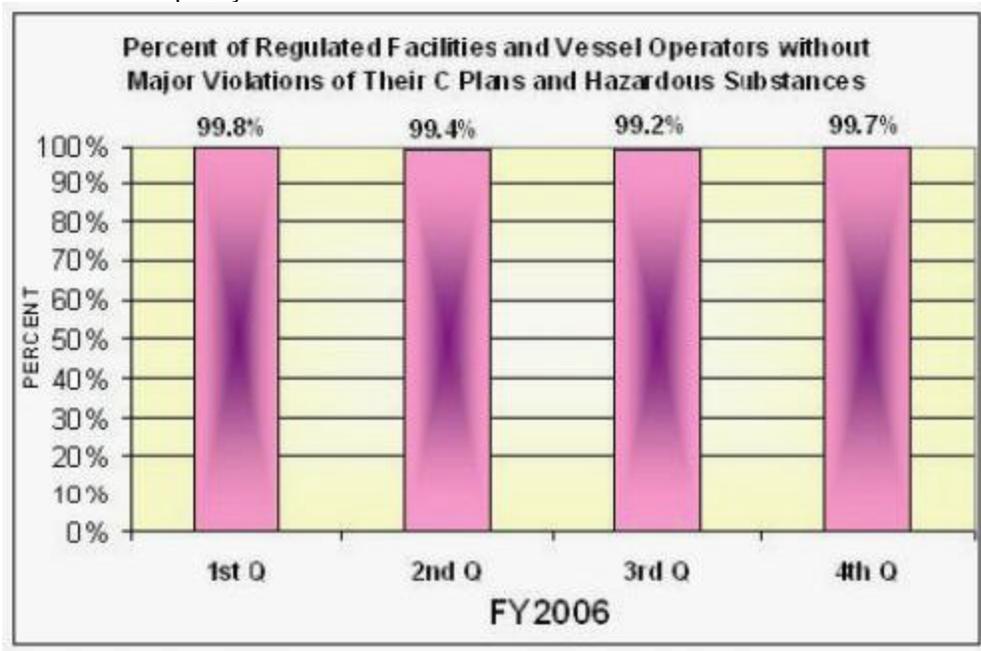
<b>FY2008 Component Budget: \$5,297,800</b>	<b>Personnel:</b>	
	Full time	45
	Part time	1
	<b>Total</b>	<b>46</b>

**Performance Measure Detail**

**A: Result - Regulated facilities and vessel operators are able to prevent and respond to spills of oil and hazardous substances.**

**Target #1:** 100% of regulated facilities and vessel operators are without major violations of their contingency plans.

**Measure #1:** % of regulated facilities and vessels operators are without major violation of their contingency plans within the past year.



**Analysis of results and challenges:** In Alaska, several types of regulated facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they are allowed to operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and

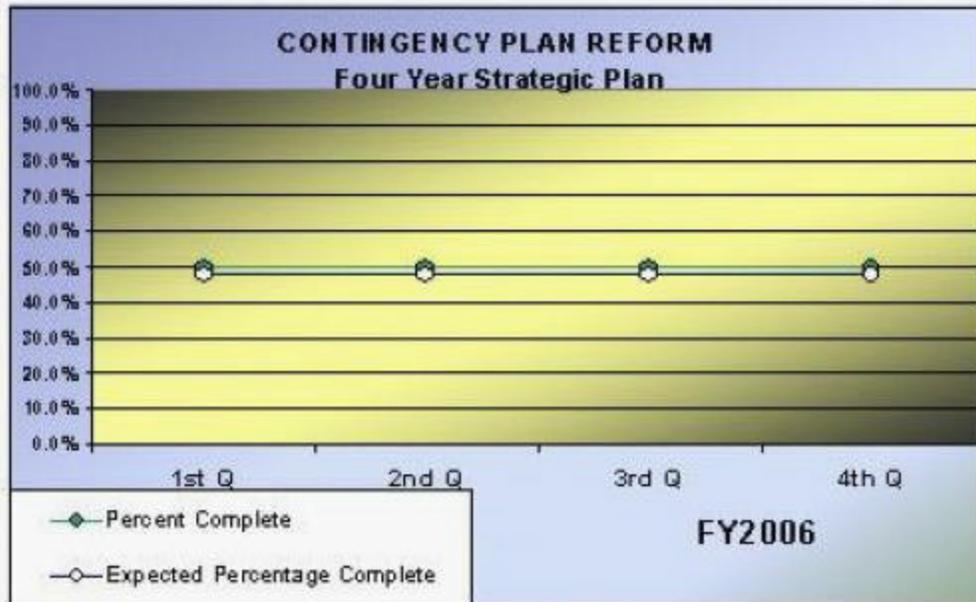
human health.

Facilities and operators required to have C-plans include oil exploration and oil production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms, and tankers, non-crude oil tank vessels and barges, and non-tank vessels. C-plans must be submitted every 5 years and are reviewed and approved by Department staff to ensure all response requirements are addressed. Examples of major violations would include such things as insufficient or unusable response equipment, lack of required contracts with response action contractors, or significant changes to a facility's oil storage capacity without a corresponding amendment of the C-plan.

This data indicates that 99.7% of facilities and vessels operators that are required to have C-plans strive to keep them updated and will be prepared to appropriately respond in the event of an unexpected spill.

**A1: Strategy - Review oil discharge prevention and contingency plan requirements and update regulations as necessary.**

**Target #1:** Oil discharge prevention and contingency plan regulations are reviewed and updated by FY2009.  
**Measure #1:** % of review and update of oil discharge prevention and contingency plan regulations complete.



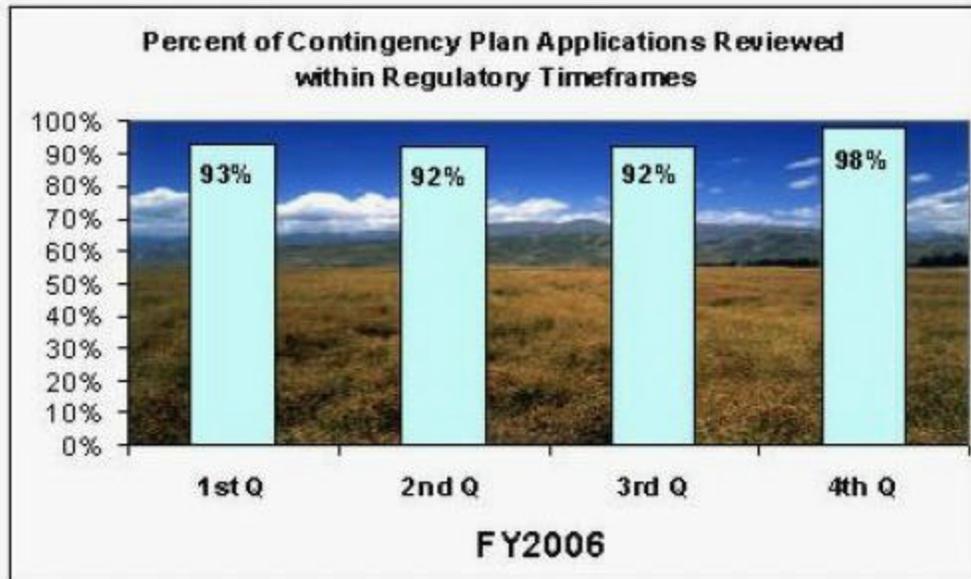
**Analysis of results and challenges:** In Alaska, several types of facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they are allowed to operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and human health.

As part of the Department's 4-year plan, regulations governing C-plan preparation and approval are being reviewed for clarity and effectiveness. The overall goal is to have the regulations reviewed and updated by the end of FY2007. Phase 1 of this 4-phase project has been completed in FY2006 and Phase 2 is nearly complete. No impediments to meeting the overall goal have been identified.

**A2: Strategy - Review and approve contingency plans.**

**Target #1:** Contingency plan applications are reviewed within the regulatory timeframes.

**Measure #1:** % contingency plan applications reviewed within the regulatory timeframes.



**Analysis of results and challenges:** In Alaska, several types of facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they are allowed to operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and human health.

Facilities and operators required to have C-plans include oil exploration and oil production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms, and tankers, non-crude oil tank vessels and barges, and non-tank vessels. C-plans must be submitted every 5 years and are reviewed and approved by Department staff to ensure all response requirements are addressed.

Since these facilities and vessels operators cannot legally operate without approved C-plans, it is imperative that department staff review and approve the plans within the time frames required by regulation. Thus far, this goal has been met and future challenges to attaining the goal are not anticipated.

### A3: Strategy - Conduct exercises and inspections of regulated facilities and vessel operators.

**Target #1:** Annually 100% of contingency plan holders identified as high risk, are inspected or participate in an oil discharge exercise.

**Measure #1:** % of annual targeted inspections and exercises completed.



**Analysis of results and challenges:** In Alaska, several types of facilities and vessel operators are required to have approved contingency plans (C-plans) in place before they operate. These C-plans outline the various steps and procedures that would be followed to allow quick and effective containment and cleanup in the event of an unanticipated release of oil or hazardous substances into the environment. The quicker and more effective the response is, the less adverse impact a spill will have on the environment and human health.

Facilities and operators required to have C-plans include oil exploration and oil production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms, oil tankers, non-crude oil tank vessels and barges, and non-tank vessels over 400 gross tons. C-plans must be submitted every 5 years and are reviewed and approved by Department staff to ensure all response requirements are addressed.

Facilities and vessels in the state that handle crude oil are considered a higher risk because of the larger volumes of oil involved and the increased environmental consequences of a crude oil spill compared to refined oil product spill of a similar magnitude. As an added precaution, it is important to inspect high risk facilities to ensure compliance with their C-plan, or to test C-plan effectiveness by conducting exercises. In an exercise, a mock spill is conducted, and the C-plan response procedures are applied as though it were a real life situation, in order to test and ensure their effectiveness.

The annual cumulative totals typically exceed 100% due to repeat inspections and/or exercises at some facilities.

### Key Component Challenges

Increase oversight and integrity management of regulated oil and gas operations, particularly in the areas of corrosion control. This will require additional trained personnel and a more robust compliance inspection program that includes more field inspections.

Implementation of the new flow line regulations will significantly increase the scope of pipelines subject to program oversight. These new regulations will also require additional specialized training of personnel to ensure competent inspection staff.

## Significant Changes in Results to be Delivered in FY2008

### DEC OIL AND GAS INTEGRITY MANAGEMENT INITIATIVE

Alaska is experiencing a significant increase in issues concerning integrity management of aging oil production and transportation infrastructure within the state. The number of spills from oil exploration and production facilities is increasing annually. As the average age of Alaska's pipelines and production facilities increases, maintenance issues and oversight of system integrity becomes vitally important to ensure continued safe operation and to reduce the number and severity of oil spills. Aggressive oversight is also important to ensure that revenues from oil production not be reduced or stopped due to inadequate industry maintenance and operational processes.

Along with aging oil transportation infrastructure issues, oil exploration in Alaska is currently on an upswing, necessitating additional resources to accommodate additional facilities and new oilfield operators unfamiliar with state pollution control requirements.

DEC is not keeping pace with the current level of oil and gas activities in Alaska and cannot keep up with the expected increased level of oil and gas integrity issues or exploration and development activities.

- Oil and gas facilities are not inspected for compliance with state environmental laws as thoroughly or as often as required to provide adequate oversight.
- The aging oil production infrastructure requires additional oversight to maintain compliance with state requirements.
- The cumulative impact of oil and gas waste discharges to the air, from the North Slope industrial operations, have not been monitored or measured to assess the aggregate potential harm to land, water, vegetation, wildlife and humans.
- As new oilfield operators enter the state, significant compliance assistance is needed to make sure that state requirements are met.
- There is little communication or collaboration with industry and concerned stakeholders on the planning and design of projects to minimize environmental problems and take advantage of opportunities to promote environmentally responsible development.
- Much of the work carried out on the North Slope is made by contractors whose day to day activities are often not monitored or given departmental oversight due to the current lack of a full-time field presence of staff.

The oil and gas integrity management initiative funds new and enhanced services in the Divisions of Water, Air Quality, Spill Prevention and Response, and Environmental Health. Services fall in two areas 1) inspection, monitoring and compliance and 2) environmental planning, design and consultation.

### **Inspection, Monitoring and Compliance**

DEC will:

#### ENVIRONMENTAL HEALTH

- Conduct inspections of solid waste units, including temporary storage facilities for drilling wastes and provide compliance assistance to North Slope facilities.
- Increase inspections for temporary storage, reserve pits, and grind-and-inject facilities.

#### WATER QUALITY

- Conduct water inspections and provide compliance assistance to North Slope facilities.
- Increase inspection rates for high priority wastewater discharges from 50% to 100%.
- Increase inspections for pad and road construction projects from 0% to 50% (approximately 50 projects).
- Conduct independent verification of effluent quality and verification of facility self-reporting on discharge monitoring reports.
- Evaluate ambient water quality through sampling and analyses.

#### SPILL PREVENTION AND RESPONSE

Provide a continuous field presence to increase general oversight of all oil field operators including the numerous contractors currently employed by the oil companies.

- Increase the number of drills and exercises conducted to test and determine compliance with oil discharge prevention and contingency plans.
- Increase the number of on-site inspections conducted to determine compliance with discharge prevention.
- Increase inspections of regulated oil and gas facilities to ensure compliance with spill prevention requirements.
- Verify equipment and resources are available and ready in accordance with oil spill contingency plans.
- Increase technical oversight of operations and maintenance practices designed to prevent oil spills and unanticipated shutdowns.
- Investigate complaints on lack of proper oil and hazardous substance discharge prevention, preparedness, and cleanup.
- Increase on-site monitoring and oversight of cleanups and field responses to significant spills.
- Utilize third-party inspectors to assess leak detection and corrosion monitoring practices.
- Utilize third-party subject matter experts to assess and aid in correction of aging infrastructure-related problems.
- Conduct engineering review of pipeline corrosion management planning.
- Implement new regulations for oil flow lines.
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#### Environmental Planning, Design and Consultation

DEC will:

- Work proactively to identify potential environmental and public health issues early in the lease sale planning process when changes can be most effective in preventing future pollution problems.
- Review plans and statements for lease sale plans to identify and avoid or mitigate potential air, land and water quality effects.
- Identify and resolve potential environmental and public health issues early when changes to project designs can be most effective in preventing future pollution problems.
- Review and prepare a single coordinated and consolidated response.
- Develop and implement assessments of the cumulative effects of oil and gas activities on Alaska's environment.
- Increase its participation with stakeholder workgroups to resolve.
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#### ENVIRONMENTAL HEALTH

Complete review and evaluation of plans for solid waste storage facilities. Plans include engineering plans and specifications, operations plans, and closure plans, including monitoring requirements.

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#### WATER QUALITY

Evaluate best available technologies to reduce waste quantity and toxicity.

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#### SPILL PREVENTION AND RESPONSE

Develop standardized technical manuals, scenario guidelines and assumptions.

- Provide technical assistance for contingency plan review.
- Provide full time, on-site technical assistance to industry and consultants.
- Develop educational materials and conduct stakeholder outreach.
- Establish minimum design and construction performance standards for oil spill prevention.
- Review oil and gas leases, plans of operation and EIS reviews to insure adequate measures are in place for spill prevention and response.
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The oil and gas integrity management initiative funds new and enhanced services in the **Industry Preparedness and Pipeline Operations** component as follows:

- Implement engineering evaluation and review of corrosion management programs for 1,500 miles of flowlines on the North Slope and Cook Inlet oil and gas fields which are subject to new state regulations.
- Implement and increase technical field inspections and compliance monitoring of new oil spill prevention requirements.
- Increase verification of response capability for exploration, production, and refinery facilities by 15%.
- Increase engineering support for design review of new flowline installations and leak detection systems for crude oil transmission pipelines.

- Complete specialized training requiring certification for inspection of pipelines and bulk fuel storage facilities.
- Conduct independent third party audits of corrosion management and other spill prevention requirements for regulated facilities to ensure integrity of oil and gas operations and protection of the environment.

## Major Component Accomplishments in 2006

Reviewed and approved 5 new oil spill discharge prevention and contingency plans for oil exploration facilities.

Reviewed and approved 1 crude oil terminal contingency plan renewal, 28 oil terminal contingency plan renewals, 1 major amendment to an oil production facility contingency plan, 8 non-crude oil tanker contingency plans and 327 non-tank vessel contingency plans.

Conducted 107 inspections of oil terminals/tank farms, oil exploration and production facilities, crude oil transmission pipelines, tankers, non-tank vessels over 400 gross tons, and tank barges.

Evaluated 76 oil spill exercises conducted throughout the state involving oil terminals and tank farms, crude oil transmission pipelines such as TAPS, crude and non-crude tankers, tank barges, non-tank vessels, and the Alaska Railroad.

The Underground Storage Tank spill prevention program reduced the number of underground storage tanks without registration tags to 78 (of 1068 active tanks), performed 21 inspector audits, reviewed inspection reports for 304 tanks (of which 295 received registration tags) and reduced the number of facilities not in Significant Operational Compliance (SOC) to 36.

Adopted new oil spill regulations for all regulated facilities and vessels and added flow lines that have been identified as a significant spill threat to the state's oil spill safety net.

Conducted oversight of corrosion monitoring programs for North Slope oil fields and managed 8 specific oil spill prevention and response research projects under the state's charter agreement with North Slope operators.

Issued certifications for 6 primary response action contractors.

Issued 558 non-tank vessel financial responsibility certificates and 251 financial responsibility certificates for tank vessels, tank barges, oil exploration and production facilities, oil terminals, and crude oil transmission pipelines.

Undertook regulatory action and utilized non-regulatory avenues to gain industry compliance with state requirements for leak detection, spill response equipment, spill response exercises, tank inspections, and corrosion inspection and mitigation.

Issued 12 Notices of Violation and one referral to the state attorney general for civil action.

Monitored federal rulemakings, including US DOT low-stress pipeline regulations and USCG response plan regulations that had the potential to affect state regulatory activities.

## Statutory and Regulatory Authority

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

Contact Information
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**Industry Preparedness and Pipeline Operations  
Component Financial Summary**

*All dollars shown in thousands*

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	2,532.0	2,954.9	4,223.3
72000 Travel	130.1	157.1	228.2
73000 Services	558.1	602.2	792.5
74000 Commodities	23.3	28.8	53.8
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
<b>Expenditure Totals</b>	<b>3,243.5</b>	<b>3,743.0</b>	<b>5,297.8</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	157.2	187.8	208.3
1007 Inter-Agency Receipts	277.0	344.1	1,523.4
1052 Oil/Hazardous Response Fund	2,809.3	2,861.1	3,216.1
1166 Commercial Passenger Vessel Environmental Compliance Fund	0.0	350.0	350.0
<b>Funding Totals</b>	<b>3,243.5</b>	<b>3,743.0</b>	<b>5,297.8</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
<b>Unrestricted Revenues</b>				
Unrestricted Fund	68515	57.1	32.0	32.0
<b>Unrestricted Total</b>		<b>57.1</b>	<b>32.0</b>	<b>32.0</b>
<b>Restricted Revenues</b>				
Federal Receipts	51010	157.2	187.8	208.3
Interagency Receipts	51015	277.0	344.1	1,523.4
<b>Restricted Total</b>		<b>434.2</b>	<b>531.9</b>	<b>1,731.7</b>
<b>Total Estimated Revenues</b>		<b>491.3</b>	<b>563.9</b>	<b>1,763.7</b>

**Summary of Component Budget Changes  
From FY2007 Management Plan to FY2008 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2007 Management Plan</b>	<b>0.0</b>	<b>187.8</b>	<b>3,555.2</b>	<b>3,743.0</b>
<b>Adjustments which will continue current level of service:</b>				
-Funding Improved customer service in the Anchorage Office	0.0	0.0	-49.0	-49.0
-Funding Improved customer service in the Fairbanks Office	0.0	0.0	-50.6	-50.6
<b>Proposed budget increases:</b>				
-Oil and Gas Integrity Management	0.0	0.0	1,240.3	1,240.3
-FY 08 Retirement Systems Rate Increases	0.0	20.5	393.6	414.1
<b>FY2008 Governor</b>	<b>0.0</b>	<b>208.3</b>	<b>5,089.5</b>	<b>5,297.8</b>

**Industry Preparedness and Pipeline Operations  
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	35	45	Annual Salaries	2,518,061
Part-time	1	1	Premium Pay	4,162
Nonpermanent	0	0	Annual Benefits	1,850,502
			<i>Less 3.42% Vacancy Factor</i>	<i>(149,425)</i>
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>36</b>	<b>46</b>	<b>Total Personal Services</b>	<b>4,223,300</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 Eng Asst II	1	0	0	0	1
Environ Engineer II	2	0	0	0	2
Environ Program Manager I	2	1	0	0	3
Environ Program Manager II	1	0	0	0	1
Environ Program Manager III	1	0	0	0	1
Environ Program Spec II	2	0	1	1	4
Environ Program Spec III	15	2	1	1	19
Environ Program Spec IV	6	0	1	2	9
Tech Eng II / Architect II	2	0	0	0	2
<b>Totals</b>	<b>35</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>46</b>