

State of Alaska FY2010 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 and ensure 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.

End Result	Strategies to Achieve End Result
<p>A: Regulated facilities and vessel operators are able to prevent and respond to spills of oil and hazardous substances.</p> <p><u>Target #1:</u> The volume of oil spilled from regulated facilities and vessels in Alaska that are required to have approved contingency plans will not exceed 10% of the total volume of oil spilled.</p> <p><u>Status #1:</u> Less than 4% of the total volume of oil spilled in FY 2008 was from regulated facilities and vessels with approved contingency plans.</p>	<p>A1: Conduct exercises and inspections of regulated facilities and vessel operators.</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>Status #1:</u> Approximately 69% of annual targeted inspections and exercises were completed in FY 2008.</p> <p>A2: Evaluate the quality of regulated industry contingency plans.</p> <p><u>Target #1:</u> 100% of plan holders are without major violations of their contingency plans.</p> <p><u>Status #1:</u> Nearly 99% of non-tank vessels and 98.5% of regulated facilities were without major contingency plan violations in FY 2008.</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.
- 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.

FY2010 Resources Allocated to Achieve Results

FY2010 Component Budget: \$4,471,000

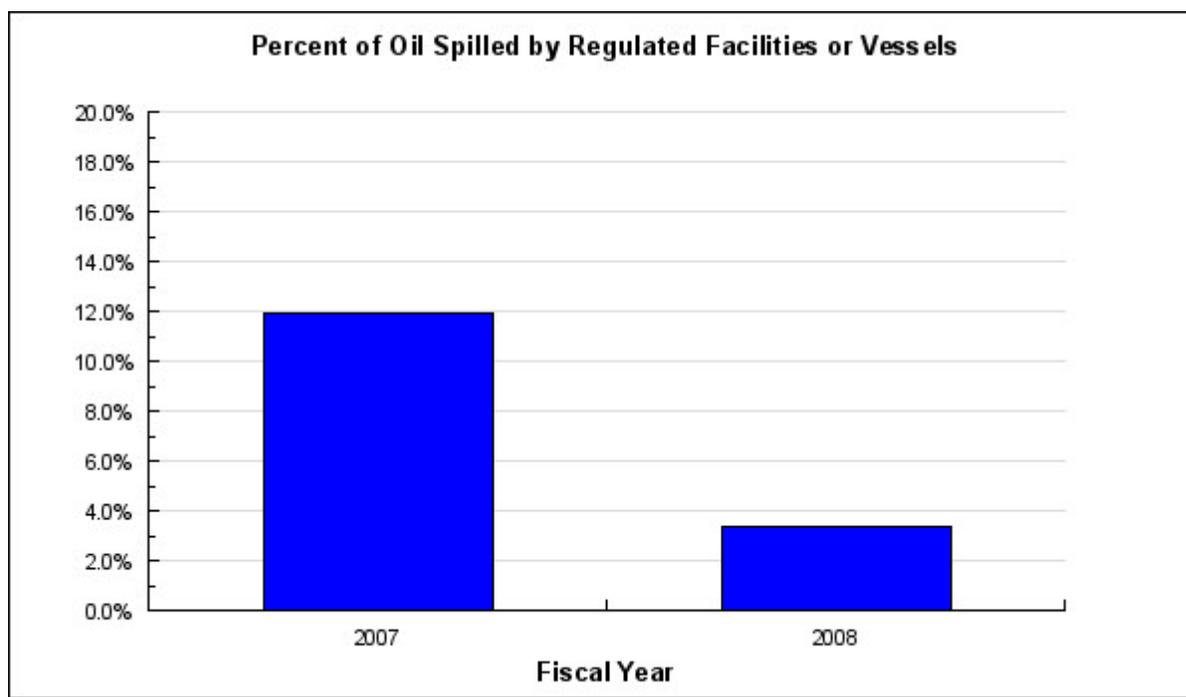
Personnel:	
Full time	39
Part time	1
Total	40

Performance

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

Target #1: The volume of oil spilled from regulated facilities and vessels in Alaska that are required to have approved contingency plans will not exceed 10% of the total volume of oil spilled.

Status #1: Less than 4% of the total volume of oil spilled in FY 2008 was from regulated facilities and vessels with approved contingency plans.



Methodology: From the spills database extract total volume of oil spilled by fiscal year. Then extract total volume of oil spilled from a regulated component of a regulated facility. Calculates the % of the total oil spilled that spilled from regulated component.

Percent of Oil Spilled by Regulated Facilities or Vessels

Fiscal Year	Gallons from Regulated	Gallons from All Spills	Percent from Regulated
FY 2008	8,099	237,223	3.4%
FY 2007	16,884	141,449	11.9%

Analysis of results and challenges: Industry components regulated by the Industry Preparedness Program (IPP) are found in oil exploration, production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms and tankers, non-crude oil tank vessels and barges, and non-tank vessels. The regulatory authority IPP employs is through the requirement of industry oil discharge prevention and contingency plans. Contingency plans require the

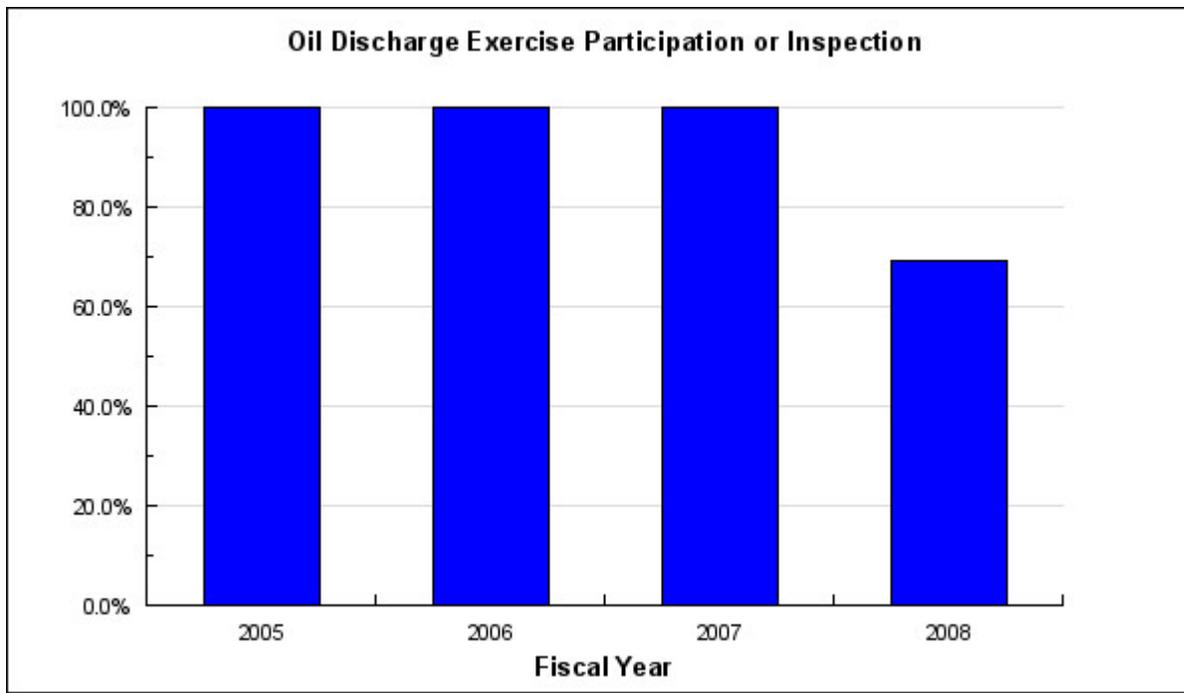
use of particular technologies and best practices to prevent spills of oil.

In FY 2007 the high percentage is attributed to spills that occurred at the Prudhoe Bay Oil Field, Kuparuk Oil Field and at the Milepost 178.6 of the Trans-Alaska Pipeline System. It was in FY 2007 that the Greater Prudhoe Bay Oil Field, the largest oilfield in the United States, was temporarily shut down.

A1: 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.

Status #1: Approximately 69% of annual targeted inspections and exercises were completed in FY 2008.



Methodology: The percentage of oil discharge exercise participations or inspections is calculated by dividing the number of high risk contingency plan holders that were inspected or participated in an exercise by the number of contingency plan holders considered high risk.

Analysis of results and challenges: Regulated facilities and vessel operators in Alaska are required to have approved oil discharge prevention and contingency plans in place before they are allowed to operate. These contingency plans outline the various steps and procedures in place to prevent oil discharges and the actions that would be taken to implement quick and effective containment and cleanup in the event of an oil discharge into the environment. Preventing oil spills is the best means of protecting the environment and human health. In the event of a discharge, however, a quick and effective response helps lessen its adverse impacts on the environment and human health.

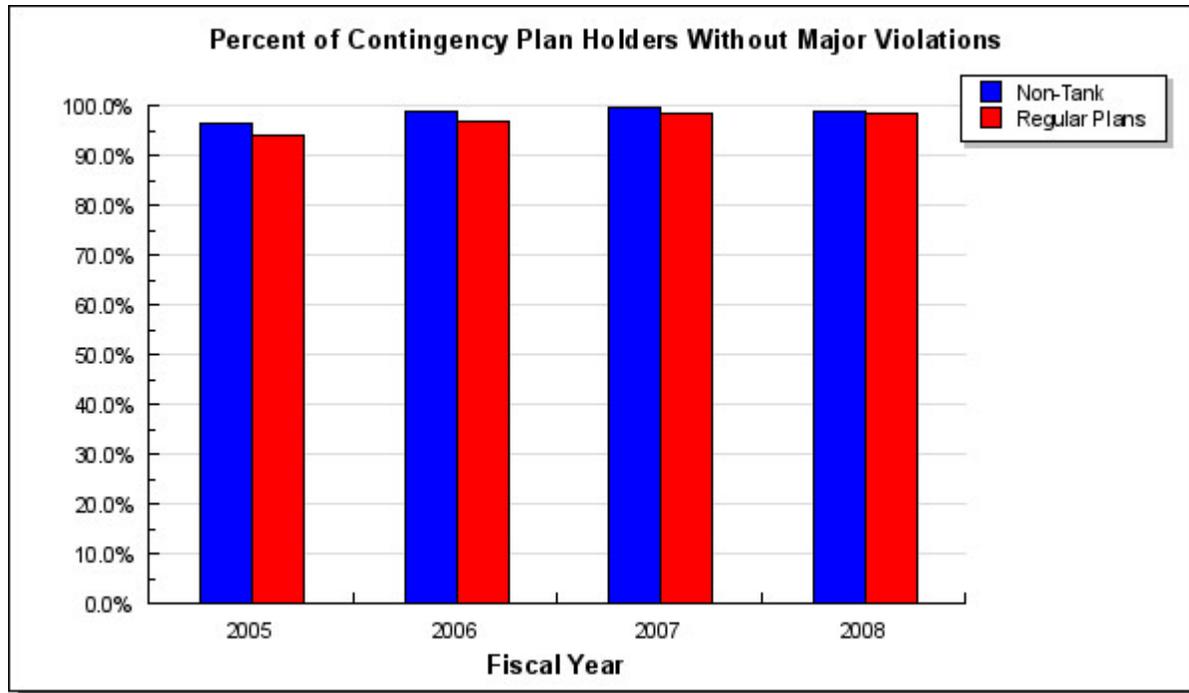
High risk facilities and vessels in the state include those with new contingency plans, exploration facilities, those with spills, those with formal enforcement actions based on operations violations, and those that would have significant impacts to human health or the environment if there was a failure.

All facilities or vessels required to have a contingency plan represent risk to the State of Alaska, even if they are not identified as "high risk." Auditing, inspecting, or testing a percentage these facilities and contingency plans is important for on-going prevention and response readiness verification.

A2: Strategy - Evaluate the quality of regulated industry contingency plans.

Target #1: 100% of plan holders are without major violations of their contingency plans.

Status #1: Nearly 99% of non-tank vessels and 98.5% of regulated facilities were without major contingency plan violations in FY 2008.



Methodology: Major violations are captured in the CATS program. The number of contingency plan holders that receive a major violation are subtracted total number of plan holders in each fiscal year and the % of those operators with violations is calculated.

Analysis of results and challenges: A major violation, by definition, is one where the Department pursues formal enforcement action such as a Notice of Violation or a Compliance Order. Examples of major violations would include such things as insufficient or inoperable spill response equipment, lack of required contracts with response action contractors, failure to follow required inspection or maintenance procedures, significant operational changes to a facility without a corresponding amendment of the plan, or operating a facility without an approved plan. These plans outline the procedures that would be followed to ensure quick and effective containment and cleanup in the event of a release of oil into the environment. They also identify required training, inspection, and maintenance procedures intended to prevent spills from occurring.

The Department has limited control over the number of major violations, since it cannot control a plan holder's actions if the plan holder chooses not to comply with its contingency plan. The Department strives to work with plan holders to resolve compliance issues; however, sometimes formal enforcement action must be taken. In these situations, the department always works to immediately resolve major violations.

Facilities required to have full contingency plans (an average of 127 since 2005) include oil exploration and production facilities, refineries, railroads, crude oil pipelines, fuel terminals, crude oil tankers, and non-crude tankers and barges. Vessels larger than 400 GRT (for example cruise ships and large cargo and fishing vessels; an average of 420 contingency plans) are also required to have contingency plans, but are subject to somewhat different requirements. Before approving a plan, Department staff conducts a thorough review, to ensure that all response requirements are addressed.

Key Component Challenges

Continue the comprehensive risk assessment of Alaska's oil and gas infrastructure scheduled for completion by June 1, 2010.

Initiate oversight and implementation new regulations for flow lines through risk based evaluations of pipeline integrity and development of a compliance inspection program and comprehensive reporting.

Significant Changes in Results to be Delivered in FY2010

None.

Major Component Accomplishments in 2008

- Reviewed and approved 4 new exploration contingency plans, 7 production contingency plan renewals, 2 refinery contingency plan renewals, 1 crude oil terminal contingency plan renewal, 17 oil terminal contingency plan renewals, 5 crude, and 1 non-crude oil tanker contingency plan renewals. A total of 121 contingency plan amendments were reviewed and approved. Non-tank vessel contingency plan actions included review and approval of 67 new plans, 59 renewals, 15 amendments, 32 reinstatements, 74 terminations, 108 suspensions, and 1 exemption.
- Conducted 58 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 46 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.
- Reduced the number of underground storage tanks without registration tags to 101 (of 1204 active tanks), reviewed inspection reports for 420 tanks (of which 336 received registration tags).
- Ensured repair of 106 underground storage tanks not in Significant Operational Compliance (SOC) as a result of inspection of 160 tanks and placed 54 tanks on Leak Detection Probation.
- Implemented 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 3 primary response action contractors.
- Issued 469 non-tank vessel financial responsibility certificates and 312 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 7 Notices of Violation and one referral to the Environmental Crimes Unit for criminal investigation.
- 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

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,675.1	3,649.5	3,702.5
72000 Travel	147.4	141.8	141.8
73000 Services	375.2	586.9	586.9
74000 Commodities	52.6	39.8	39.8
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	3,250.3	4,418.0	4,471.0
Funding Sources:			
1002 Federal Receipts	168.5	219.6	222.0
1004 General Fund Receipts	482.5	15.7	15.7
1007 Inter-Agency Receipts	242.4	275.8	279.1
1052 Oil/Hazardous Response Fund	2,016.5	3,533.8	3,576.1
1166 Commercial Passenger Vessel Environmental Compliance Fund	340.4	373.1	378.1
Funding Totals	3,250.3	4,418.0	4,471.0

Estimated Revenue Collections				
Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
Oil Hazardous Response Fund	51370	2,016.5	3,533.8	3,576.1
Unrestricted Fund	68515	482.5	0.0	32.0
Unrestricted Total		2,499.0	3,533.8	3,608.1
Restricted Revenues				
Federal Receipts	51010	168.5	219.6	222.0
Interagency Receipts	51015	242.4	275.8	279.1
Comm Passenger Vessel Environmental Fund	51436	340.4	373.1	378.1
Restricted Total		751.3	868.5	879.2
Total Estimated Revenues		3,250.3	4,402.3	4,487.3

**Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	15.7	219.6	4,182.7	4,418.0
Adjustments which will continue current level of service:				
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	0.0	2.4	50.6	53.0
FY2010 Governor	15.7	222.0	4,233.3	4,471.0

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

Authorized Positions			Personal Services Costs	
	FY2009 Management Plan	FY2010 Governor		
Full-time	39	39	Annual Salaries	2,505,361
Part-time	1	1	COLA	100,413
Nonpermanent	0	0	Premium Pay	4,162
			Annual Benefits	1,286,674
			<i>Less 4.98% Vacancy Factor</i>	<i>(194,110)</i>
			Lump Sum Premium Pay	0
Totals	40	40	Total Personal Services	3,702,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	1	0	0	1	2
Administrative Clerk III	1	0	0	0	1
Env Eng Associate I	2	0	0	0	2
Environ Eng Asst II	2	0	0	0	2
Environ Engineer II	1	0	0	0	1
Environ Program Manager I	2	1	0	1	4
Environ Program Manager III	1	0	0	0	1
Environ Program Spec II	2	0	1	0	3
Environ Program Spec III	10	2	2	2	16
Environ Program Spec IV	5	0	1	1	7
Tech Eng II / Architect II	1	0	0	0	1
Totals	28	3	4	5	40