

# **State of Alaska FY2014 Governor's Operating Budget**

## **Department of Natural Resources Petroleum Systems Integrity Office Component Budget Summary**

**Component: Petroleum Systems Integrity Office****Contribution to Department's Mission**

The Petroleum Systems Integrity Office (PSIO) contributes to the department's local and statewide mission by improving the development of resources through coordination of oil and gas oversight activities among local, state and federal agencies, and by reviewing oil and gas operators' performance-based management programs to maximize implementation of prudent systems integrity practices.

**Core Services**

- Review the quality management programs of unit/lease operators relative to oil and gas systems integrity; prioritize areas of risk and identify gaps or weaknesses in the programs for corrective action, and assign or exercise oversight of compliance.
- Coordinate oversight activities between state and federal agencies with oil and gas related responsibility, including coordination of investigations of incidents and public/employee concerns.
- Ensure no regulatory gaps or duplicative efforts occur in the State regulation and oversight of oil and gas related activities.

**Major Component Accomplishments in 2012**

During 2012 the PSIO was reorganized to place emphasis on higher risk issues on state lands. The risk profile of the state's petroleum infrastructure is increasing due to aging infrastructure and the arrival of new operators, who may have varying levels of integrity management and quality assurance systems in place.

PSIO utilized various unit agreement provisions and oil and gas lease requirements as authority to oversee the integrity of petroleum systems of the operators of these units and leases, e.g., leaseholders are required to operate leases utilizing good engineering practices. However, without specific standards, these broad lease requirements lead to objections to PSIO's assessment of various operators' integrity management systems and difficulty enforcing industry compliance with minimum quality management standards.

**Key Component Challenges**

- Ensuring that oil and gas infrastructure is designed and maintained in a safe and environmentally sound manner in compliance with state law.
- Minimizing economic impacts of unplanned interruptions in oil and gas production to the ongoing functions of state government.
- Avoiding premature abandonment of oil and gas infrastructure and waste of state resources.
- Ensuring efficient and effective oversight of oil and gas industry practices by utilizing existing state government structures and processes to the maximum extent possible.

**Significant Changes in Results to be Delivered in FY2014**

No changes in results anticipated.

**Statutory and Regulatory Authority**

AS 38.05.020  
AS 38.05.180 (a) (1) (A)  
AS 38.05.180 (a) (2) (A) (ii)  
AS 38.05.850  
AS 44.37.020 (a)

Additional Authorities: Administrative Order 234 and agreements with companies including standard oil and gas

leases, unit plans of development, and plans of operations.

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**Petroleum Systems Integrity Office  
Component Financial Summary**

*All dollars shown in thousands*

	<b>FY2012 Actuals</b>	<b>FY2013 Management Plan</b>	<b>FY2014 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	771.5	720.2	724.6
72000 Travel	4.9	25.6	25.6
73000 Services	179.0	83.3	83.3
74000 Commodities	33.2	8.5	8.5
75000 Capital Outlay	79.0	1.0	1.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>1,067.6</b>	<b>838.6</b>	<b>843.0</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	1,067.6	838.6	843.0
<b>Funding Totals</b>	<b>1,067.6</b>	<b>838.6</b>	<b>843.0</b>

**Summary of Component Budget Changes  
From FY2013 Management Plan to FY2014 Governor**

*All dollars shown in thousands*

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
<b>FY2013 Management Plan</b>	<b>838.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>838.6</b>
<b>Adjustments which will continue current level of service:</b>					
-FY2014 Salary and Health Insurance Increases	2.1	0.0	0.0	0.0	2.1
<b>Proposed budget increases:</b>					
-Department of Administration Core Services Rates	2.3	0.0	0.0	0.0	2.3
<b>FY2014 Governor</b>	<b>843.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>843.0</b>

Petroleum Systems Integrity Office Personal Services Information				
Authorized Positions			Personal Services Costs	
	FY2013 Management Plan	FY2014 Governor		
Full-time	4	4	Annual Salaries	493,776
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	245,543
			<i>Less 1.99% Vacancy Factor</i>	(14,719)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>4</b>	<b>4</b>	<b>Total Personal Services</b>	<b>724,600</b>

Position Classification Summary					
Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Petroleum Facil Integ/Comp Mgr	1	0	0	0	1
Petroleum Facil Integrity Eng	1	0	0	0	1
Petroleum Facil Integrity Spec	1	0	0	0	1
Tech Eng I / Architect I	1	0	0	0	1
<b>Totals</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>

**Component Detail All Funds**  
**Department of Natural Resources**

**Component:** Petroleum Systems Integrity Office (AR37577) (2847)  
**RDU:** Oil and Gas (601)

	FY2012 Actuals	FY2013 Conference Committee	FY2013 Authorized	FY2013 Management Plan	FY2014 Governor	FY2013 Management Plan vs FY2014 Governor	
71000 Personal Services	771.5	720.2	720.2	720.2	724.6	4.4	0.6%
72000 Travel	4.9	25.6	25.6	25.6	25.6	0.0	0.0%
73000 Services	179.0	83.3	83.3	83.3	83.3	0.0	0.0%
74000 Commodities	33.2	8.5	8.5	8.5	8.5	0.0	0.0%
75000 Capital Outlay	79.0	1.0	1.0	1.0	1.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
<b>Totals</b>	<b>1,067.6</b>	<b>838.6</b>	<b>838.6</b>	<b>838.6</b>	<b>843.0</b>	<b>4.4</b>	<b>0.5%</b>
<b>Fund Sources:</b>							
1004 Gen Fund (UGF)	1,067.6	838.6	838.6	838.6	843.0	4.4	0.5%
<b>Unrestricted General (UGF)</b>	<b>1,067.6</b>	<b>838.6</b>	<b>838.6</b>	<b>838.6</b>	<b>843.0</b>	<b>4.4</b>	<b>0.5%</b>
<b>Designated General (DGF)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Other Funds</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Federal Funds</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Positions:</b>							
Permanent Full Time	7	4	4	4	4	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

**Change Record Detail - Multiple Scenarios With Descriptions**  
**Department of Natural Resources**

**Component:** Petroleum Systems Integrity Office (2847)

**RDU:** Oil and Gas (601)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2013 Conference Committee To FY2013 Authorized *****												
<b>FY2013 Conference Committee</b>												
1004 Gen Fund	ConfCom	838.6	720.2	25.6	83.3	8.5	1.0	0.0	0.0	4	0	0
<b>Subtotal</b>		<b>838.6</b>	<b>720.2</b>	<b>25.6</b>	<b>83.3</b>	<b>8.5</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4</b>	<b>0</b>	<b>0</b>
***** Changes From FY2013 Authorized To FY2013 Management Plan *****												
<b>Subtotal</b>		<b>838.6</b>	<b>720.2</b>	<b>25.6</b>	<b>83.3</b>	<b>8.5</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4</b>	<b>0</b>	<b>0</b>
***** Changes From FY2013 Management Plan To FY2014 Governor *****												
<b>Department of Administration Core Services Rates</b>												
1004 Gen Fund	Inc	2.3	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<b>Totals</b>		<b>843.0</b>	<b>724.6</b>	<b>25.6</b>	<b>83.3</b>	<b>8.5</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4</b>	<b>0</b>	<b>0</b>

Rates for core services provided by the Department of Administration, including Risk Management, Personnel, Information Technology Services, and Public Building Fund, are estimated to be \$7.2 million higher in FY2014. Funding in the amount of \$4 million is being provided to departments.

The Department of Natural Resources has been allocated \$284.8 to offset cost increases in those areas of approximately \$1,065.0.

**FY2014 Salary and Health Insurance Increases**

1004 Gen Fund	SalAdj	2.1	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
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FY2014 Salary and Health Insurance increase : \$2.1

FY2014 Health Insurance increase of \$59.00 per month per employee - from \$1,330 to \$1,389 per month Non-covered: \$2.1

**Personal Services Expenditure Detail**  
**Department of Natural Resources**

**Scenario:** FY2014 Governor (10289)  
**Component:** Petroleum Systems Integrity Office (2847)  
**RDU:** Oil and Gas (601)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range / Step	Comp Months	Split / Count	Annual Salaries	COLA	Premium Pay	Annual Benefits	Total Costs	GF Amount
10-4255	Tech Eng I / Architect I	FT	A	GP	Anchorage	200	24C / C	12.0		87,972	0	0	49,195	137,167	137,167
10-T015	Petroleum Facil Integrity Eng	FT	A	XE	Anchorage	NAA	26	12.0		138,000	0	0	66,294	204,294	204,294
10-T016	Petroleum Facil Integrity Spec	FT	A	XE	Anchorage	NAA	26	12.0		125,004	0	0	62,277	187,281	187,281
10-T017	Petroleum Facil Integ/Comp Mgr	FT	A	XE	Anchorage	NAA	26	12.0		142,800	0	0	67,777	210,577	210,577

	Total Positions	New	Deleted	Total Salary Costs:	Total COLA:	Total Premium Pay:	Total Benefits:
				493,776	0	0	245,543
<b>Full Time Positions:</b>	4	0	0				
<b>Part Time Positions:</b>	0	0	0				
<b>Non Permanent Positions:</b>	0	0	0				
<b>Positions in Component:</b>	4	0	0				
<b>Total Component Months:</b>	48.0						
				<b>Total Pre-Vacancy:</b>	739,319		
				<b>Minus Vacancy Adjustment of 1.99%:</b>	(14,719)		
				<b>Total Post-Vacancy:</b>	724,600		
				<b>Plus Lump Sum Premium Pay:</b>	0		
				<b>Personal Services Line 100:</b>	724,600		

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1004 General Fund Receipts	739,319	724,600	100.00%
<b>Total PCN Funding:</b>	<b>739,319</b>	<b>724,600</b>	<b>100.00%</b>

Note: If a position is split, an asterisk (\*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (\*\*) will appear in this column. [No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

**Line Item Detail**  
**Department of Natural Resources**  
**Travel**

**Component:** Petroleum Systems Integrity Office (2847)  
**RDU:** Oil and Gas (601)

Line Number	Line Name		FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
72000	Travel		4.9	25.6	25.6
Expenditure Account	Servicing Agency	Explanation	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
<b>72000 Travel Detail Totals</b>			<b>4.9</b>	<b>25.6</b>	<b>25.6</b>
72110	Employee Travel (Instate)	Instate travel is budgeted for meetings and travel to conferences and professional courses to maintain proficiency, to develop new analytical techniques and to promote state oil and gas permitting.	2.4	19.9	19.9
72410	Employee Travel (Out of state)	Conferences and professional courses to maintain proficiency, to develop new analytical techniques and to promote state oil and gas permitting.	2.5	5.7	5.7

**Line Item Detail**  
**Department of Natural Resources**  
**Services**

**Component:** Petroleum Systems Integrity Office (2847)  
**RDU:** Oil and Gas (601)

Line Number	Line Name			FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
73000	Services			179.0	83.3	83.3
Expenditure Account	Servicing Agency	Explanation		FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
<b>73000 Services Detail Totals</b>				<b>179.0</b>	<b>83.3</b>	<b>83.3</b>
73026		Training/Conferences	Technical training, tuition and conference registration fees for the division's technical staff.	10.4	10.4	10.4
73154		Software Licensing	Shared cost of various software	3.0	3.0	3.0
73155		Software Maintenance	Maintenance of existing software	106.0	31.0	31.0
73451		Advertising	Public Notices	2.1	2.2	2.2
73753		Program Mgmt/Consult	Contract program management and consultants with other services. (Gap Analysis, Quality Management Symposium).	5.0	5.0	5.0
73804	Economic/Development (IA Svcs)	Labor	ADA Compliance	0.1	0.1	0.1
73804	Economic/Development (IA Svcs)	Univ	Project Management Training	20.8	0.0	0.0
73805	IT-Non-Telecommunication	Admin	Annual Computer Services - EPR	3.9	3.9	3.9
73805	IT-Non-Telecommunication	Admin	Dept of Admin - Microsoft Contract	1.1	1.1	1.1
73805	IT-Non-Telecommunication	Admin	Maintenance of Symantec anti-virus software	0.1	0.1	0.1
73806	IT-Telecommunication	Admin	Basic telephone services	5.6	5.6	5.6
73806	IT-Telecommunication	Admin	VPN Costs	0.1	0.1	0.1
73809	Mail	Admin	Central Mail RSA.	0.3	0.3	0.3
73810	Human Resources	Admin - Computer Services	Division of Personnel/Human Resources RSA.	0.7	0.7	0.7
73811	Building Leases	Admin	Lease costs for LPPG	2.2	2.2	2.2
73811	Building Leases	Admin	Atwood Building lease costs	16.9	16.9	16.9
73812	Legal	Law	Regulations RSA	0.1	0.1	0.1
73815	Financial	Admin	Division of Finance AKSAS/AKPAY RSA.	0.5	0.5	0.5
73819	Commission Sales (IA Svcs)	Admin	Contract Service fees for US Travel	0.1	0.1	0.1

**Line Item Detail**  
**Department of Natural Resources**  
**Commodities**

**Component:** Petroleum Systems Integrity Office (2847)  
**RDU:** Oil and Gas (601)

Line Number	Line Name		FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
74000	Commodities		33.2	8.5	8.5
Expenditure Account	Servicing Agency	Explanation	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
<b>74000 Commodities Detail Totals</b>			<b>33.2</b>	<b>8.5</b>	<b>8.5</b>
74226	Equipment & Furniture	Office furniture and file storage	8.0	0.0	0.0
74229	Business Supplies	Funds are used for the purchase of general office supplies, paper, print cartridges, copy machine supplies, furniture, software and general office equipment replacement necessary for the current staff and 4 new positions.	3.0	4.3	4.3
74233	Info Technology Equip	The funds are used for the purchase of cartographic supplies, camera film, polyester film and technical books to assist with resource evaluation, also used for data processing supplies: paper, tapes, blank CDs and diskettes as well as other networking tools used for the North Slope office.	22.2	3.7	3.7
74607	Other Safety	Arctic safety winter clothing and boots.	0.0	0.5	0.5

**Line Item Detail**  
**Department of Natural Resources**  
**Capital Outlay**

**Component:** Petroleum Systems Integrity Office (2847)  
**RDU:** Oil and Gas (601)

Line Number	Line Name		FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
75000	Capital Outlay		79.0	1.0	1.0
Expenditure Account	Servicing Agency	Explanation	FY2012 Actuals	FY2013 Management Plan	FY2014 Governor
<b>75000 Capital Outlay Detail Totals</b>			<b>79.0</b>	<b>1.0</b>	<b>1.0</b>
75535	Architect/Engineer-Cap Outlay	Laboratory and testing supplies for collection of samples	4.0	1.0	1.0
75799	Electronic	Computer equipment	75.0	0.0	0.0

**Inter-Agency Services**  
**Department of Natural Resources**

**Component:** Petroleum Systems Integrity Office (2847)  
**RDU:** Oil and Gas (601)

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2012 Actuals	FY2013		
					Management Plan	FY2014 Governor	
73804	Economic/Development (IA Svcs)	ADA Compliance	Inter-dept	Labor	0.1	0.1	0.1
73804	Economic/Development (IA Svcs)	Project Management Training	Inter-dept	Univ	20.8	0.0	0.0
<b>73804 Economic/Development (IA Svcs) subtotal:</b>					<b>20.9</b>	<b>0.1</b>	<b>0.1</b>
73805	IT-Non-Telecommunication	Annual Computer Services - EPR	Inter-dept	Admin	3.9	3.9	3.9
73805	IT-Non-Telecommunication	Dept of Admin - Microsoft Contract	Inter-dept	Admin	1.1	1.1	1.1
73805	IT-Non-Telecommunication	Maintenance of Symantec anti-virus software	Inter-dept	Admin	0.1	0.1	0.1
<b>73805 IT-Non-Telecommunication subtotal:</b>					<b>5.1</b>	<b>5.1</b>	<b>5.1</b>
73806	IT-Telecommunication	Basic telephone services	Inter-dept	Admin	5.6	5.6	5.6
73806	IT-Telecommunication	VPN Costs	Inter-dept	Admin	0.1	0.1	0.1
<b>73806 IT-Telecommunication subtotal:</b>					<b>5.7</b>	<b>5.7</b>	<b>5.7</b>
73809	Mail	Central Mail RSA.	Inter-dept	Admin	0.3	0.3	0.3
<b>73809 Mail subtotal:</b>					<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
73810	Human Resources	Division of Personnel/Human Resources RSA.	Inter-dept	Admin - Computer Services	0.7	0.7	0.7
<b>73810 Human Resources subtotal:</b>					<b>0.7</b>	<b>0.7</b>	<b>0.7</b>
73811	Building Leases	Lease costs for LPPG	Inter-dept	Admin	2.2	2.2	2.2
73811	Building Leases	Atwood Building lease costs	Inter-dept	Admin	16.9	16.9	16.9
<b>73811 Building Leases subtotal:</b>					<b>19.1</b>	<b>19.1</b>	<b>19.1</b>
73812	Legal	Regulations RSA	Inter-dept	Law	0.1	0.1	0.1
<b>73812 Legal subtotal:</b>					<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
73815	Financial	Division of Finance AKSAS/AKPAY RSA.	Inter-dept	Admin	0.5	0.5	0.5
<b>73815 Financial subtotal:</b>					<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
73819	Commission Sales (IA Svcs)	Contract Service fees for US Travel	Inter-dept	Admin	0.1	0.1	0.1
<b>73819 Commission Sales (IA Svcs) subtotal:</b>					<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Petroleum Systems Integrity Office total:</b>					<b>52.5</b>	<b>31.7</b>	<b>31.7</b>
<b>Grand Total:</b>					<b>52.5</b>	<b>31.7</b>	<b>31.7</b>