



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Environmental
Conservation

DIVISION OF ADMINISTRATIVE SERVICES

410 Willoughby Ste 303
Juneau, Alaska 99801
Main: 907-465-5010
fax: 907-465-5097

February 8, 2013

The Honorable Cathy Muñoz
Chair, House Finance Subcommittee
State Capitol Room 421
Juneau AK, 99801

Dear Representative Muñoz:

Thank you for the opportunity to provide you with a brief overview of the Division of Spill Prevention and Response's FY2014 budget request on February 5th. During our meeting some questions arose that required additional information. I have responded to those questions below. If you would like additional information, or have additional questions, I am happy to assist.

How many miles of flow lines on the North Slope are replaced each year? (Representative Pruitt)

The Department does not track miles of replaced line at this time but we do review the flowline inspection/maintenance practices of the North Slope operators, to include replacement of pipelines. We requested replacement information from the two major aging infrastructure operators, BP and CPAI. The information provided shows an average of 8.5 miles per year of pipeline are replaced. The operators have programs in place to identify those pipelines reaching end of service life, and this is the reason for most of the replacements, although some pipeline replacement is event driven.

How much is currently owed to the Response and Prevention Accounts by responsible parties for spill cleanup by the State? (Representative Higgins)

As of February 7, 2013, the Department estimates that \$1,768,106.53 in costs are outstanding for site cleanup for sites in which a responsible party has been identified. The Department is proceeding with recovery efforts. See the attached list of sites, responsible parties, and outstanding costs to be recovered.

Please provide OMB's response to the FY2013 Legislative Intent. (Representative Muñoz)

The letter is enclosed. For your reference, a letter with attachments from Senator Lesil McGuire that was related to the FY2013 Legislative Intent is also enclosed.

What would be the effect of redirecting the \$0.01 surcharge from the Response Account to the Prevention Account when the balance of the Response Account has reached \$50 million, rather than suspending it? (Representatives Pruitt & Tarr)

A flow rate of approximately 500,000 barrels per day generates approximately \$1.6 million in surcharge revenue annually. The effect of redirecting the \$0.01 surcharge from the Response Account to the Prevention Account when the balance of the Response Account has reached \$50 million would be to reduce the projected annual operating budget deficit from approximately \$6.0 million per year to \$4.6 million per year. The amount generated

annually would be less than \$1.6 million if the balance in the Response Account fell below \$50,000,000 and the surcharge was directed back to the Response Account. Under AS 43.55.211 and AS 43.55.221, the Department may not redirect the surcharge as suggested.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. Cherian", with a horizontal line underneath.

Tom Cherian
Director, Division of Administrative Services

Enclosures: Response Account Cost Recovery Open Sites February 7, 2013; Letter to Amanda Ryder from Karen Rehfeld dated December 12, 2013 re: "FY2013 Legislative Intent"; Senator McGuire Letter dated March 26, 2012 w/ attachments

Cc: Representatives Austerman and Stoltze, Co-Chairs, House Finance Committee
David Teal & Danith Watts, Legislative Finance Division
Christopher Clark, Staff to Representative Muñoz