

AMENDMENT #1

OFFERED IN THE SENATE
TO: CSSB 53(FIN)

BY SENATOR THERRIAULT

- 1 Page 66, line 12:
- 2 Delete "2,500,000" in both places
- 3 Insert "5,000,000" in both places
- 4
- 5 Page 94, following line 29:
- 6 Insert
- 7 "1052 Oil and Hazardous Substance Release Prevention 2,500,000
- 8 and Response Fund"
- 9
- 10 Conform total roll-up amounts in secs. 4, 5, and 6 of the bill.

A M E N D M E N T

BY _____

TO: CS SB53(FIN)
Section 4, page 66, line 12

Agency: Department of Environmental Conservation

Project: Comprehensive Oil and Gas Infrastructure Risk Assessment (HD 1-40)

Amount: \$2,500,000

Funding Source: Oil and Hazardous Substance Release Response Account, in the Oil and Hazardous Substance Release Prevention and Response Fund (Fund Source Code 1052)

Explanation:

Fully funding the Comprehensive Oil and Gas Infrastructure Risk Assessment at \$5.0 million is essential for establishing a credible independent appraisal of the condition of Alaska's oil and gas infrastructure and its ability to safely operate for another generation.

Alaska will continue to be dependent on North Slope crude oil production as its primary revenue for the foreseeable future. The integrity of the oil and gas infrastructure must be sufficient to protect Alaska's environment and ensure uninterrupted production and revenue to the State. This project will assess the integrity of the oil and gas infrastructure from the wellhead to the loading arms. Full funding is necessary to adequately assess the oil and gas infrastructure on the scale proposed and to be able to attract independent nationally recognized firms that have the expertise and capacity to do the work.

No system-wide risk assessment has ever been conducted of Alaska's complex oil production and transportation system. A thorough, independent appraisal of the condition of the state's oil and gas facilities is needed to identify the greatest risks of failure, what's in good shape, what's not and where and how serious the risks are. The scoping for the risk assessment will consider those aspects of the system that will benefit industry's, as well as the State's, understanding of various risks posed by the system and how to address those risks.

Partial funding will reduce the scope and thoroughness of the project leaving the State and industry without an adequate appraisal of the condition of Alaska's oil and gas infrastructure. This project is a one-time capital budget request and is anticipated to take from two to three years to complete.

Funding for this project is split equally between GF and the Response Account in view of its benefits to both the State and industry. Funding for the Response Account originates from a \$.01 surcharge on crude oil production.

Comprehensive Oil and Gas Infrastructure Risk Assessment

FY2008 Request: **\$5,000,000**
 Reference No: **AMD43339**

AP/AL: Appropriation
Category: Natural Resources
Location: Statewide
House District: Statewide
Estimated Project Dates: 07/01/2007 - 06/30/2012

Project Type: Planning
Contact: Larry Dietrick
Contact Phone: (907)465-5250

Brief Summary and Statement of Need:

The purpose of this project is to conduct a comprehensive risk assessment of Alaska's crude oil production, storage and transportation system including the Trans Alaska Pipeline and Valdez Marine Terminal. The system wide risk assessment will evaluate the safety, environmental and operational risks associated with the system and reliability of the existing infrastructure to operate for another generation. The risk assessment will also evaluate the extent, degree and adequacy of government oversight and make recommendations for continued safe and reliable operation of the system.

Funding:	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	Total
Gen Fund	\$2,500,000						\$2,500,000
Oil/Haz Fd	\$2,500,000						\$2,500,000
Total:	\$5,000,000	\$0	\$0	\$0	\$0	\$0	\$5,000,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input checked="" type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	Amount	Staff
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Additional Information / Prior Funding History:

This is a new one time project with no prior funding history or future funding obligations. Funding is 50% General Fund (1004) and 50% Oil and Hazardous Response Fund (1052).

Project Description/Justification:

Uninterrupted flow of North Slope crude oil is essential to the State's financial well-being. Similarly, avoiding spills and leaks from pipeline operations is a high priority for environmental reasons. This project represents an investment in effective measures to protect the State's interests in the integrity of the infrastructure.

Alaska's oil and gas infrastructure comprises a complex, integrated system. Over the years, new parts have been added and older parts have been modernized. Operational changes have been made to increase efficiency, to increase production, to improve integrity, and to adapt to changes in field characteristics. All the while, oil and gas science and technology has continued to advance.

The current state of Alaska's oil and gas facilities is a result of the combined effect of factors such as age, change, industry operations and government oversight. Good management requires that we understand the current state of the infrastructure, and the engineering risk assessment envisioned by this project is a means to gain such an understanding. No such assessment has ever been conducted.

To be effective – to tell us what we need to know – requires that the assessment be comprehensive, thorough and objective. The risk assessment will tell us what's in good shape, what's not, where the risks are, and how serious they are.

**Comprehensive Oil and Gas Infrastructure Risk
Assessment**

FY2008 Request: \$5,000,000^{#9}
Reference No: AMD43339

With that information, both government and industry can make the decisions about how best to address risks. While a risk assessment is a snapshot of condition and risk at a particular point in time, it can be used to focus and direct our efforts for years to come. It will serve as a sound basis for how we manage our existing infrastructure, as well as how new facilities are developed.