

# Alaska Oil and Gas Association

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## Comments on Proposed Risk Assessment Methodology

Gentlemen:

The Alaska Oil and Gas Association (AOGA) appreciates the opportunity to comment on the Proposed Risk Assessment Methodology.

Many of AOGA's concerns about the draft methodology are a direct result of the overly-broad nature of the project. The methodology notes that "The physical scope of the ARA Project is larger and more complex than other known oil and gas infrastructure risk assessments that have been conducted." The reason such a study has not been conducted is because the massive scope may bog down in details that will provide little value. To avoid the perils of being overly-broad, the risk screening levels should be elevated so the study can focus on those potential hazards that could have a major impact.

The primary focus of the assessment at the outset was on reliability, or the risk to State revenue. For this effort to be successful, a renewed focus on reliability is warranted. In fact, focusing on reliability also will address environmental and/or safety matters.

With regard to safety concerns, on page 20, the methodology notes that "the required OSHA and EPA process hazard studies should address most of the State's safety concerns within the scope of this project." We agree. Similarly, the environmental issues are thoroughly regulated and overseen by among others ADEC, PSIO, EPA, DOT, and DNR.

While the methodology mentions qualitative risk assessment, the content is overwhelmingly representative of an extremely complex quantitative risk assessment (QRA) – from consequence modeling through event trees and fault trees. And although the Risk Assessment Methodology provides considerable detail on the how the risk assessments are to be conducted, there is very little information, if any, on what decision the State is trying to make with these risk assessments. A quantitative risk assessment of the scope proposed in the methodology, conducted outside a decision-making context and without clear criteria for determining what risks are tolerable, may generate "more heat than light." If the methodology were to focus more clearly on reliability, the potential for this undesirable outcome would be minimized.

The methodology anticipates a cost benefit analysis in selection of any risk mitigation investment strategies. The estimation of the risk benefit will be more difficult if the design of the risk methodology does not take into account the need for these future calculations.

The methodology is silent on how to address intentional acts. If such incidents are excluded from the scope, then that should be affirmatively stated as a part of the methodology.

As it exists right now the methodology results will be presented in a manner that will allow direct comparison between nodes, geographies, operators and activity types. Differences between risk levels will be very visible. This may create an environment of competition between these various groupings. It may also prompt unfair criticism of certain nodes, geographies or operators simply because they don't compare well to other nodes, geographies and operators. The differences may only be relative and they may be acceptable. But, if there is no clear benchmark for the risk levels or the underlying reasons for differences are not properly communicated, the public is likely to fall back on making judgments simply based on the differences.

Table C in the draft methodology identifies the significant level of data which will be requested of operators. This is extremely challenging on two fronts.

The sheer volume of the potential data requests could present logistical challenges and a significant administrative burden on both the companies who must provide it and the State's contractor who will evaluate it. Without a better focus, the potential volume of data would threaten both the successful outcome of this effort and the ability of the project to be completed on schedule and on budget.

Further, issues related to the protection of confidential data and information to be submitted by operators remain unresolved. This issue threatens the timeline for project completion but is being addressed on a separate track with the relevant agencies.

Finally, the request for previous risk assessments continues to cause a high level of concern for AOGA. Risk assessments conducted privately by individual companies are implemented using individual company specific methodology of the individual company's choice for parameters and other input data. Risk assessment methodologies are not standardized for the industry, and there are many acceptable and recognized approaches to conducting these assessments, making it difficult to compare results from one company to another.

We appreciate the opportunity to comment and are committed to working with the State toward a successful outcome.

Sincerely,



Marilyn Crockett  
Executive Director