

THE OFFICE OF THE FEDERAL INSPECTOR
REMOBILIZATION ENCYCLOPEDIA

Compiled by

Office of the Federal Inspector
Alaska Natural Gas Transportation System
Washington, D.C.

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I. REMOBILIZATION PLAN

IV POST-REMOBILIZATION

[12 Months]

Concurrent with final 12 months of sponsor Full Remobilization

OFI Post-Remobilization will commence with the completion of the OFI remobilization. During this 12-month period, the OFI completes remaining design approvals and prepares for its Alaska Leg enforcement responsibilities.

During this period, the sponsors intend to conclude field collection and camp design and continue pipeline and station design. They also expect to issue and award camp construction contracts, with construction beginning during this time. Furthermore, major procurements for pipeline and conditioning plant construction continue.

Stage V: Preparation for Field Enforcement [12 Months]

(Trigger: OFI Remobilization
Schedule Complete)

Required OFI Personnel by End of Stage: 150-200

Activities:

- ° Continue self-administration
- ° Continue program development and project review
- ° Implement field construction management oversight and surveillance program

V FULL OVERSIGHT

[42 months]

Concurrent with final 42 months of sponsor/project construction activities

(Trigger: Sponsor Completes Full Remobilization)

Required OFI Personnel by End of Stage: 200+

OFI full oversight will commence with the conclusion of the sponsor's Full Remobilization Phase. The OFI will be responsible for continued program development and field enforcement, on the West Leg as well as the Alaska Leg.

During this period, the sponsors intend to complete design, award execution contracts, conclude procurement and begin and complete pipeline, conditioning plant and station and facilities construction.

Activities:

- ° Continue self-administration
- ° Continue program development
- ° Continue field enforcement program

II. ISSUE PRIMER

SECTION II: ISSUE PRIMER

The Issue Primer lists and summarizes the major OFI issues and activities essential to Phase II remobilization and early Agency administration. These issues and activities have been organized under 16 substantive Issue Components, listed below. They are generally consistent with the proposed OFI Phase II organization chart illustrated in the Introduction.

The first page of each Issue Component is the "Component Outline," which directs the reader to the major subsections of the component. (The pages of the Component Outlines are designated below. They are the primary guide to materials in the Primer.) Under each component subsection, a list of "Supporting Documents" is also provided. With very few exceptions, all documents cited as "Supporting Documents" can be found in the Appendix, under the Issue Component title and corresponding to the document number they are assigned.

The Issue Primer components and the supporting documents of the Appendix provide a general outline of essential activities for remobilization, just as the Remobilization Plan in Chapter Two presents a general design and schedule for those activities. The Plan, generally, addressed the "who" and "when" questions, while the Primer now focuses on "what" and "how."

<u>Issue Component</u>	<u>Initial Page</u>	<u>Total Pages</u>
1 General Project Briefing	II-1/1	8
2 Federal Inspector Issues	II-2/1	10
3 Organization	II-3/1	5
4 Policy Analysis, Planning and Budgeting	II-4/1	6
5 General Counsel	II-5/1	5
6 External Affairs	II-6/1	6
7 Regulatory Affairs	II-7/1	9
8 Engineering Affairs	II-8/1	7
9 Environmental Affairs	II-9/1	7
10 General Administration	II-10/1	6
11 Personnel Management	II-11/1	5
12 Financial Management	II-12/1	4
13 Support Services	II-13/1	4
14 Contracts	II-14/1	4
15 Management Information Systems	II-15/1	4
16 Field Construction Oversight	II-16/1	6

SECTION I: REMOBILIZATION PLAN

The Remobilization Plan (RP) is a compilation of general organizational, administrative and program tasks essential to the reconstitution of the Office of the Federal Inspector and to the reimplementation of its oversight mission for Phase II of the Alaska Natural Gas Transportation System (ANGTS). It is designed to be consistent with the sponsor's latest construction schedules.

The RP lists the primary general activities of the remobilization under five project activity segments, further divided into five stages of reconstitution and developed in relation with the sponsor's announced two-phase remobilization plan. These two sponsor phases, Partial Remobilization and Full Remobilization, are the central focus of the OFI RP. Sponsor Partial Remobilization begins with a "market signal" of renewed project construction viability and, through two stages of OFI pre-remobilization lasting 33 months, ends with FERC certification. OFI, during this time under the jurisdiction of a cabinet-level Department, primarily attends regulatory and engineering design reviews and approvals. Actual OFI remobilization, in Stage III and Stage IV, occurs during the first six months of the sponsor's Full Remobilization phase. Stage III, two months in duration, is a preparational period for OFI reinstitution as an independent Agency. During Stage IV, which lasts for four additional months, OFI reestablishes its independent status. The sponsor's Full Remobilization phase lasts an additional 12 months beyond these initial six months, during which time the OFI, in its post-remobilization Stage V, concludes its regulatory and design approvals, and the sponsors conduct preconstruction activity and prepare for a full construction effort.

<u>Topic</u>	<u>Page</u>
Project Schedule Comparisons	I-2
Remobilization Plan Summary	I-3
OFI Phase II Activity Segments	
Core Oversight	I-4
Pre-Remobilization	I-5
Remobilization	I-8
Post-Remobilization	I-11
Full Oversight	I-12

REMOBILIZATION PLAN SUMMARY

OFI's schedule for full oversight reinstitution is organized into following five activity segments, which include five stages of reinstitution. Pre-remobilization (Stages I and II) is scheduled for 33 months, remobilization (Stages III and IV) for six months, and post-remobilization (Stage V) for an additional 12 months. The schedule is consistent with the sponsor's plans for remobilization, which takes place in two phases, totalling 51 months.

<u>*ACTIVITY SEGMENT₁</u>	<u>OFI Remobilization Stage</u>	<u>[Duration]</u>
I	<u>CORE OVERSIGHT</u> (Concurrent with sponsor Holding Phase)	[Indefinite]
II	<u>PRE-REMOBILIZATION</u> (Concurrent with sponsor Partial Remobilization)	
	Stage I: Design Review Completion (Trigger: "Market Signal")	[18 Months]
	Stage II: Certificate Review (Trigger: Certificate Application Filed)	[15 Months]
III	<u>REMOBILIZATION</u> (Concurrent with first six months of sponsor Full Remobilization)	
	Stage III: Pre-Reinstitution (Trigger: FERC Certification)	[Two Months]
	Stage IV: OFI Reinstitution (Trigger: OFI Reinstitution as an Independent Agency)	[Four Months]
IV	<u>POST-REMOBILIZATION</u> (Concurrent with final 12 months of sponsor Full Remobilization)	
	Stage V: Preparation for Field Enforcement (Trigger: OFI Remobilization Complete)	[12 Months]
V	<u>FULL OVERSIGHT</u> (Concurrent with final 42 months of sponsor project schedule)	[42 Months] 51 mos?

1 Schedule based upon "Project Schedule for Completion of the Alaska Natural Gas Transportation System - A Key Consideration for Project Regeneration," Northwest Alaskan Pipeline Company, 11/21/84 Preliminary.

I CORE OVERSIGHT

[Indefinite]

CurrentConcurrent with sponsor Holding PhaseRequired OFI Personnel by End of Stage: 3-4

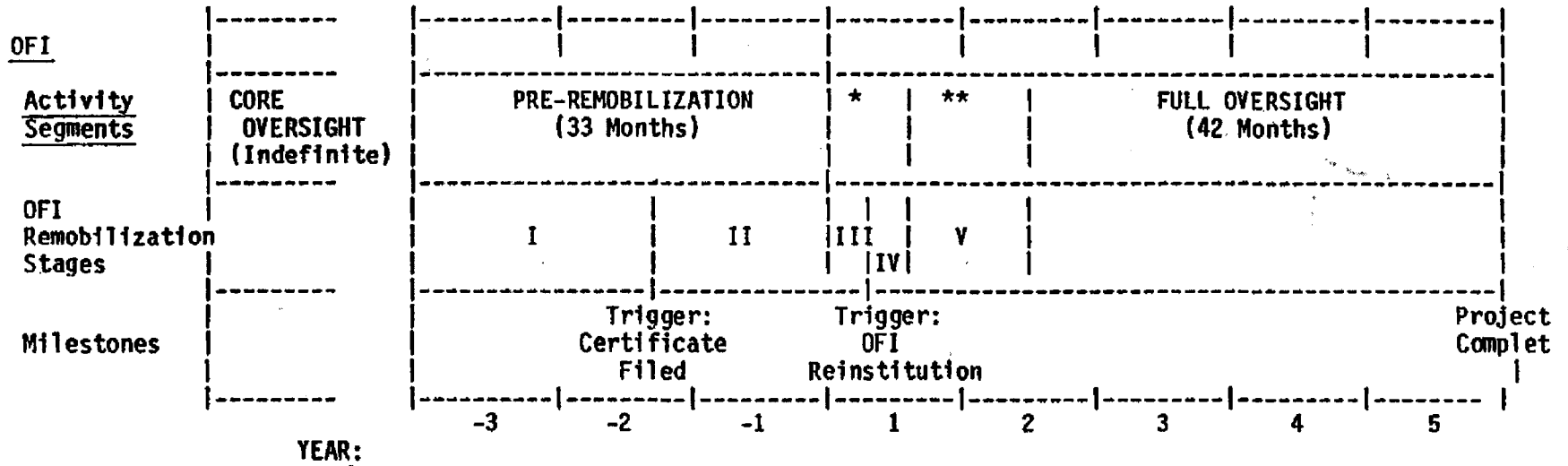
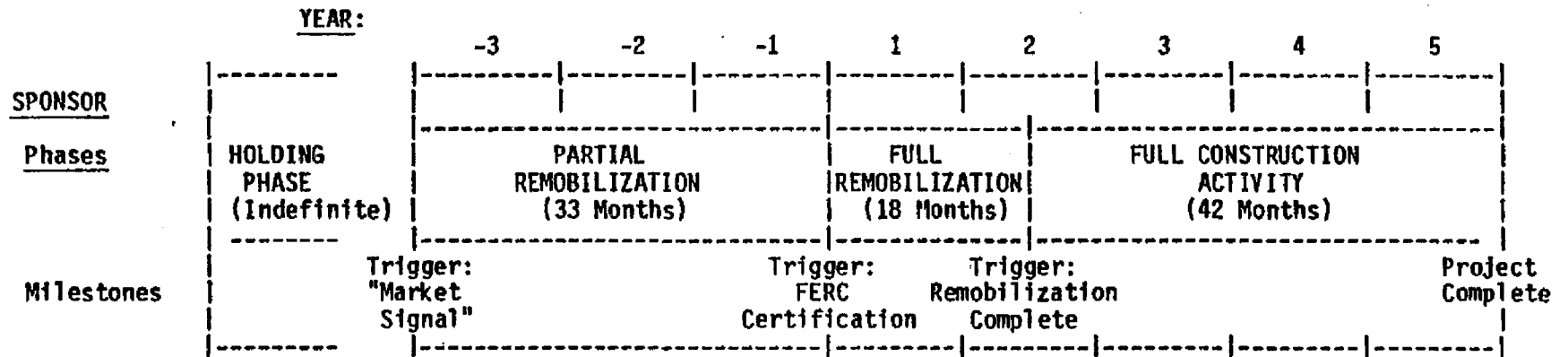
The current Holding Phase began in 1983, when the project sponsors implemented substantial personnel cuts and indefinitely suspended major Phase II program activity, due primarily to their inability to secure requisite Alaska Leg financing. In the early part of this phase, the OFI continued as an independent Agency, attending remaining regulatory and engineering design issues. In spring or summer 1985, it is suspected that OFI will temporarily fold into a cabinet level Department, which would provide administrative and oversight support throughout the Holding Phase and Partial Remobilization. After two months into Full Remobilization, the OFI should separate out once again as an independent Agency. During this inactive period, about three or four part-time core OFI positions will be retained, with the key slot being a senior staff executive, preferably one with experience in regulatory affairs or pipeline engineering.

In the Holding Phase, the sponsors plan to:

- ° Allocate no funding for new development efforts or consulting contracts.
- ° Focus on further refining a remobilization schedule.
- ° Incrementally "chip away" at technical problem issues, such as frost heave, as staff and funding allows until final approval has been received for overall design criteria and methodology.
- ° Concentrate on securing the State of Alaska Right-of-Way grant.
- ° Maintain the Holding Phase at least one year prior to FERC final certification.

OFI, under the jurisdiction of the custodial Department, will continue to be responsible for whatever review and monitoring requirements exist for the ANGTS.

PROJECT SCHEDULE COMPARISONS



* REMOBILIZATION (Six Months): Comprised of Stages III and IV

** POST-REMOBILIZATION (12 Months): Comprised of Stage V

II PRE-REMOBILIZATION**[33 months]****Concurrent with sponsor Partial Remobilization..**

OFI Pre-Remobilization will commence once the sponsors have received of a "market signal," indicating Alaska and Canadian Leg construction viability, and initiate their Partial Remobilization phase. Pre-Remobilization, which should last about 33 months, is comprised of two stages, one about 18 months long and another about 15 months. Stage I reinstitutes general project oversight and sets regulatory review activity into high gear. Stage II involves the technical evaluation of sponsor systems to facilitate FERC certification and preliminary activity for OFI reinstitution as an independent Federal Agency. It begins once the sponsors have filed a complete application for certification. Design review could begin during the first stage, so OFI must begin to develop both engineering and environmental review capabilities.

During this period, the sponsors will remobilize selected personnel to reassess the government's role, approve basic design/construction decisions, complete pipeline alignment and prepare a new cost estimate for financing. Once final financing arrangements have been made, an application for certificate will be submitted to FERC, incorporating: (a) marketability studies, (b) gas sales contracts, (c) the new cost estimate for financing and (d) other required materials. All activities will lead to the completion of the final certificate application and grant.

Stage I: Design Review Completion [18 Months]**(Trigger: "Market Signal")****Required OFI Personnel by End of Stage: 13-15****Activities:**

- ° Review ANGTS and OFI Phase I issues and activities [See Issue Component 1]
- ° Begin search and selection process for Federal Inspector
- ° Select Regulatory Affairs coordinator, if not already on board, and establish core Regulatory Affairs staff for Stage I regulatory review activities
- ° Coordinate Partial Remobilization schedule and establish a joint regulatory timetable with NWA
- ° Expand administrative/contract support within host Agency to prepare for various remobilization support requirements (MIS, contract solicitation, administrative support, etc.)

- ° Reassume project leadership role
 - Establish regular contact with primary project actors and advise them of project remobilization. [See Issue Components 6.1 and 2.3.8] ...
- ° Develop functional statements and position descriptions for prospective OFI staff [See Issue Components 3 and 11]
- ° Recruit key cost/schedule and engineering personnel
 - Appoint cost/schedule manager
 - Engage senior pipeline engineer, if not already on board
 - Hire key cost/schedule and engineering support personnel required for sponsor system review
- ° Begin preliminary reviews of pipeline design and alignment. [See Issue Components 7, 8 and 16]
- ° Develop RFPs, separate or consolidated, for technical support in review of sponsor cost control/cost schedule and construction project management systems and plans. [See Issue Components 7.1, 7.4 and 14.5.2]
- ° Solicit initial AAO designations and assignments from other Federal Agencies with important ANGTS responsibilities and prepare for subsequent development of Memoranda of Understanding (MOAs) [See Issue Component 2.3.2 and 2.3.3]
 - Federal Energy Regulatory Commission (FERC)
 - Department of the Interior (DOI)
 - Department of Transportation (DOT)
 - Department of Energy (DOE)
 - Environmental Protection Agency (EPA)
 - Army Corps of Engineers (COE)
- ° Establish an initial field presence in Alaska

Stage II: Certificate Review [15 Months]
 (Trigger: Sponsor Certificate Filing)
Required OFI Personnel by End of Stage: 20-25

Activities:

- ° Select and appoint the Federal Inspector
- ° Reconsideration of critical issues by Federal Inspector [See Issue Component 2]
 - Lower Leg oversight arrangements
 - Inhouse v. contract technical support
 - Delegation (AAOs)

- EEO/MBE policy guidance
 - Sponsor/Government relations
 - Alaskan issues
 - Canadian relations
- ° Complete Partial Remobilization staffing
 - Management Information System coordinator
 - Personnel supervisor
 - Administrative officer
 - Environmental/engineering personnel design review staffers
 - General support staff
 - ° Select technical support contract(s) for final cost control/cost schedule and construction project management review and approvals [See Issue Component 14]
 - ° Commence technical evaluations of sponsor systems, as submitted and required
 - Assess OFI/NWA MIS interfaces: MIS/Reg Aff [See Issue Components 7.1 and 15.2]
 - Evaluate construction project management plan: Eng [See Issue Components 7.1.3 and 8.4]
 - Approve basic financing agreements, cost estimate for financing and final basic financing plan: Reg Aff [See Issue Component 7.1]
 - Review final elements of Certification Cost Estimate: Reg Aff [See Issue Component 7.1]
 - Study State right-of-way grant: Eng/Env [See Issue Component 2.3.7]
 - Attend final permit scheduling and compliance: Eng/Env [See Issue Components 9.5 and 16.5]
 - Examine tariff revisions: Reg Aff [See Issue Components 7.1 and 7.3]
 - ° Begin detailed OFI planning for OFI reinstitution as an independent Agency by establishing informal Remobilization Task Force [See Issue Component 3.1]
 - ° Develop budget and solicit appropriations for operations as an independent Agency, beginning the third month of sponsor Full Remobilization [See Issue Component 4.1, 4.2, 4.3 and 4.4]
 - ° Prepare for engineering design review process [See Issue Component 8]
 - ° Begin preliminary organizational design development [See Issue Components 3.2 and 3.3]

III REMOBILIZATION**[Six Months]**

Concurrent with the first six months of sponsor Full Remobilization

OFI Remobilization will commence with the issuance to the sponsors of the FERC certificate for the Alaska Leg. Although the sponsors have scheduled 18 months for its Full Remobilization, the OFI anticipates only a six-month remobilization period. Stage III represents a two-month preparation period for OFI reconstitution as an independent Agency. In Stage IV, which is scheduled for four months, OFI remobilization continues as the agency reestablishes its organizational integrity and concludes its pre-construction review responsibilities.

During this period, the sponsors intend to begin mile-by-mile project design production, initiate major procurements for pipeline and conditioning plant construction, conduct gravel sales and start field program data collection.

Stage III: Pre-Reinstitution**[Two Months]**

(Trigger: FERC Certification)

Required OFI Personnel by End of Stage: 30-40**Activities:**

- ° Begin screening and selection of top managers, administrative and program staff for permanent appointment
- ° Design basic administrative operating procedures and systems for Phase II implementation
 - Review and update OFI Directives [See Issue Component 10.1]
 - Update Property Management System [See Issue Component 13.4]
 - Remobilize Internal MIS [See Issue Component 15]
 - Develop Internal Audit and Security program [See Issue Components 4.6 and 10.8]
 - Prepare for Travel and Imprest Fund administration [See Issue Component 12.2]
- ° Develop RFPs for technical support contracts [See Issue Component 14.2, 14.3 and 14.5]
 - General administration (financial management and payroll)
 - Ongoing project audit
 - Management information systems
 - Technical support for field surveillance (optional)
- ° Develop OFI organization plan [See Issue Component 3.3]
 - Propose organization design
 - Set organization staffing levels and thresholds

- ° Solicit authorities required for independent Agency status
 - Acquire GSA procurement authority and purchasing account [See Issue Components 13.2 and 14.2]
 - Secure delegated agreement with OPM [See Issue Components 11.1.1 and 11.3.2]
- ° Establish permanent offices in Anchorage, Fairbanks, San Francisco, Washington and in PMC and/or sponsor city [See Issue Component 13]
 - Secure office space
 - Establish communications network for voice/data
 - Procure office technology, furnishings, field surveillance equipment, and other support supplies
- ° Complete technical evaluation of sponsor systems, as submitted and required
- ° Conduct legal assessment of OFI authorities [See Issue Components 5.1 and 5.4]
- ° Negotiate and approve MOUs with other Federal Agencies
- ° Create ANGTS US/Canadian procurement review committee and begin discussions with the Canadian government [See Issue Components 2.3.8 and 7.2]
- ° Initiate basic public affairs activities [See Issue Component 6]
- ° Solicit Executive Policy Board (EPB) appointments [See Issue Component 2.3.4]

Stage IV: OFI Reinstitution [Four Months]
 (Trigger: OFI Reinstitution)
Required OFI Personnel by End of Stage: 75

Activities:

- ° Reinstitution OFI as an independent Agency
 - Implement OFI organization plan
 - Exercise authorities required for independent Agency status and operation
 - Implement basic administrative operating procedures and systems
 - Award technical support contracts
- ° Conclude critical permanent staff appointments

- ° Operationalize and appoint the EPB
- ° Initiate external affairs program
- ° Launch remaining major program and staff activities
 - Policy Analysis and Planning [See Issue Component 4.5]
 - Cultural Resources: Env [See Issue Component 9.6]
 - Socioeconomics: Env [See Issue Component 9.8]
 - Equal Employment Opportunity/Minority Business Enterprise (EEO/MBE) [See Issue Component 2.3.5]
 - Others
- ° Complete remaining AAO designations and assignments [See Issue Component 2.3.3]
- ° Begin formulation of Citizen Environmental Advisory Council (CEAC) [See Issue Component 9.7]
- ° Begin development of field surveillance program [See Issue Component 16]
 - Identify suitable field surveillance sites
 - Develop field surveillance policies and procedures
 - Update field Compliance Manual
 - Develop organizational structure for construction management oversight and field surveillance

1 GENERAL PROJECT BRIEFING

1.1 General Description

- 1.1.1 Alaska Natural Gas Transportation System**
- 1.1.2 Office of the Federal Inspector**
- 1.1.3 Alaska Northwest Natural Gas Transportation Company**

1.2 The Historical Context

- 1.2.1 Project History**
- 1.2.2 OFI History**
- 1.2.3 Assessments**
- 1.2.4 The Phase I Experience**

1.3 Pending Project Issues

- 1.3.1 Alaska Leg Financing**
- 1.3.2 The TAGS Project**
- 1.3.3 Canadian Gas Export Issues**
- 1.3.4 Design Criteria Approval**
- 1.3.5 West Leg Phase II Right-of-Way**
- 1.3.6 East Leg Extensions/Alternatives**

1 GENERAL PROJECT ISSUES

1.1 General Description

- 1.1.1 Alaska Natural Gas Transportation System (ANGTS): ANGTS involves construction of approximately 4,800 miles of large-diameter gas transmission pipeline from Prudhoe Bay, on the north slope of Alaska, through western Canada to American markets on the West Coast and in the Midwest. It is estimated to cost about \$40 billion. The system is commonly divided into four segments: the East Leg, the West Leg, the Canadian Leg and the Alaska Leg. The ANGTS will be constructed in two phases, the first of which was called the "Prebuild" and was accomplished from late 1979 until 1982. The Prebuild consisted of construction of southern portions of the Canadian Leg, small parts of the West Leg and a substantial part of the East Leg. The West Leg was completed in October 1981 and East Leg, in September 1982. Both segments, completed on schedule and within budget, now deliver excess Canadian gas from the Province of Alberta to American consumers. ANGTS Phase II includes construction of the Alaska Leg and the substantial northern sections of the Canadian Leg. Phase II construction, scheduled originally for completion in 1985-86, has been postponed indefinitely, due to financing problems which stem from a current gas deliverability surplus and decreased domestic demand.
- 1.1.2 The Office of the Federal Inspector (OFI): The OFI is an independent, single-purpose Federal Agency created by Reorganization Plan No. 1 of 1979 (Plan) to oversee the planning, construction and initial operation of the ANGTS. At its Phase I apex in Summer 1981, the OFI employed nearly 150 people and marshalled a FY 1984 operating budget of \$21 million. Its monitoring and enforcement responsibilities, listed in the documents below, are traced to either the Alaska Natural Gas Transportation Act (ANGTA) of 1976 or the Plan, which temporarily shifted to the OFI authorities from eight Federal Agencies for the duration of the project. With the advent of project delays, the OFI initiated a series of reductions-in-force in 1982 which, by autumn 1984, had cut personnel to about 15 and the FY 1984 operating budget to \$2.96, with additional staff and budget cuts planned for FY 1985.
- 1.1.3 Alaska Northwest Natural Gas Transportation Company: A consortium of eight large North American gas transmission firms, managed by the Northwest Alaskan Pipeline Company (NWA) and united to sponsor the construction of the ANGTS Alaska Leg. The partnership, affiliated through agreement with the three Prudhoe Bay gas producers (ARCO, Exxon and Sohio), was granted

the ANGTS franchise in September 1977, when President Carter announced his Decision. Since a September 1983 merger, NWA and its parent company, the Northwest Energy Company, have been owned by The Williams Companies, Tulsa.

[Supporting Documents]

- 1.1/D1 Pamphlet, "Overseeing History's Largest Project"
- 1.1/D2 Map, Alaska Natural Gas Transportation System
- 1.1/D3 "Project Overview," 12/31/80.
- 1.1/D4 President's Decision, 9/77.
- 1.1/D5 Alaska Natural Gas Transportation Act of 1976.
- 1.1/D6 Reorganization Plan No. 1 of 1979.
- 1.1/D7 OFI Quarterly Reports.
- 1.1/D8 Figure, Alaska Northwest Natural Gas Transportation Company, 10/5/84.

1.2 Historical Context

- 1.2.1 Project History: The early project history may be traced through several official government documents and has been chronicled by three historical volumes. The Peacock and Bregha books are by Canadian authors and focus more closely on Canadian issues. (In fact, the Peacock book was financed in part by the Alberta Gas Trunk Line Company Ltd., the lead sponsor on the ANGTS Canadian Leg.) The Kling draft manuscript, particularly its second chapter, provides much more insight on the U.S. perspectives and issues.

[Supporting Documents]

- 1.2/D1 Chronology, Draft
- 1.2/D2 Peacock, Donald, People, Peregrines and Arctic Pipelines: The Critical Battle to Build Canada's Northern Gas Pipelines (Vancouver: J.J. Douglas Ltd., 1977) Copy not included.
- 1.2/D3 Bregha, Francois, Bob Blair's Pipeline: The Business and Politics of Northern Energy Development Projects (Toronto: James Lorimer & Company, 1979) Copy not included.
- 1.2/D4 Kling draft manuscript, 9/30/83.
- 1.2/D5 Mead, Walter J., Transporting Natural Gas From the Arctic: The Alternative Systems (Washington: AEI, 1977)
- 1.2/D6 Recommendation to the President, Alaska Natural Gas Transportation Systems, Federal Power Commission, 5/1/77.
- 1.2/D7 Litt Hearings, "Initial Decision on Proposed Alaska Natural Gas Transportation Systems," Federal Power Commission, Docket No. CP-75-96, etal., 2/1/77.

- 1.2.2 OFI History: Federal Inspector's testimony before a Senate subcommittee in November 1983 offers a concise history of the OFI. The OFI History, which was subject to a series of internal reviews, is the only known comprehensive history of the Agency. The Quarterly Reports, listed in 1.1/D7, summarize major OFI events.

[Supporting Documents]

- 1.2/D8 Rhett, Statement before the Subcommittee on Energy Regulation, Senate Energy and Natural Resources Committee, 11/16/83.
 1.2/D9 Kling, OFI History, 12/31/84.
 1.2/D30 Alaska Natural Gas Transportation System, Oversight Hearings Before the House Committee on Interior and Insular Affairs, Serial No. 96-22, 10/15-16/79.
 1.2/D31 Turner, "Evaluation of Government Involvement in the Trans-Alaska Pipeline Project," 4/1/81.

- 1.2.3 Assessments: The ANGTS and the OFI have been subject to a variety of analyses, from both Governmental and private sector sources. Arlon Tussing, an Alaskan economist, has been particularly astute in his assessments of the project. The latest Senate Hearing examined the ANGTS and its major challengers, including the Trans-Alaska Gas System (TAGS). The Hass "ANGTS Primer" was commissioned by the OFI in 1979 and is still a useful analysis of major issues.

[Supporting Documents]

- 1.2/D10 Tussing and Barlow, "The Struggle For an Alaska Gas Pipeline: What Went Wrong?" 3/1/83.
 1.2/D11 Hearing, "Marketing Alternatives for Alaska North Slope Natural Gas," S.Hrg. 98-743, 11/16/83.
 1.2/D12 GAO, "Issues Facing the Future Use of Alaskan North Slope Natural Gas," GAO/RCED-83-102, 5/12/83.
 1.2/D13 CRS, "Major Issues Associated with the Alaska Natural Gas Transportation Waivers," 12/18/81.
 1.2/D14 GAO, "Issues Relating to the Proposed Alaska Highway Gas Pipeline Project," GAO/EMB-80-9, 10/26/79.
 1.2/D15 Hass, "The ANGTS Primer," 6/81.
 1.2/D16 Tussing and Barlow, "The Alaska Highway Gas Pipeline: A Look at the Current Impasse," 1/12/79.

- 1.2.4 The Phase I Experience: On September 20, 1982, the Federal Inspector certified completion of the East Leg pre-build, thus signalling the official completion of the entire ANGTS Phase I project. Phase I facilities, completed on schedule and under budget, are licensed to deliver as much as 240 mmcf/day and 800 mmcf/day of Canadian gas through the West Leg and East Leg, respectively. The Lower Leg histories provide great detail on

the Phase I effort, while the Foothills "Prebuild" pamphlet offers a concise summary.

[Supporting Documents]

- 1.2/D17 East Leg History (1981), 3/31/82.
- 1.2/D18 East Leg History (1982), 1/21/83.
- 1.2/D19 "The Government Oversight Role During Compressor Station Construction," OFI East Leg After-Action Report, 1/31/83.
- 1.2/D20 "Report on Topsoil Handling Methods," OFI East Leg After-Action Report, 3/4/83.
- 1.2/D21 "Assessment of Methods of Crossing Small Streams," OFI East Leg After-Action Report, 3/4/83.
- 1.2/D22 "Report on Crossing of Drain Tile Systems," OFI East Leg After-Action Report, 3/18/83.
- 1.2/D23 "Assessment of Overall Environmental Program," OFI East Leg After-Action Report, 3/18/83.
- 1.2/D24 "Report on the Effects of Pipeline Construction on Nesting Prairie Falcons," OFI East Leg After-Action Report, 3/4/83.
- 1.2/D25 San Francisco Field Office History, 2/26/82.
- 1.2/D26 Foothills, "Prebuild: Project Overview and Gas Marketing Structure," 6/83.
- 1.2/D27 "Grant of Right-of-Way for the Alaska Natural Gas Transportation System Eastern Segment," SN M-29897, 3/11/81.
- 1.2/D28 BorderNotes, 11/83.
- 1.2/D29 Letter, Rhett to Henry, East Leg Certification, 9/20/82.

1.3 Pending Project Issues

As of January 1985, the following issues were the most important facing the OFI and other project principals.

- 1.3.1 Alaska Leg Financing: Sponsor failure to secure Alaska Leg financing, especially after passage of the 1981 ANGTA waivers, has caused the indefinite delay of Phase II construction. The statements of Jones and of the three oil company executives at the Senate Hearings represent the most recent available official statements on financing offered by the sponsor and the producers, respectively. The correspondence between McMillian and Reso et al illustrates the specific problems which led to financing failure after passage of the 1981 ANGTA waivers. Tussing and Barlow, in an early project analysis, illustrate some of the fundamental financing problems associated with the NWA approach.

[Supporting Documents]

- 1.3/D1 Statement, Vernon T. Jones (NWA), Senate Hearing on Marketing Alternatives for Alaska North Slope Natural Gas, 11/16/83.
 - 1.3/D2 Statements, Frank E. Mosier (Sohio), Stuart Mut (ARCO) and Sidney J. Reso (Exxon), Senate Hearing on Marketing Alternatives for Alaska North Slope Natural Gas, 11/16/83.
 - 1.3/D3 Solomon, Burt, "What's Next for Alaskan Gas Project?" The Energy Daily, 10:84 (5/5/82)
 - 1.3/D4 Letter, McMillian to Reso et al, Financing, 4/22/82.
 - 1.3/D5 Bankers, "Response to Sponsor/Producer Finance Committee," 4/13/82.
 - 1.3/D6 Letter, Reso et al to McMillian, Financing, 4/14/82.
 - 1.3/D7 1981 ANGTA Waivers, 10/15/81.
 - 1.3/D8 Hearings, "The President's Alaska Natural Gas Transportation Act Waiver Recommendation," Pub. No. 97-38, 10/23-26/81.
 - 1.3/D9 Tussing and Barlow, "Financing the Alaska Gas Pipeline: What is to Be Done?" 5/4/79.
- 1.3.2 The TAGS Project: In January 1983, former Alaskan governors Walter J. Hickel and William A. Egan, as co-chairmen of the Governor's Economic Committee on North Slope Natural Gas, unveiled the Trans-Alaska Gas System (TAGS), an all-Alaska pipeline alternative to the suspended ANGTS which would parallel the TAPS route. Hickel and Egan, by September 1983, united a half dozen major investors into the Yukon-Pacific Corporation, which would sponsor construction of the \$26.6 billion, 820-mile project. Although its supporters convinced President Reagan to create a joint U.S.-Japan Energy Working Group, the three Prudhoe Bay gas producers continued to support the ANGTS. Nevertheless, on May 7, 1984, Yukon-Pacific filed for a grant of right-of-way with the U.S. Department of the Interior. It cannot be issued without alteration of the ANGTS grant, which, in December 1984, was not considered very likely in the near future. OFI has no authority for this project.

[Supporting Documents]

- 1.3/D10 "Trans Alaska Gas System: Economics of an Alternative For North Slope Gas," Reeport by the Governor's Economic Committee, 1/83.
- 1.3/D11 Lowenstein, Roger, "Alaska Proposing Japan Connection," The Wall Street Journal, 1/17/83.
- 1.3/D12 Letter, Hickel to O'Connor, TAGS, 12/8/83.
- 1.3/D13 Yukon-Pacific Application for Grant of Right-of-Way, 5/7/84.
- 1.3/D14 Letter, Wolf to Treadwell, Application, 6/24/84.

- 1.3.3 Canadian Gas Export Issues: In summer and autumn 1984, the Government of Canada began to alter its gas export policy to the United States, thereby making Alberta gas imported over the ANGTS Prebuild far more competitive with U.S. domestic gas. (Volumes over the East and West Legs had averaged about 35 percent of authorization during FY 1984.) The policy appeared to have immediate effect. In October 1984, Pan-Alberta Gas, a major Canadian exporter, signed long-term gas export agreements with several U.S. buyers at reduced prices and lower guaranteed "minimum takes."

[Supporting Documents]

- 1.3/D15 News Release, "Pan-Alberta Gas Concludes New Long Term Natural Gas Export Agreements with U.S. Buyers," 10/16/84.
- 1.3/D16 Letter, Gotlieb to Abdnor, Gas Export Policy, 7/27/84.
- 1.3/D17 Speech, C. Geoffrey Edge, "Getting Ready for the Future: The U.S. Market for Canadian Gas," 3/26/84.
- 1.3/D18 Speech, C. Geoffrey Edge, "Considerations Governing the Export of Canadian Natural Gas," 12/13/83.
- 1.3/D19 Berman, New DOE Policy on Importation of Natural Gas, 2/24/84.

- 1.3.4 Design Criteria Approval: By early calendar year 1985, OFI expected to complete its approval of the sponsor's total Design Criteria Manual (DCM), an overall pre-design package composed of 30 substantive sections which would provide the basis for subsequent mile-by-mile design. Final approvals were awaiting the completion of the frost heave appendix, a near state-of-the-art procedure for predicting and mitigating frost heave effects on chilled gas pipe. Submission of the frost heave appendix, comprised of 36 volumes, was completed in September 1984. This issue is examined in greater detail in Issue Component 8, Engineering Affairs, in the Primer.

- 1.3.5 West Leg Phase II Right-of-Way: Pacific Gas & Electric and Pacific Gas Transmission, the two sponsors of the ANGTS West Leg, have applied to the Department of the Interior for their Phase II grant of Right-of-Way. In spring 1984, the Bureau of Land Management (BLM) prepared a draft grant which was submitted to OFI for comment. In the draft, BLM used the term Authorized Officer(s) rather than Federal Inspector (as in the Phase I grant) "to better reflect the exercise of enforcement authority." OFI did not concur with this change. The grant was sent to Congress for clearance in summer 1984, but returned for modification shortly afterward.

[Supporting Documents]

- 1.3/D20 Fields, Department of the Interior's Draft Grant of Right-of-Way for Phase II of the Western Leg of the Alaska Natural Gas Transportation System (ANGTS), 5/17/84.
 - 1.3/D21 Letter, Burford to Rhett, Phase II Grant, 6/30/84.
 - 1.3/D22 Right-of-Way Grant and Temporary Use Permit, Phase II, Draft, ND.
 - 1.3/D23 Letter, Rhett to Burford, Phase II Grant, 10/4/84.
- 3.1.6 East Leg Extensions/Alternatives: In summer 1984, the Northern Border Pipeline Company, sponsor consortium of the East Leg Prebuild, filed an application with the Federal Energy Regulatory Commission (FERC) to expand the capacity of its system and construct and operate a 290-mile extension from Ventura, Iowa, to Sandwich, Illinois. It would be part of a proposed "Southern Route" extension, which involves some 900 miles of new pipeline through Indiana, Ohio into Pennsylvania, and could bring Alberta gas into the Northeast. U.S. and Canadian regulatory Agencies have received applications for two alternative routes. A "Northern Route," sponsored by TransCanada Pipelines, would bring gas along the Great Lakes into New York State. A third proposal, known as MIDCONTinental, would carry Canadian gas from the East Leg Prebuild into the U.S. Southwest, to replace depleting Gulf Coast supplies. OFI presently has no jurisdiction over these three proposals.

[Supporting Documents]

- 1.3/D24 "Northern Border Files to Extend into Illinois-Phase II," BorderNotes, 7-8/84.
- 1.3/D25 "Plan New West-East Gas Import System," Pipeline, 6/84.

2 FEDERAL INSPECTOR ISSUES

2.1 The Federal Inspector

2.1.1 Origin

2.1.2 The First Federal Inspector and His Oversight Philosophy

2.2 Basic Responsibilities

2.3 Major Phase II Issues

2.3.1 Lower Leg Construction Oversight

2.3.2 Inhouse v. Contract Technical Support

2.3.3 Delegation

2.3.4 Executive Policy Board

2.3.5 EEO/MBE Policy Guidance

2.3.6 Alaska Leg Sponsor/Government Relations

2.3.7 State of Alaska Issues

2.3.8 Canadian Affairs

2 FEDERAL INSPECTOR ISSUES

2.1 The Federal Inspector

2.1.1 Origin: The Alaska Natural Gas Transportation Act (ANGTA) of 1976 provided for the creation of a new Federal officer, the Federal Inspector for the construction of an Alaska natural gas transportation system. In the President's Decision in 1977, it was decided that:

The Federal Inspector will be a Presidential appointee confirmed by the Senate and is an officer independent of other existing Federal agencies. In addition to his statutory duties under [the ANGTA], the Federal Inspector will have supervisory authority at the field level over enforcement of terms and conditions, and will otherwise coordinate Federal involvement with the pipeline operator during the design and construction phases of the project. The Federal Inspector is designed to be the principal point of contact with the pipeline owners, the contractors, State agencies, and Canadian entities on matters pertaining to Federal oversight of the project.

The Federal Inspector's role and responsibilities were more fully defined in Reorganization Plan No. 1 of 1979, which is discussed below.

2.1.2 The First Federal Inspector and His Oversight Philosophy: On June 8, 1979, John T. Rhett, Jr. was nominated by President Jimmy Carter to become the nation's first Federal Inspector. On June 22, 1979, he was subject to a Senate confirmation hearing and, upon confirmation, began his tenure on July 13, 1979. He was still serving in this capacity on January 1, 1985. The Federal Inspector believed that the OFI must emphasize the use of financial incentives for cost-effective construction and establish a responsive, responsible regulatory climate. The private sector should be provided an opportunity to build the ANGTS on schedule and at the lowest cost to the gas consumer, while adequately protecting the environment and assuring the public safety. During House Oversight Hearings in October 1979, he summarized his philosophy and objectives:

This project offers us a unique challenge to marshal the resources of a number of communities - Government, industry, financial, academic - to build an energy transportation system with significant and undisputed benefits to the nation.... While the Government is neither building or financing this pipeline, the extent of our regulatory role makes our participation critical to the success of this project. It is my job to assure that the Federal

Government exercises its duties both competently and promptly.... During the design phase, we do not plan to be a reactive organization. We plan to be completely active, helping the sponsors and their contractors resolve [prospectively] any problems that might exist.... The major thing that I do want to emphasize is that we are concentrating on trying to clear all the roadblocks early. I remain firmly convinced that early, careful planning will accomplish this objective.... The (Lower 48) construction is fairly standard, and probably the best thing the Government can do there is get out of the way.... A number of surprises will undoubtedly occur in Alaska during construction, I do not want the Federal Government's actions to be one of them.... Thus, there has to be an even-handed, reasonable approach which the companies can predict.

[Supporting Documents]

- 2.1/D1 Hearing, John T. Rhett Nomination, Senate Committee on Energy and Natural Resources, Pub. No. 96-22, 6/22/79.
- 2.1/D2 Statement, John T. Rhett, House Committee on Interior and Insular Affairs, 10/16/79.

2.2 Basic Responsibilities

The Federal Inspector's authorities, which are broad and varied, are derived from many sources, including the ANGTA, the Decision and, most prominently, the Reorganization Plan No. 1 of 1979. As the OFI General Counsel has observed, "In terms of scope of authority, the Office of the Federal Inspector (OFI) is truly unique, with no analogue in past public administration." These various authorities are examined in the documents below. The Hengerer memo provides a general assessment, while the "Summary of Federal Inspector Responsibilities" represents a more specific inventory. The Reorganization Plan provides the sources of these authorities. The Function Statement places the Federal Inspector's authority in an organizational context.

[Supporting Documents]

- 2.2/D1 Reorganization Plan No. 1 of 1979.
- 2.2/D2 "Summary of Federal Inspector Responsibilities," 12/31/80.
- 2.2/D3 Hengerer, Legal Authorities Vested in the Office of the Federal Inspector, 3/24/80.
- 2.2/D4 Functional Statement, The Federal Inspector, Draft, 10/17/80.

2.3 Major Phase II Issues

The Federal Inspector, at the outset of Phase II remobilization, will face several issues which must be addressed immediately. These issues, in part, are reviewed below. The Rhett memo cited immediately below outlines most of these issues.

[Supporting Document]

2.3/D63 Rhett, Federal Inspector's Remobilization Concerns, 12/10/84 Draft.

- 2.3.1 Lower Leg Construction Oversight: The Federal Inspector has stated an interest in examining alternatives to direct OFI administration of Lower Leg construction oversight during Phase II. One alternative might be to re-delegate OFI enforcement authorities, assigned to the OFI by Reorganization Plan No. 1 of 1979, back to the original Agencies for the East and West Legs. Another would be to sign a Memorandum of Agreement with another Federal Agency (probably a land manager such as the Bureau of Land Management or the Forest Service) to attend OFI's field surveillance responsibilities. Furthermore, the Pacific Gas & Electric California segment of the West Leg - a large part of Phase II in the Lower 48 states - might be declared an intrastate pipeline, therefore subject only to State jurisdiction.

[Supporting Documents]

- 2.3/D1 Letter, Rhett to Burford, AAO Delegation, 10/4/84.
 2.3/D2 Memorandum of Agreement between the U.S. Department of the Interior and the Office of the Federal Inspector, Alaska Natural Gas Transportation System, 5/9/83.
 2.3/D3 Letter, Bellarts to Cook, Personal Comments on Project, 2/18/82.
 2.3/D64 Bellarts, Western Leg Follow-up Activities After Closure of the San Francisco Field Office, 1/25/82.

- 2.3.2 Inhouse v. Contract Technical Support: Due to the need for immediate expertise and given the limits associated with Federal employment, OFI required contract support during Phase I. OFI's Phase II responsibilities will present the same inhouse/contract dilemma. The OFI must overcome many obstacles in order to satisfy or waive civil service restrictions while still engaging sufficient expert staff for temporary, remote duty. The Black memo generally addresses the engineering review and surveillance requirement.

[Supporting Document]

- 2.3/D4 Black, Phase II Technical Support, 9/20/83.

2.3.3 Delegation: By law, the Federal Inspector is responsible for delegating his enforcement authority, by some manner and degree, to Agency Authorized Officers (AAOs), liaison representatives of the Federal Agencies whose ANGTS authorities were assigned to the OFI. The AAOs, collocated with the OFI and under the Federal Inspector's supervision and direction, are to assist him in the enforcement of Agency compliance activities, temporarily vested in the OFI during ANGTS construction and initial operation. The proper timing, degree and nature of the AAO delegation must be determined by the Federal Inspector.

° Delegation Alternatives

[Supporting Documents]

- 2.3/D5 Kling, AAO Delegation Alternatives, 10/10/84 Draft
- 2.3/D6 Rhett, Delegation to Agency Authorized Officers, 11/30/81.
- 2.3/D7 Fields, Elaboration on Talking Points RE AAO Delegation and DOI Right-of-Way, 5/23/84.
- 2.3/D8 Kling, Preliminary Observations on the AAO Delegation Issue, 9/21/84.
- 2.3/D9 Cummings, Potential Roles of the AAOs, 11/9/81 Draft.
- 2.3/D10 "Delegation of Authority," 3/11/81 Draft.
- 2.3/D11 "Summary of AAO Responsibilities," 6/22/81.

° Original Agency Dispositions

[Supporting Documents]

- 2.3/D12 Rhett, Draft Options Paper on Agency Authorized Officer, 8/28/79.

° Legal Memoranda

[Supporting Documents]

- 2.3/D13 Hengerer, Delegation to Agency Authorized Officers, 10/30/82.
- 2.3/D14 Fields, Relationship Between Agency Authorized Officers and the Federal Inspector, 5/22/84.
- 2.3/D15 Fields, Relationship Between Delegation of Authority to AAO and Memorandum of Agreement, 5/23/84.

° Historical Analyses and Official Statements on Policy

[Supporting Documents]

- 2.3/D16 "A Short History of the Delegation Issue," 10/4/84.
- 2.3/D17 "Agency Authorized Officers," 10/31/79.
- 2.3/D18 Compliance Management, Interim Guidance.
- 2.3/D19 Letter, Rhett to Burford, Delegation, 10/4/84.
- 2.3/D62 Letter, Rhett to Burford, Delegation, 12/12/84 Draft.
- 2.3/D66 Letter, Rhett to Penfold, East Leg Agreement, 11/25/81.

2.3.4 Executive Policy Board: The Executive Policy Board (EPB) for the ANGTS, established by the President's Decision and defined by Executive Order 12142, provides advice and counsel to the Federal Inspector on project issues.

- ° Structure: The President's Decision established the EPB to provide "supervision over the Federal Inspector." The Board was first composed of the Secretaries of Interior, Energy, Transportation, the Administrator of the Environmental Protection Agency (EPA), and the Chief of the Army Corps of Engineers, or their delegates, but was expanded by Executive Order 12142 (6/21/79) to include the Departments of Agriculture, Labor and the Federal Energy Regulatory Commission (FERC), as well. Two other Agencies solicited Board membership: The State Department and the Small Business Administration (SBA). The SBA application was refused, but no action was ever taken on the State Department request.
- ° Responsibilities: The President's Decision indicated that the EPB was to exercise "Presidential supervision" over the Federal Inspector and to "act as appellate body to resolve any differences between the Agencies and the Federal Inspector." In this initial role, the EPB led the selection process for a Federal Inspector, guided development of Reorganization Plan No. 1 of 1979 and supervised OFI institution. The Reorganization Plan, however, significantly modified this role. The Plan stated that the EPB "shall advise the Federal Inspector" on the performance of his duties, but that it held no substantive authority over him. "All other functions assigned, or which could be assigned pursuant to the Decision, to the [EPB] are hereby transferred to the Federal Inspector." Executive Order 12142 stipulated that the new EPB role would be advisory and not supervisory.
- ° Major EPB Functions During Phase I:
 - ° Provide interim guidance to the OFI at remobilization, but only in the absence of a Federal Inspector and with consent of EPB Departments and Agencies.

- ° Promote cooperative relations among the EPB Agencies and facilitate joint regulatory processes, such as permitting.
- ° Provide general counsel to the Federal Inspector on a variety of project issues, including:
 - ° Help create, charter and appoint the Citizens Environmental Advisory Committee (CEAC).
 - ° Help determine the proper role and responsibilities of the AAOs.
 - ° Assist in the EEO/MBE monitoring process.

[Supporting Documents]

- 2.3/D20 Executive Order 12142, 6/21/79.
- 2.3/D21 Charter, Executive Policy Board, 7/6/78.

2.3.5 EEO/MBE Policy Guidance: OFI was responsible for implementing and enforcing a variety of equal employment and minority/female business enterprise (EEO/MBE) regulations that apply to the ANGTS, from general civil rights legislation and from specific project stipulations, such as Condition 11 of the President's Decision and Section 17 of the ANGTA. The OFI must assure that the ANGTS EEO/MBE regulations are applied to all activities connected with the project, including sponsor contracting and Agency employment.

[Supporting Documents]

- 2.3/D22 Equal Employment Opportunity, 12/31/80.
- 2.3/D23 Final Report on MBE/FBE and EEO Program Procedures and Systems, 10/31/83.
- 2.3/D24 Schroeder, NBPL-EL Discussion with Pyle/Schulz Regarding Minority-Majority Joint Ventures on the NBPL-EL, EL, ND Draft.
- 2.3/D25 Fields, Regulatory and Statutory Thresholds for Filing Affirmative Action Plans, 4/7/82.
- 2.3/D26 Fields, Equal Employment Goals, 11/24/81.
- 2.3/D27 Fields, \$150,000 Threshold for Filing Affirmative Action Plans for Procurement and Contracting and Related Matters, 10/6/81.
- 2.3/D28 Fields, Affirmative Action Plans for PGT and Northern Border, 11/21/80.
- 2.3/D29 Fields, DFI's EEO Enforcement Regulations and OFI Management Flexibility, 11/24/81.

2.3.6 Alaska Leg Sponsor/Government Relations: During Phase I, the Federal Inspector encouraged frequent, interactive relations between his Agency and the Alaska Leg sponsor, the Northwest Alaskan Pipeline Company (NWA), particularly as it regarded the design criteria development process. Although

official channels were established and followed for formal transmittals and although the sponsors did not always welcome OFI participation, a preliminary network of informal contacts occasionally did develop at the office and division levels among operational counterparts. This informal network has great potential to help avoid regulatory misunderstandings, to expedite design review and approvals, and to foster good relations between the sponsors and the Federal Government.

[Supporting Documents]

- 2.3/D67 "Project Schedule for Completion of the Alaska Natural Gas Transportation System," NWA, 11/21/84 Preliminary.
- 2.3/D30 Letter, Rhett to McMillian, Project Status, 9/7/83.
- 2.3/D31 Letter, Jones to Rhett, Project Status, 9/16/83.
- 2.3/D32 "Management Plan Draft," Chapter 1, 2 and 4, Northwest Alaskan Pipeline Company, 5/30/80.
- 2.3/D33 Letter, Rhett to di Zerega, Management Plan, 4/21/80.
- 2.3/D34 Letter, Rhett to McKay, NWA-OFI Interactions, 8/8/80.
- 2.3/D35 Remarks of Vernon T. Jones, Greater Seattle and Alaska State Chambers of Commerce, 5/7/84.

- 2.3.7 State of Alaska Issues: There are many issues involving the Federal Government in Alaska which must command the Federal Inspector's attention at the outset of Phase II remobilization. Perhaps the joint surveillance and monitoring agreement, which by law must be negotiated with the State of Alaska, is most important. The agreement, which was a focus of much activity early in the Phase I period, was never completed. Native affairs concerns are also key. Although several documents cited under native affairs recommend certain strategies and policies, none were officially endorsed by OFI management. There are a number of other major issues - the State right-of-way grant, land status determinations, pipeline alignment issues, liability for haul roads - which will require further resolution.

° Agreement

[Supporting Documents]

- 2.3/D36 "Coordination with the States," President's Decision, 9/77.
- 2.3/D37 "Joint Surveillance and Monitoring Agreement," Staff Draft, 5/28/82.
- 2.3/D38 Hengerer, Negotiating Strategies for the Joint Federal Alaska Monitoring and Surveillance Agreement, 1/16/80.
- 2.3/D39 Esposito, Joint Agreement with State of Alaska: Mo Mathews' List of Areas in Which He Feels OFI is Taking Too Hard a Stand, 11/25/81.

° State Right-of-Way Grant

[Supporting Document]

2.3/D40 Letter, Brossia to Kuhn, NWA ROW Status, 6/21/84.

° Land Status

[Supporting Documents]

2.3/D41 Letter, Stuart to Rhett, ANGTS Land Status, 9/20/84.

2.3/D42 Stuart, Land Status Along ANGTS Right-of-Way, 6/18/84.

2.3/D43 Kari, Potential State Land Selections in the Corridor,
3/13/84.

2.3/D44 Hengerer, T/A'ed Lands, 12/30/81.

° Alignment

[Supporting Documents]

2.3/D45 Quiggin, NWA Field Trip Summary Draft Report, 8/15/84.

2.3/D46 Letter, Kari to Dietrick, Alignment Atlas, 6/18/84.

° Haul Roads/Snow Roads

[Supporting Documents]

2.3/D47 Letter, Sizemore to Moles, Liability, 10/29/81.

2.3/D48 Hengerer, Permissible Regulatory Role of the State of
Alaska Over TAPS Haul Road Right-of-Way on Federal
Land, 5/20/81.

2.3/D59 Toskey, Snow Roads Update, 5/20/83.

2.3/D60 Toskey, Use of Snow/Ice Roads and Work Paks, 2/3/83.

2.3/D61 Position Paper: Use of Snow Roads, Snow/Ice Work Pads,
and Winter Construction Programs, NWA, 5/20/80.

° Native Affairs

[Supporting Documents]

2.3/D54 Helgath, Fort Peck Analysis, 11/16/82.

2.3/D55 Schroeder, Ft. Peck Situation, 3/9/81.

2.3/D56 Hengerer, OFI Enforcement Responsibility for Indian
Reservation Right-of-Way Lease, 5/22/81.

2.3/D57 Schroeder, Ft. Peck and NBPL Meeting in Minneapolis,
MN, February 24, 1981, 2/25/81.

2.3/D58 Pipeline Right-of-Way Lease, Ft. Peck Indian tribes
and NBPL, 6/25/80.

2.3.8 Canadian Affairs: During Phase I, relations with the Government of Canada - its Embassy, National Energy Board (NEB) and its OFI operational counterpart, the Northern Pipeline Agency (NPA) - were cooperative and productive. OFI officials met with the Canadians semiannually to discuss major international issues, particularly procurement policy, tariffs and the IROR mechanism.

[Supporting Documents]

- 2.3/D49 Hengerer, List of ANGTS Issues Concerning Canada/FYI, 2/10/82.
- 2.3/D50 Rhett, Trip to Ottawa, February 10-12, 1982, 2/18/82.
- 2.3/D51 Rhett, Trip to Calgary, to Visit NPA - October 1-5, 1979, 10/12/79.
- 2.3/D52 Order, "Official Contact with Canadians," ND Draft.
- 2.3/D53 Annual Report, Northern Pipeline Agency, 1982-1983, 12/30/83.
- 2.3/D65 Annual Report, Northern Pipeline Agency, 1983-1984, 12/31/84.

3 ORGANIZATION

3.1 Remobilization Task Force (RTF)

3.1.1 Nature

3.1.2 Responsibilities

3.1.3 Phase Out

3.2 Phase I Organization

3.3 Proposed Phase II Organization

3 ORGANIZATION

3.1 Remobilization Task Force (RTF)

The Remobilization Task Force (RTF) is conceived as a basic coordinative panel for Agency reinstitution. It will be led by the Federal Inspector or the Acting Federal Inspector and will be responsible for:

- ° Developing a remobilization plan, particularly with regard to preliminary OFI organization, staffing, personnel policy, budgeting, initial contract support and external affairs.
- ° Overseeing plan implementation.
- ° Directing the transition from RTF to OFI leadership of Federal project oversight.

3.1.1 Nature: The RTF should be composed of two groups.

- ° RTF Executive Board: The Executive Board should consist of perhaps seven to 10 members, which will be responsible for providing general counsel on remobilization policy development and program oversight. The panel will be composed of Departmental officials with ANGTS authorities, representing most particularly BLM (DOI), DOE, EPA, DOT, FERC and the Army Corps of Engineers. These officials could be selected, as they were during the initial OFI creation, from the Deputy Administrator or Assistant Secretary level, or from the subordinate Office Director level, as they were after legal constitution of the EPB in June 1979. They may be used as the first OFI Executive Policy Board, although this does not necessarily have to follow.
- ° RTF Staff: The RFT staff, drawn primarily from the Host Agency and, perhaps, other EPB Agencies, will bear the primary remobilization burden until an OFI "critical mass" is composed. The RFT staff, under the Federal Inspector's or Acting Federal Inspector's guidance, should develop remobilization plans and implement its proposed activities. This staff might also include some former OFI or associated project personnel. Staff could be engaged with the understanding that they would be integrated as full-time OFI personnel, upon Agency reinstitution.

3.1.2 Responsibilities: The RTF should initially have primary responsibility for five basic remobilization tasks:

- ° Staffing: The RTF must, above all, initiate and facilitate the Federal Inspector selection process, and then begin screening and hiring subordinate personnel, particularly those for critical Agency slots:
 - ° Administrative manager
 - ° Senior personnel specialist
 - ° Senior budget officer
 - ° Senior financial management official
 - ° Senior attorney-advisor
 - ° Policy analyst, primarily for organization development
 - ° Senior regulatory affairs specialist
 - ° Pipeline engineer or technical engineering consultant
 - ° External affairs specialist (with Alaskan experience)
 - ° Senior MIS specialist

In addition, the RTF (or the Federal Inspector, if he is on board) may wish to fill these positions through temporary personnel assignments from ANGTS-related Agencies (i.e., BLM, EPA, FERC or DOT) or through consulting arrangements with former OFI employees or private sector experts.

- ° Personnel Policies: The RTF must begin to examine personnel issues particular to OFI or Alaska administration and which may be required to attract qualified personnel. These items include:
 - ° Rehiring rights
 - ° Pay cap waivers
 - ° Flex-time
 - ° Overtime pay for senior grades
 - ° Lower 48 visitation privileges

These and other similar issues are discussed in more detail in Issue Component 11.

- ° Organization: The RTF must help design and immediately implement a temporary organization structure, establish basic interim operating policies and procedures and initiate regular, working relations between the OFI and other ANGTS principals. Additionally, the RTF might advise the newly-appointed Federal Inspector on options for permanent organization. It is essential to establish an organizational design and develop functional statements and position descriptions as early as possible.
- ° Budget: The RTF must identify the appropriate financial requirements and secure temporary funding to finance the remobilization process. An OMB representative should be involved in remobilization and, perhaps, might be granted a

presence on the RTF or the EPB. The RTF should also lay the necessary groundwork for the standard budget process.

- ° Liaison: The RTF must advise other government entities of the Phase II remobilization and begin initial contacts and discussions coordinating the overall government response.

3.1.3 Phase Out: The RTF, both Executive Board and staff, should hold project authority and responsibilities only until the Federal Inspector is appointed and confirmed. After the Federal Inspector is on board, he may deal with the RTF board and staff as he pleases. The RTF Executive Board might originally be designed and its members selected to evolve into the OFI Executive Policy Board, the Federal Inspector's advisory counsel, once the Federal Inspector takes charge. Certain RTF staff members might also be hired full-time by the Agency.

[Supporting Documents]

3.1/D1 OMB/OFI Task Force Briefing Book, 5/79.

3.2 Phase I Organization

The development of OFI's Phase I organization may be traced through the various documents cited below. The Murphy memo and briefing book sets forth basic OFI organizational options, posed by the original OMB/OFI Task Force which created the Agency and first considered by Rhett. The Organization Package Approval memo, signed by Rhett in October 1980, established the Agency's official organizational structure and provides functional statements for OFI's major positions during Phase I. The "Organization and Staffing of the Office of the Federal Inspector" paper, prepared for President Reagan's transition team in December 1980, further elaborates on the OFI organization and traces staffing development.

[Supporting Documents]

- 3.2/D1 Murphy, Organizational Plan and Issues - Action, 7/18/79.
- 3.2/D2 Cook, Organization Package Approval, 10/20/80.
- 3.2/D3 "Organization and Staffing of the Office of the Federal Inspector," 12/31/80.
- 3.2/D4 Rhett, Organizational Titles, 2/6/81.
- 3.2/D5 Cook, OFI Reorganization, 5/14/84.

3.3 Proposed Phase II Organization

There has been little staff development of OFI organizational options for Phase II, apart from those noted in the Introduction to the OFI Remobilization Encyclopedia. However, the Kling memorandum noted below does examine organization issues in some detail.

The proposed OFI Office of Policy Analysis, Planning and Budgeting might be the best group to lead Agency activity on organization design and development issues, given the variety of relevant skills it could bring to organizational questions. A few items on Phase II organization should be highlighted:

- ° A suitable organizational design should be established immediately, and functional statements and position descriptions should be developed accordingly.
- ° A variety of difficult personnel issues will arise, many without apparent resolution, related to civil service and pay limitations. The Agency will probably have to seek Office of Personnel Management waivers to provide satisfactory inducements to attract expert, experienced staff. The total personnel package will, in some significant part, determine the OFI's eventual mix of staff and contractor personnel.
- ° With OFI headquarters and the Federal Inspector most likely located in Alaska, the head of the Washington office (perhaps designated as an associate Federal Inspector), will have critical responsibilities for budget and liaison. He must be knowledgeable of and experienced in energy politics on the Hill, in the Departments and among the energy industries.
- ° Administration may become a particularly difficult area in the Alaskan context, but should not be a drain on the Agency's resources. Selection of qualified staff, ideally with sound Alaskan experience, should be a priority.

[Supporting Documents]

3.3/D1 Kling, OFI Phase II Organization, 10/30/84 Draft.
3.3/D2 OFI Key Personnel Roster, ND Draft

4 POLICY ANALYSIS, PLANNING AND BUDGETING

- 4.1 Basic Budget Elements
 - 4.1.1 Budget Accounts Established
 - 4.1.2 OMB/Congressional Committee Oversight
 - 4.1.3 Budget Cycle
- 4.2 Budgeting During the Pre-Remobilization Phase
 - 4.2.1 General Guidelines
 - 4.2.2 Budgeting for Stages I and II
 - 4.2.3 Budgeting for Stages III and Beyond
- 4.3 The Budget Formulation Process
 - 4.3.1 Internal Agency Development
 - 4.3.2 OBM Review and Approval
 - 4.3.3 Congressional Review and Approval
- 4.4 The Budget Execution Process
- 4.5 Policy Analysis and Planning
- 4.6 Internal Audit
 - 4.6.1 Control Systems
 - 4.6.2 OMB Circular A-123 Program
 - 4.6.3 Audit Target Areas

4 POLICY ANALYSIS, PLANNING AND BUDGETING

4.1 Basic Budget Elements

4.1.1 Budget Accounts Established:

- Annual Appropriation 52 0100 - Salaries & Expenses*
- No-Year Appropriation 52X0100 - Salaries & Expenses
- OMB ID Code 52-0100-0-1-276
- Receipts (MLA Reimbursement) . 52 2469 (General Fund)

*The third space in the account number is for the FY in question, i.e., 3 for FY 1983.

4.1.2 OMB/Congressional Committee Oversight:

- OMB/Energy & Science Division/Non-Nuclear Branch
Examiner: Mark Arnold
- Senate Appropriation Committee/Subcommittee on Interior
Staff Contact: Frank Cushing
- House Appropriation Committee/Subcommittee on Interior
Staff Contact: Neal Sigmon

4.1.3 Budget Cycle: See 4.1/D1 for a complete description of how OFI budget activities were structured within the overall Federal Government budget cycle for FYs 1982-84, and see 4.1/D2 for the history of the FY 1982 budget from the initial request to the end-of-year actuals.

[Supporting Documents]

- 4.1/D1 Budget Cycle
- 4.1/D2 Budget History

4.2 Budgeting During the Pre-Remobilization Phase

4.2.1 General Guidelines: The exact method of budgeting for this period will depend to some extent on the practices of the host Department; however, the interim budget officer should begin to integrate some of the practices outlined in the following sections to facilitate the transition back to budgeting for a fully-staffed, independent Agency.

4.2.3 Budgeting for Stages I and II of the Pre-Remobilization Phase: Budgeting for the OFI during these stages can be easily accomplished because of the small staff involved. In fact, the budgets will mostly be comprised of salary and benefit costs.

- ° Standard salary and benefit charts should be obtained from the host Department. The Department can also supply the latest air fare and per diem rates for calculating travel costs; it is up to the OFI to determine the frequency of staff travel and locations in order to come up with the final estimate.
- ° If the host Department picks up all support service costs, the OFI need only budget for salaries, benefits, travel and a contingency. If not, the budget officer should request average cost/workyear rates for supplies, printing, communications, etc., from the Department and apply them to the total number of workyears projected to ensure sufficient funding.

4.2.3 Budgeting for Stages III and Beyond: Budgeting at this point becomes far more difficult because of the increases in staff and contract support as the project becomes fully remobilized during the budget year and outyears.

- ° The guidelines provided in previous OFI budget requests can be used to help determine the rate of agency build-up and its associated costs.
- ° The intensity of operations, i.e., how many staff in a particular location, the rate of travel needed, the amount of field inspection, is something that must be decided during overall planning and policy sessions by the Federal Inspector and senior staff on board at the start of Stage III. This will drive the number of OFI workyears and the extent of contract support needed each budget year. Once these two critical variables of the OFI budget are ascertained, all that remains is the mechanical process of plugging in standard rates per workyear and adjusting for inflation.
- ° The budget staff of the host Department should be able to provide prevailing salary, benefit, travel, and other support rates per workyear for the budget year in question and for the outyears.

4.3 The Budget Formulation Process

OFI's budget formulation process for Phase I is described in detail in the Livingston memo on the "OFI Budgeting Process," cited below. It should be reviewed carefully.

- ° See the first column of 4.1/D1 (1984 Budget Development, May thru August) for an overview of the internal agency steps to develop an annual budget request.

4.3.2 OMB Review and Approval

- ° See the first column of 4.1/D1 (FY 1984 Budget Development: September thru December) for an overview of this phase of the budget formulation process.

4.3.3 Congressional Review and Approval

- ° See Column 1 of 4.1/D1 (1984 Budget Development: January thru October) for an overview of this phase of the budget formulation process.

[Supporting Documents]

- 4.3/D1 Livingston, OFI Budgeting Process, 7/10/84 Draft
- 4.3/D2 FY 1983 Budget Request
- 4.3/D3 FY 1984 Budget Development
- 4.3/D4 Budget Estimates, Fiscal Year 1984
- 4.3/D5 Budget Justification, Fiscal Year 1984

4.4 The Budget Execution Process

The OFI budget execution process for Phase I is described in detail in the Livingston memo.

[Supporting Documents]

- 4.4/D1 FY 1983 Operating Budget
- 4.4/D2 OFI Financial Status, Summary Report

4.5 Policy Analysis and Planning

The OFI Policy Analysis office was never fully developed during Phase I activity. A function statement of the office's original objectives is attached.

[Supporting Documents]

- 4.5/D1 Functional Statement, Policy Analysis
- 4.5/D2 Cook, Reporting System Requirements, 2/25/81.
- 4.5/D3 Cook, Work Planning, 5/1/80.
- 4.5/D4 Cook & Matthews, FY 1983 Planning System, 7/19/82.
- 4.5/D5 Cummings, OFI Planning System, 1/29/82.

4.6 Internal Audit

This function, directed with security activities within the OFI's Office of Administration during Phase I, might best operate with the Policy Analysis and Planning operation. Special arrangements might

be established, however, so that the OFI chief auditor reports directly to the Federal Inspector or a deputy on internal audit matters.

4.6.1 Control Systems: Control systems might be established for the functions listed below.

- ° Property Inventory: An inventory of all OFI property should be established at the outset and maintained carefully. This might be accomplished through automated programs, developed in cooperation with the MIS operation.
- ° GTRs: A simple system for controlling GTRs, administered by the financial management division, should be implemented.
- ° Separation of Duties: Organizational responsibilities can be distributed such that OFI offices and divisions provide a procedural check on each others activities. This may be illustrated in the property area, where the contract office would attend purchasing; financial management office, accounting; and the support services office, receiving and inventory.
- ° Sensitive Documents: A system should be established in cooperation with the OFI General Counsel.
- ° Imprest Funds: OFI may wish to supplement standard control guidelines furnished by the Treasury Department regarding imprest fund management.

4.6.2 OMB Circular A-123 Program

4.6.3 Audit Target Areas

- ° Financial Management
 - ° Accounts receivable/Accounts payable
 - ° Travel activities and GTRs
 - ° Imprest Funds
- ° Contracts
 - ° Procurements
 - ° MOU/IAG monitoring
- ° Support Services
 - ° Inventory

- Personnel Management

- Performance appraisal
- Merit pay
- Incentive awards
- Training
- EEO/MBE
- Discipline and grievance procedures
- Supervisory, managerial and executive development programs
- Pre-retirement counseling/planning

- Field program activities

[Supporting Documents]

4.6/D1 OMB Circular A-123

4.6/D2 Staff Paper: Internal Audit

5 GENERAL COUNSEL

5.1 Federal Inspector Authority and Responsibilities

5.2 Nature of Duties and Responsibilities

5.3 OFI-State Relations

5.3.1 Litigation

5.4 General Counsel Memoranda

5.4.1 OFI Authority

5.4.2 OFI Contracting

5.4.3 Equal Opportunity Program

5.4.4 Cost Control/FERC Functions

5.4.5 Cost Reimbursement

5.4.6 Joint Federal/Alaska Agreement

5 GENERAL COUNSEL

5.1 Federal Inspector Authority and Responsibilities

The concept of a Federal Inspector for the Alaska Natural Gas Transportation System (ANGTS) arose initially in the Alaska Natural Gas Transportation Act (ANGTA), 15 USC 719e(5). He was to establish a joint surveillance and monitoring agreement with the State of Alaska, monitor compliance with applicable laws and the terms and conditions of Federal Government authorizations, and monitor actions taken to assure timely and cost-effective construction, with safety and environmental concerns adequately addressed. The President's Decision and Report to Congress on the Alaska Natural Gas Transportation System (Decision), 9/77, expanded the Federal Inspector concept to include enforcement of terms and conditions contained in the Decision (at pp. 26-40) and enforcement of terms and conditions contained in authorizations of those Federal Agencies having statutory responsibilities over ANGTS.

The structure of the Federal Inspector as it exists was actuated by the President's Reorganization Plan No. 1 of 1979 (Plan). The Office of the Federal Inspector (OFI) was established as an independent agency within the Executive Branch. The Plan transferred all Federal enforcement authority relevant to ANGTS to the Federal Inspector. The Plan became effective on July 1, 1979, pursuant to Executive Order 12142 of June 21, 1979. (44 F.R. 36297, June 25, 1979)

[Supporting Documents]

- 5.1/D1 Alaska Natural Gas Transportation Act, 15 USC 719 et al.
- 5.1/D2 President's Decision and Report to Congress on the Alaska Natural Transportation System, 7/77.
- 5.1/D3 Reorganization Plan No. 1 of 1979.
- 5.1/D4 Executive Order 12142 (44 FR 36927), 6/21/79.
- 5.1/D5 Requirement for Equal Opportunity During Construction and Initial Operation of the Alaska Natural Gas Transportation System (45 FR 31095), 5/12/80.
- 5.1/D6 Employees Standards of Conduct for OFI, 10 CFR Part 1506.
- 5.1/D7 Enforcement Procedures for Equal Opportunity Regulations, 10 CFR Part 1534.
- 5.1/D8 Statement of Policy on General Standards and Procedures for Rate Base Audit and Approval for the Alaska Natural Gas Transportation System, 10 CFR Chapter XV.
- 5.1/D9 Regulations Governing Information Gathering, Treatment of Sensitive and Proprietary Documents and Processing Requests for Public Access, 10 CFR Part 1504.

5.2 Nature of Duties and Responsibilities

The General Counsel's Office is involved in practically all of OFI's program activities. OFI, through the Plan, exercises the enforcement authority of:

- ° Environmental Protection Agency
- ° Army Corp of Engineers
- ° Department of Transportation
- ° Federal Energy Regulatory Commission
- ° Department of the Interior
- ° Department of Agriculture
- ° Department of the Treasury
- ° Department of Labor

Upon review of the respective regulatory and statutory authorities, this Office advises OFI's managers and staff as to what actions are necessary to comply with applicable legal requirements. The Office also assures that OFI complies with statutes and regulations directed at the Agency's internal and administrative functions such as freedom of information issues, employee standards of conduct, Federal Government equal opportunity issues, and financial disclosure matters. Currently, OFI does not have independent litigation capability. However, flexible arrangements have been worked out in the past with the Justice Department, allowing OFI to represent itself without Justice coordination. These decisions are made on a case-by-case basis.

5.3 OFI-State Relations

The Office has participated in negotiations with states traversed by ANGTS to address environmental and safety concerns. A Memorandum of Agreement was executed with the State of North Dakota. An agreement with the State of Alaska has not been finalized. Significant progress was made during the OFI-Alaska negotiations. While discussions are not being pursued now, the process will be revived when the project becomes viable.

5.3.1 Litigation

Relations with the states have not been trouble-free. In fact, OFI's litigated cases have involved disputes with state regulatory commissions. In 1980, the North Dakota Public Service Commission attempted to change the route of that portion of ANGTS traversing the State. The Federal Inspector and the Federal Energy Regulatory Commission filed a suit in the United States District Court for North Dakota for injunctive relief. OFI's position was that the Federal government, through executive, legislative, and regulatory action had chosen the route for the pipeline, and all the states, including North Dakota were preempted from making any

significant routing changes. The court decided the case in the Federal Government's favor.

The second case involved the Iowa State Commerce Commission (ISCC). The Federal Inspector, in his rate base determination for the Northern Border Pipeline Company, included profits paid to the Northern Engineering International Company (NEICO). The ISCC challenged that portion of the final determination on the grounds that the "no profit to affiliates" rule precluded the Federal Inspector from allowing the inclusion of profits to NEICO. In the Iowa State Commerce Commission v. Federal Inspector, the U.S. Court of Appeals for the District of Columbia Circuit rejected the ISCC's arguments and affirmed the Federal Inspector's rate base determination.

[Supporting Documents]

- 5.3/D1 North Dakota Siting Statute Implementation Consistent with Court Judgement Limiting State's Role, 4/15/81.
- 5.3/D2 Analysis of Court's Decision in Iowa State Commerce Commission v. Office of the Federal Inspector, 5/4/84.

5.4 General Counsel Memoranda

5.4.1 OFI Authority

[Supporting Documents]

- 5.4/D1 OFI Waiver Authority, 8/23/79.
- 5.4/D2 Legal Authorities Vested in the Office of the Federal Inspector, 3/24/80.
- 5.4/D3 Legal Status of Pacific Gas & Electric Co.'s Proposed Facilities within California, 1/29/81.
- 5.4/D4 Legal Interpretation of the Reorganization Plan Provision for Federal Inspector Delegation of Enforcement Authority to AAO's, 5/4/81.
- 5.4/D5 Federal Inspector Authority to Modify or Waive Permit Conditions and Other Legal Requirements, 8/12/81.
- 5.4/D6 Separation of Functions and Ex Parte Contacts, 2/26/82.
- 5.4/D17 Legislative and Regulatory Changes for the Alaska Natural Gas Transportation System Prior to Remobilization, 6/13/84 Draft.

5.4.2 OFI Contracting

[Supporting Documents]

- 5.4/D7 Indemnification Agreements, 1/7/80.
- 5.4/D8 Contractor Conflicts of Interest, 9/4/80.
- 5.4/D9 Termination of Contract for Convenience, 5/24/82.

5.4.3 Equal Opportunity Program

[Supporting Documents]

5.4/D10 Affirmative Action Plans and Sponsors' Contractors,
10/9/80.

5.4/D11 Whether ANGTS is a Government Contract, 5/21/81.

5.4.4 Cost Control/FERC Functions

[Supporting Documents]

5.4/D12 Overview and Analysis of IROR, 12/18/80.

5.4.5 Cost Reimbursement

[Supporting Documents]

5.4/D13 Cost Reimbursement Regulations, 5/21/84.

5.4.6 Joint Federal/Alaska Agreement

[Supporting Documents]

5.4/D14 Permissible Regulatory Role of the State of Alaska
over TAPS Haul Road Right-of-Way on Federal Land,
5/20/81.

5.4/D15 Joint Agreement with State of Alaska Philosophical
Issues Briefing Paper, 1/18/82.

5.4/D16 Enforcement of State Laws, Especially the Alaskan
Fish and Game Code, on Federal Lands, 11/19/79.

6 EXTERNAL AFFAIRS

6.1 Principal Contacts

- 6.1.1 Private Entities**
- 6.1.2 Governmental Entities**
- 6.1.3 Other Entities**

6.2 Quarterly Reports

6.3 Public Information Services and Publications

- 6.3.1 OFI Project Directory**
- 6.3.2 OFI Update**
- 6.3.3 INFO BOOK**
- 6.3.4 "Overseeing History's Largest Project"**
- 6.3.5 Information Clearinghouse**
- 6.3.6 Public Inquiries**

6.4 Internal Services and Publications

- 6.4.1 Legislative Tracking**
- 6.4.2 Speeches**
- 6.4.3 Congressional Testimony**
- 6.4.4 Press Clips**

6.5 Basic Information Resources

- 6.5.1 General Reference**
- 6.5.2 Periodicals**
- 6.5.3 Institutional Resources**

6 EXTERNAL AFFAIRS

6.1 Principal Contacts

The OFI, during the Phase I Prebuild and subsequent demobilization, maintained official relations with the following key groups and individuals. They should be reestablished at the initial stage of remobilization, with names, titles, addresses and phone numbers maintained in an automated Project Directory.

6.1.1 Private Entities

- ° Alaska Leg Sponsor: Northwest Alaskan Pipeline Co. (NWA), Salt Lake City, through the Northwest Pipeline Company, owned by the Williams Companies, Tulsa.
- ° Alaska Partnership: Alaska Northwest Natural Gas Transportation Company, comprised of seven natural gas transmission firms and operated by NWA.
- ° East Leg Sponsors: Northern Border Pipeline Co., operated by Northern Plains Natural Gas Co., Omaha.
- ° West Leg Sponsor: Pacific Gas Transmission (PGT) and PG&E, both of San Francisco.
- ° Producers: ARCO, Exxon and Sohio, owners of the Prudhoe Bay gas and affiliated with the partnership by agreement.
- ° Canadian Sponsors: Foothills Pipelines Ltd., managed by NOVA, Calgary.
- ° Trans-Alaska Pipeline System: Alyeska Pipeline Company, Anchorage.

6.1.2 Governmental Entities

- ° Federal Agencies: The following Federal Agencies are associated with the OFI through Reorganization Plan No. 1 of 1979, which transferred authorities from these Departments/Agencies to the OFI and established EPB and AAO representation for them. The Department of State is also involved in energy export issues.
 - ° Department of the Interior (Bureau of Land Management)
 - ° Federal Energy Regulatory Commission
 - ° Department of Energy
 - ° Environmental Protection Agency
 - ° Department of Transportation

- ° Army Corps of Engineers
- ° Department of Agriculture
- ° Department of the Treasury
- ° Federal Agency Field Offices: Various Federal Agencies, which may provide either consulting (HCERS, for cultural resources) or right-of-way surveillance (BLM, on West Leg prebuild) services to OFI under Memoranda of Agreement.
- ° Alaskan Congressional Offices
- ° Congressional Committees: Most OFI contacts are with staff directors or associates with ANGTS responsibilities.
 - ° General Policy Matters
 - ° Senate Committee on Energy and Natural Resources, McClure (R-Idaho) chair.
 - ° House Committee on Energy and Commerce, Dingell (D-Mich) chair.
 - ° House Committee on Interior and Insular Affairs, Udall (D-Ariz) chair.
 - ° Appropriations
 - ° House Committee on Appropriations, Subcommittee on the Department of the Interior and Related Agencies, Yates (D-NY) chair.
- ° State of Alaska: State Pipeline Coordinator's Office, closed in 1983, will probably reconstitute to provide consolidated project oversight and single point of State contact on project issues.
- ° Government of Canada: National Energy Board (NEB), with general regulatory responsibility; Northern Pipeline Agency (NPA), an OFI counterpart Agency in the Transport Ministry created specifically for ANGTS oversight; and the Canadian Embassy, for liaison and information.

6.1.3 Other Entities

- ° Consultants and Contract Support: Payroll, organization, financial management, engineering & technical assistance, ADP, rate base auditing - both Federal Agencies and private firms.
- ° Arctic Energy Experts: Army Corps of Engineers Cold Regions Laboratory (CRL) composed of Arctic engineering specialists

who advise the OFI on matters such as frost heave; and Alaska natural gas experts, such as Jerome Hass, Cornell business professor, and Arlon Tussing, Seattle-based energy consultant.

- ° Former OFI Employees: Particularly office and division directors and Alaska Field Office personnel.

[Supporting Documents]

6.1/D1 OFI Directory, 2/15/85.

6.1/D2 Roster: Alaska Northwest Natural Gas Transportation Company.

6.1/D3 Description - Office of External Affairs, 12/31/80.

6.2 Quarterly Reports

In accordance with Section 7(a)(5)(E) of the Alaska Natural Gas Transportation Act of 1976 (ANGTA), the Federal Inspector must submit quarterly reports to the President and the Congress on the status of the ANGTS. As of March 31, 23 such reports had been issued. The task was supervised directly by the Federal Inspector and coordinated by his special assistant, with office directors, other Agencies, Canadian officials and sponsor firms providing substantive input.

[Supporting Documents]

6.2/D1 OFI Quarterly Reports File.

6.3 Public Information Services and Publications

The OFI sponsored several public information services and publications:

6.3.1 OFI Project Directory: Listing of names, titles, organization, addresses and phone numbers of all leading project officials, compiled (1) alphabetically and (2) by organization.

6.3.2 OFI Update: Newsletter (four to 12 pages) on major project developments, as they occur. Served also as medium for official news releases.

6.3.3 INFO BOOK: General information handbook, consolidating information on the system, its routing, ownership and specifications; Congressional and administrative history; the OFI, its authorizing legislation, organization and responsibilities; and chronology of major project developments, as well as maps, photographs, etc.

6.3.4 "Overseeing History's Largest Project": Basic public information pamphlet on the Agency and project.

6.3.5 Information Clearinghouse: Repository for a wide variety of other materials, both governmental and private sector (non-proprietary), on the ANGTS. These include NWA maps, Foothills program reports, Federal Register notices, relevant bills, project reports and assessments.

6.3.6 Public Inquiries: Address sponsor, Congressional, other intergovernmental or public inquiries on OFI and ANGTS.

[Supporting Documents]

6.3/D1 OFI Project Directory, 10/1/82.

6.3/D2 OFI Updates

6.3/D3 INFO BOOK

6.3/D4 Pamphlet: "Overseeing History's Largest Project"

6.4 Internal Services and Publications

6.4.1 Legislative Tracking: The office monitors the composition and affairs of Congressional committees dealing with OFI, ANGTS and major energy issues.

6.4.2 Speeches: The office assists Agency officials, particular Federal Inspector, in speech preparation.

6.4.3 Congressional Testimony: The office prepares briefing books and supporting documentation for OFI appearances before Congressional committees.

6.4.4 Press Clips Circulation: The office engages and supervises clipping service and circulate among staff major news accounts of project, major energy and related developments.

[Supporting Documents]

6.4/D1 Press Clips sample, 1/26/83.

6.5 Basic Information Resources

The OFI utilizes many information sources to keep its employees apprised of major project and energy issues. These resources may be categorized as follows:

6.5.1 General Reference

6.5.2 Periodicals

6.5.3 Institutional Support

- ° Northwest Alaskan Pipeline Company, Salt Lake City
- ° State Pipeline Coordinator's Office, Fairbanks
- ° Institute of Social and Economic Research, University of Alaska, Fairbanks
- ° Library, Federal Energy Regulatory Commission, Washington

[Supporting Document]

6.5/D1 OFI Periodicals, 2/8/84.

7 REGULATORY AFFAIRS

- 7.1 Certificate of Public Convenience and Necessity**
 - 7.1.1 Actions Required Prior to Certification**
 - 7.1.2 Certification Cost and Schedule Estimate (CEE)**
 - 7.1.3 Management Plan**
 - 7.1.4 "Date Certain" for Completion**
- 7.2 Canadian Issues**
- 7.3 IROR Mechanism**
- 7.4 Cost and Schedule Control System**
- 7.5 Audit Policy and Procedures**
 - 7.5.1 Audit Policy**
 - 7.5.2 Audit Issues During Phase I**
 - 7.5.3 FERC Delegation/AAO**

7 REGULATORY AFFAIRS

7.1 Certificate of Public Convenience and Necessity

7.1.1 Actions Required Prior to Certification

- ° A NWA list of actions required prior to FERC certification is referenced below. OFI will need to track and assist as necessary on all such actions. The actions described at 7.1.2, 3, and 4 require particular attention.
- ° A minimum of six months would be required for FERC to issue a Final Certificate for the Alaskan Leg, assuming a high priority is given to the project. It is likely that an Administrative Law Judge (ALJ) would be assigned to complete the record and that FERC (and, ideally, OFI) staff would be assigned to assist the ALJ.

[Supporting Documents]

7.1/D1 "Actions Required Prior to Full Remobilization of the Project and Initiation of the Five-Year Engineering/Construction Schedule," NWA, 12/9/83.

7.1/D24 "Project Schedule for Completion of the Alaska Natural Gas Transportation System - A Key Consideration for Project Regeneration," NWA, 11/21/84 Preliminary.

7.1.2 Certification Cost and Schedule Estimate (CCE)

- ° Many cost issues were deferred by the FERC, including management plan costs, socioeconomic costs, highway costs, government monitoring and AGCF CCE. Also, the approved CCE components may need to be revised because of subsequent design changes. (A significantly revised AGCF filing has already been prepared by NWA.) All these issues will have to be addressed immediately after the "market signal" is officially recognized by the sponsors.
- ° It is presumed that OFI will again take a joint role with FERC in evaluating the CCE components. This role is important because the experience is necessary in administering the design change procedures (see Adger/Berman Report and IROR History Paper).
- ° A technical support contractor will be needed to assist in evaluating the CCE, comparable to Williams Brothers during Phase I. This contractor will need to be experienced in cost estimating and arctic construction. Consequently, the

11-7/3

same contractor may also be useful in evaluating NWA's Management Plan (see 7.1.3.) and NWA's cost and schedule control system (see 7.4).

[Supporting Documents]

- 7.1/D2 Adger/Berman Report, August 21, 1981.
- 7.1/D3 Smoler/Berman Report, April 16, 1982.
- 7.1/D4 Smoler/Berman Report, March 9, 1983.
- 7.1/D5 Order Establishing Cost Estimate and Center Point Values, and Resolving other IROR Issues, September 21, 1982.
- 7.1/D6 Order on Rehearing, February 18, 1983.
- 7.1/D7 Order Amending CCE, July 18, 1983.
- 7.1/D8 Williams Brothers Analyses of CCE Filings.

7.1.3 Management Plan

- ° OFI approval of NWA's "Detailed Overall Management Plan" is needed, together with an assessment of the management cost component of the CCE before FERC can issue its Certificate. (The cost and manpower evaluation is important because it establishes the incentive fee target under Fluor's PMC contract.) NWA's overall plan, included with its 7/1/80 FERC Certificate Filing was generally inadequate; detailed component plans (e.g., Logistics) will need to be reviewed and approved. It is possible that full OFI approval will be impossible prior to issuing the Certificate since some of the plans will not be completed until much later. Thus, some approach to a "general" or conditioned approval will need to be negotiated with the FERC.

[Supporting Documents]

- 7.1/D9 Guidelines for Project Management Plans, 1/11/80.
- 7.1/D10 Letter, Rhett to MacKay, Management Plan, 5/23/80.
- 7.1/D11 Letter, Kuhn to Rhett, 6/2/80.
- 7.1/D12 Letter, Rhett to MacKay, 6/6/80.
- 7.1/D13 Major Items Required from NWA Prior to Management Plan Approval, 11/25/81.
- 7.1/D14 Letter, Rhett to MacKay, 1/8/82 Draft.
- 7.1/D15 Letter, Templeton to Wolfe, Financial System, 4/2/82.
- 7.1/D16 Templeton, Trip Report on NWA's Systems Meeting of April 21, 1982, 4/26/82.
- 7.1/D17 Letters, Kari to Kuhn, Logistics Plans, 8/12/83 Draft.
- 7.1/D18 Letter, Rhett to MacKay, Management Plan, 1/11/80.
- 7.1/D19 Letter, Rhett to Kuhn, Information Systems, 5/8/84.

7.1.4 "Date Certain" for Completion

- ° The ANGTS waiver package provides for "pre-billing" of tariffs when a segment is completed but not before (1) a date certain (to be set by FERC in consultation with OFI) and (2) completion and testing of the segment.
- ° The definition of "completion" was dealt with on the Eastern Leg and the same definition should be applied to the Alaskan Leg.
- ° The granting of "leave to open" in Canada is not synonymous with "completion" since it does not require full completion and testing.

[Supporting Documents]

- 7.1/D20 Hengerer, Federal Inspector Billing Authority, 7/1/82.
- 7.1/D21 Letter, Rhett to Henry, 8/27/82.
- 7.1/D22 Hengerer, Relation of the Testing and Commissioning Procedures Employed for Completion of the East Leg "Prebuild" of ANGTS to Those Required by Law for the Northern Segments of ANGTS, 9/17/82.
- 7.1/D23 Letter, Rhett to Henry, 7/20/82.

7.2 Canadian Issues

The attached February 10, 1982 issue paper prepared by Ned Hengerer, as annotated in the margin, serves as a useful summary of Canadian Issues

[Supporting Documents]

- 7.2/D1 Hengerer, List of ANGTS Issues Concerning Canada/FYI, 2/10/82.

7.3 Incentive Rate of Return (IROR) Mechanism

The Incentive Rate of Return (IROR) mechanism, required by the President's Decision and defined in detail by the FERC in a series of orders, was created to prospectively identify project costs and to reward superior construction performance. Under this mechanism, which is applicable to the Alaska Leg, equity investors in the project receive a higher rate of return on their equity if the actual construction costs are below the final estimate and a lower rate of return if the project incurs excessive overruns. Berman's IROR History Paper best summarizes the major issues and developments, while a variety of other papers cited below elaborate on general IROR philosophy and specific mechanism characteristics.

[Supporting Documents]

- 7.3/D1 Berman, "Evaluation of the Incentive Rate of Return Mechanism for the Alaska Natural Gas Transportation System," OFI, 11/14/84.
- 7.3/D2 "Potential Organizational Problems of the Proposed Alaska Natural Gas Pipeline Project," A Rand Note, 1/80.
- 7.3/D3 "Recommended Inflation Adjustment Under the IROR Procedure," 3/7/79.
- 7.3/D4 "The Appropriate Price Index for the Cost Performance Ratio of the Alaska Gas Pipeline," 3/9/79.
- 7.3/D5 "Determining the Project Risk Premium for the Alaska Segment of the Alaska Natural Gas Transportation System," 2/12/79.
- 7.3/D6 Revised Notice of Proposed Rulemaking, FERC Docket No. RM78-12, 9/15/78.
- 7.3/D7 "Comments of Alaska Northwest Natural Gas Transportation Company" to Docket No. RM78-12, 5/31/78.
- 7.3/D8 "Change of Scope Mechanism," Special Report Prepared for FERC, Draft, 10/79.
- 7.3/D9 "Risk, Return and the IROR Plan," 3/79.
- 7.3/D10 "On the Treatment of Risk and Uncertainty in Determining Change in Scope Allowability and Center Point Establishment in the Alaska Gas Pipeline IROR Mechanism," 3/79.
- 7.3/D11 "Price Indices for Adjusting the Cost Performance Ratio of the Alaska Gas Pipeline: Analysis and Recommendations," 3/29/79.

7.4 Cost and Schedule Control System

OFI's cost/schedule control experiences on the East Leg and recommendations for a system for Phase II are contained in a draft report prepared by Richard Otter in March 1983. OFI's needs in the cost/schedule area are also outlined in the OFI "Briefing to NWA" on Field Construction Management Systems Briefing Package on East Leg, contained in Issue Component 16.3. The proposed system places maximum reliance on sponsor-provided data without the need for re-summarization by OFI. Consequently, the report recommends a series of actions aimed at assuring that the Sponsor's cost/schedule system is properly designed and maintained. These include:

- Early and continuing involvement with the Sponsor in system development and implementation efforts.
- Development of OFI's internal system and procedures for data analysis and reporting prior to the start of construction.

- ° Development of an effective quality control function for cost/schedule data within the Sponsor organization, and an OFI surveillance program that complements it. Elements would include:
 - ° Full system "audit" prior to start of construction.
 - ° Continuous cycle audits of sponsor's field and home office cost/schedule systems. (The more effective the system, the fewer required audits.)
 - ° A reconciliation between the sponsor's financial accounting system and its cost control system should be required on an annual basis (WBS Level I - project). The reconciliation need not be 100 percent, but should assure that no significant differences exist which cannot be accounted for.

The draft also describes the types of reports that OFI should require from the Sponsor. These include:

- ° Regular
 - ° Weekly Production Reports - WBS Level IV (e.g., linear feet of trench dug, welds completed, etc.)
 - ° Monthly Summary Progress Reports - WBS Level II
 - ° Monthly Summary Cost Reports - WBS Level II
- ° Exception
 - ° Weekly Progress Reports with narrative explanation of major variances - WBS Level III
 - ° Monthly Cost Reports with narrative explanation of major variances - WBS Level III
 - ° Quarterly Cost Deviation (from baseline estimate) Report - WBS Level III

While the draft describes these reports in some detail, it should be understood that both the types of reports and/or their specific content may need to be changed to reflect both OFI's management philosophy at the time and the cost/schedule control system adopted by the sponsors and their PMC. For example, the reporting of "earned value" information may be useful but if the sponsor does not plan to use it and it cannot be produced from the sponsors' system without major system changes or data inputs, its need should be reconsidered.

Generally, the CSCS being considered by NWA (particularly, Fluor's Premis/Pecom System, renamed FACT/FAST) appears capable of meeting OFI's needs, assuming adequate arrangements can be made with NWA regarding data and system sharing. NWA's "Information Systems and Communications Remobilization Strategy and Plan, April 4, 1984," is consistent with this assumption.

As noted in the report, OFI should consult with the sponsors on these matters as early as possible in the remobilization process so that OFI's needs can be met with the least possible duplication of effort.

[Supporting Documents]

- 7.4/D1 Briefing Outline, "Cost/Schedule Review System," 3/22/83.
- 7.4/D2 Otter, "Review of OFI and Sponsor Cost/Schedule Systems for ANGTS," 3/83 Draft.

7.5 Audit Policy and Procedures

7.5.1 Audit Policy

OFI's audit and rate base policy was published in the Federal Register in October 1981. Generally, the policy is still applicable, except for two aspects: (1) timing of rate base determinations, and (2) threshold for determining imprudence.

The timing factors contemplated in the policy for OFI determinations proved to be unworkable and were ignored in Phase I (i.e., audits were on a quarterly basis but rate base determinations often covered three or more quarters). While quarterly audits are feasible, quarterly rate base determinations are not practical and are probably unnecessary as long as quarterly cost breakdowns are maintained by the sponsors. Thus, six-month or even annual audit cycles should be considered for Phase II if cost savings will result from it.

The systems review portion of the rate base determination can be an ongoing function, culminating at the end of the audit cycle. Ideally, rate base determinations should be made annually (December 31 cutoff) so that a full construction season's experience can be assessed and any needed system changes can be made before the start of the next season. (This does not rule out "quick fixes" but the East Leg experience indicates that major changes in construction procedures can be difficult to implement while construction is in full stride.) These timing considerations can be internalized by the audit contract solicitation package without much difficulty and the bidders can be asked to provide estimates for different options.

With regard to the threshold for determining imprudence, the Audit Policy states that the OFI-approved cost estimate " . . . will be presumed reasonable for purposes of rate base formation. Only significant cost increases will be scrutinized for prudence." This Policy was designed to provide greater regulatory certainty in light of OFI's extensive reviews and approvals. However, the East Leg reviews were not as extensive as those contemplated in

the Policy and a "fat" cost estimate gave the East Leg Sponsors an unwarranted cushion for rate base purposes. This area should be reconsidered before remobilization.

7.5.2 Audit Issues During Phase I

The audit issues encountered during Phase I are fully described in the issued OFI Tentative and Final Determinations and related Public Files. These should be reviewed in preparation for Phase II planning and contracting. The Berman Audit Issues paper discusses those issues which were important as a precedent or are likely to reoccur.

[Supporting Documents]

- 7.5/D1 Berman, Audit Issues Paper, 11/15/84.
- 7.5/D2 "Statement of Policy on General Standards and Procedures for Rate Base Audit and Approval for the ANGTS," Federal Register, 10/19/81.
- 7.5/D3 Rate Base Determinations File.
- 7.5/D4 Main Hurdman Contract, ND Draft.
- 7.5/D5 Hengerer, Treatment of Lobbying Expenses in OFI Rate Base Determination, 10/14/82.
- 7.5/D6 Fields, The No Profit to Affiliates Rule and Its Applicability to Northern Border Pipeline Company, 9/27/82.
- 7.5/D7 Fields, Analysis of the Court's Decision in Iowa State Commerce Commission v. Office of the Federal Inspector (D.C. Cir. No. 83-2156), 5/4/84.
- 7.5/D8 Compliance Assurance Procedures, "FIFR Involvement in the OFI Rate Base Approval Process," ND.
- 7.5/D9 Fields, Separation of Functions and Ex Parte Contacts, 2/26/82.
- 7.5/D10 Audit and Cost Analysis, Approval of Major NWA Contracts, 12/14/81 Draft.
- 7.5/D11 Berman, Audit Contractor Bid Package, ND Draft

7.5.3 FERC Delegation/AAO Issues

When agencies were asked to designate AAOs to OFI, the FERC apparently decided that the proposed duties of OFI's Director of Audit and Cost Analysis were already consistent with the duties of any AAO it would assign to the project. Consequently, rather than assign one of its own people as AAO, FERC staff (the Alaskan Delegate and the Chief Accountant) participated in OFI's selection of the Director. Commissioner Sousa, designated lead Commissioner for the ANGTS project, was subsequently asked by OFI staff to prepare an order designating the Director as FERC's AAO. However, Sousa could see no useful purpose being served by such an order and so no formal designation was ever made.

The Commission's "comfort" in this area apparently stemmed from the completeness of OFI's rate base authority over ANGTS as conveyed under Reorganization Plan No. 1 of 1979 and FERC Delegation Order No. 2. (OFI's General Counsel always insisted that OFI's rate base authority was complete under the Reorganization Plan alone; however, FERC staff did not share this view and the Delegation Order was prepared to remove any doubt.) In any event, an excellent rapport was established between the Director and Commissioner Sousa's Office, the Alaskan Delegate and the Chief Accountant's Office; and the Director consulted with the appropriate FERC offices on all controvertial issues.

Congressman Dingell was uncomfortable with FERC's delegation of rate base authority to OFI and asked FERC to respond to a series of questions about it. The questions and answers are documented in the letter from Chairman Georgiana Sheldon to Congressman Dingell. It should be kept in mind that similar concerns may be raised again during remobilization, either by Congressman Dingell or the FERC staff. Questions might be raised about OFI's rate base approval procedures (see 7.5/D1). It is important that OFI retain this authority, both because of the leverage gained from the ability to deny rate base treatment for imprudent expenditures and, more importantly, the ability to assure that determinations on prudence are made on a real-time basis using the full technical capabilities of OFI.

[Supporting Documents]

- 7.5/D11 Letter, Sheldon to Dingell, undated.
- 7.5/D12 FERC Delegation Order No. ANGTS-2 to the OFI, 12/19/80.

8 ENGINEERING AFFAIRS

8.1 Overview

8.1.1 General Principals

8.1.1 Scope

8.2 Regulatory Management Issues

8.3 Design Issues

8.3.1 The Design Process

8.3.2 Sponsor/Producer Agreement

8.3.3 Pipeline

8.3.4 Compressor Stations and Facilities

8.3.5 Alaska Gas Conditioning Facility

8.4 Construction Management

8.5 Post-Construction Regulatory Concerns

8.6 Coordination with Others

8.6.1 State of Alaska

8.6.2 Alyeska Pipeline Service Company

8.6.3 Other Federal Agencies

8 ENGINEERING AFFAIRS

8.1 Overview

8.1.1 General Observations

- ° The engineering design effort of the Alaska Leg sponsors (Northwest Alaskan Pipeline Company, NWA) continued through the Holding Phase to complete design criteria, consolidated in the Design Criteria Manual (DCM), and started development of procedures for mile-by-mile design. NWA will likely retain a small engineering management staff through the Holding Phase.
- ° Project remobilization will require a rapid NWA engineering effort and, correspondingly, command careful, immediate OFI attention.
- ° Maximum utilization of technical contract support appears both necessary, due to the rapid remobilization, and desirable, due to the Federal Government's limitations in securing in-house Arctic engineering expertise.

8.1.2 Scope: For management purposes, the project is divided into three major sub-projects:

- ° Pipeline (P/L)
- ° Compressor Stations and Facilities (CSF)
- ° Alaska Gas Conditioning Facility (AGCF)
- ° Each sub-project will require an engineering review effort in the following areas, listed below and described in more detail in the following subsections. Engineering Affairs will assume the OFI lead in the second area, while the OFI Field Construction Office will have primary responsibility for the third.
 - ° Regulatory Management
 - ° Engineering Design
 - ° Construction Management

[Supporting Documents]

8.1/D1 "Office of Engineering," 12/31/80.

8.1/D2 Functional Statement, Engineering Review, 10/17/80.

8.2 Regulatory Management Issues

Many issues concerning federal regulations have been resolved

generally by the President's Decision, the Alaska Natural Gas Transportation Act, the Waivers of 1981, DOI's Grant of Right-of-Way, and FERC Orders 31 and 31-B. The major remaining issues requiring engineering input, and which are discussed at length in Issue Component 7, are:

- ° Updated cost estimates for P/L, CSF, and AGCF.
- ° Master Construction Schedules including "Completion" and "Date Certain" stipulations.
- ° Management Plan approval.

8.3 Design Issues

8.3.1 The Design Process: Design of each of the sub-projects has been generally scheduled as follows:

- ° Establishment of Broad Concepts, defined in major project documents.
- ° Identification of Preliminary Designs, delineated in the FERC filings.
- ° Testing of Preliminary Designs, which has been partially accomplished.
- ° Development of detailed Design Criteria. (Last completed stage, 1/85.)
- ° Development of detailed Design Procedures.
- ° Preparation of Final Design.

The Cook draft memo, cited below, discusses very generally review procedures and standards for mile-by-mile design review and identifies prospective problem areas.

[Supporting Documents]

- 8.3/D1 Cook, Design Review Observations, 11/15/84 Draft.
- 8.3/D2 Letter, Wuerch to Black, Design Criteria Review, 11/17/81.
- 8.3/D3 Letter, Kuhn to Rhett, Design-Review Submission Plan, 3/16/81.
- 8.3/D4 "Quality Assurance Validation Program for As-Built Drawings," The Aerospace Corporation for DOE Strategic Petroleum Reserve, 12/81.
- 8.3/D5 Cook, Review of Sponsors' Management Plans and Tracking of Sponsor Performance, 9/28/80.

8.3.2 Sponsor/Producer Design Agreement: On June 12, 1980, the ANGTs sponsors and the Prudhoe Bay natural gas producers reached a cooperative agreement for the design and engineering of the Alaska Leg.

[Supporting Documents]

8.3/D6 "Summary of the Cooperative Agreement for the Design and Engineering of the Alaska Gas Pipeline and Gas Conditioning Plant," 6/12/80.

8.3/D7 "Cooperative Agreement for Design and Engineering of Alaska Gas Pipeline and Conditioning Plant," 6/80.

8.3.3 Pipeline

- ° Preliminary design is subject to change to accommodate a higher pressure.
- ° Minor routing issues remain unresolved.
- ° Frost heave design tests were essentially satisfactory. This was perhaps the sponsor's major engineering design obstacle and is summarized in documents cited below.
- ° Detailed design criteria are completed and approved as noted in the Pipeline Design Criteria Manual.
- ° Minor work accomplished in development of design procedures covered in Preliminary Design Criteria Manual (PDCM) and:
 - ° Chilled Pipe Effect on Streams
 - ° Thaw Mitigation Report
 - ° River and Stream Crossing Reports
- ° Full review of detailed (mile-by-mile) design must be accomplished to include:
 - ° Mile-by-mile construction schedule.
 - ° Design packages, to be approved in sequence.
 - ° Alignment Problems Atlas in bibliographic form.

[Supporting Documents]

8.3/D8 Table I, Status of Alaskan Leg Design Criteria Manual Review, 10/84.

8.3/D9 Volumes I and II, Pipeline Design Criteria Manual (Sensitive: Available from NWA).

8.3/D10 Pipeline DCM Approvals File

8.3/D11 "Frost Heave Documents: Organization and Overview," Alaskan Northwest Natural Gas Transportation Company, 10/5/84.

8.3/D12 COE Cold Regions Laboratory Report on Frost Heave

8.3/D13 Pamphlet, "Frost Heave Test Facility: Fairbanks, Alaska," Northwest Alaskan Pipeline Company.

8.3/D29 Woodward-Clyde Consultants, "Study of Factors Affecting the Safety of Arctic Pipelines," 11/81.

8.3.4 Compressor Stations and Facilities: With recent adjustments in pipeline size/pressure and in station locations, preliminary design approvals previously offered by OFI must be revisited.

- ° Preliminary design is subject to change to accommodate higher pressure and revised refrigeration requirements.
- ° Station locations is subject to change because of higher pressure design.
- ° Detailed design criteria completed and approved by OFI, but will probably be subject to change as noted in Volume III, Compressor and Metering Stations Design Manual, the Telecommunications Design Criteria Manual and the Operations Control Center and Supervisory Control Design Criteria Manual.
- ° Full review and approval of detailed design packages, upon their preparation and submission by NWA.

[Supporting Documents]

- 8.3/D14 Volume III, Compressor and Metering Stations Design Manual (Sensitive: Available from NWA).
- 8.3/D15 Telecommunications Design Criteria Manual (Sensitive: Available from NWA).
- 8.3/D16 Operations Control Center and Supervisory Control Design Criteria Manual (Sensitive: Available from NWA.)
- 8.3/D27 Compressor Station DCM Approvals File.

8.3.5 Alaska Gas Conditioning Facility (AGCF): The AGCF design criteria was approved by OFI on October 3, 1983. This approval extended to two different process design schemes: Selexol and BASF (preferred). In its consideration of the AGCF, OFI began to develop its policy, traced to the President's Decision, on the percentage of design completion before actual field construction could begin. The final two documents cited below, particularly the Hengerer memo, are instructive.

[Supporting Documents]

- 8.3/D17 Letter, Rhett to McMillian, 10/3/83.
- 8.3/D18 Letter, Black to Kuhn, 9/15/83.
- 8.3/D19 Letter, Black to Wuerch, 12/6/82.
- 8.3/D20 Letter, Rhett to McMillian, 12/6/82.
- 8.3/D21 Quiggin, AGCF-ANGTS Possible Capital Cost Savings, UD draft.
- 8.3/D22 Letter, Tate et al to Brossia, Location for AGCF, 2/27/84.
- 8.3/D23 Letter, Kuhn to Brossia, Lease for AGCF, 2/27/84.

11-8/6

- 8.3/D24 "AGCF: Government Design Review Submission Plan," Alaskan Northwest Natural Gas Transportation Company, 6/18/82. (Sensitive: Available from NWA.)
- 8.3/D25 Hengerer, AGCF Design Review, 8/6/82.
- 8.3/D26 "Statement of Policy on the Application of the Presidential Terms and Conditions to the Alaskan Plant Segment of the Alaska Natural Gas Transportation System," 6/14/82, Draft.
- 8.3/D28 AGCF Approvals File.

8.5 Construction Management

The sponsors have conducted little detailed planning on their construction management oversight arrangements, although a Construction Management Plan draft, discussed also in Issue Component 7 and Issue Component 16 was developed in 1980. It will require substantial review by OFI and revision by the sponsors before approval. The OFI Alaska Leg Field Office will take primary responsibility for construction management oversight during construction, but upon remobilization, engineering support will be required in the review of:

- ° Field change orders
- ° Design changes
- ° QC/QA systems review and problems
- ° Operations and maintenance manuals
- ° Progress monitoring
- ° Cost monitoring

[Supporting Documents]

- 8.4/D1 "Management Plan," Northwest Alaskan Pipeline Company, 5/30/80 Draft.
- 8.4/D2 Letter, Rhett to de Zerega, Management Plan Draft, 4/21/80.
- 8.4/D3 "Guidelines for Project Management Plans," ND Draft.

8.5 Post-Construction Regulatory Concerns

After construction, OFI initially and other Federal Agencies thereafter will have important regulatory requirements, the most important of which are seismic monitoring and pipeline movement monitoring.

[Supporting Documents]

- 8.5/D1 Right-of-Way Grant, Alaska Leg, 12/1/80

8.6 Coordination with Others

By law and policy, the OFI has cooperated and coordinated fully with other project entities, both public and private, in engineering review of all three sub-projects. It is anticipated that this cooperative approach will continue.

8.6.1 State of Alaska: Alaska maintains a strong interest in many aspects of the project, including the following; which are also discussed in Issue Component 2.

- ° Environmental issues
- ° Utilization of State lands and resources
- ° Proximity of State highway system
- ° Use of Yukon River Bridge
- ° Haul roads

[Supporting Documents]

8.6/D1 Black, Consideration of Task Force #1, 6/22/81.

8.6.2 Alyeska Pipeline Service Company: Alyeska is concerned over the project's proximity to the oil pipeline.

[Supporting Documents]

8.6/D2 Letter, Rhett to McPhail, Design Review and TAPS, 12/17/81.

8.6/D3 Letter, Black to Wuerch, Proximity, 2/11/82.

8.6.3 Other Federal Agencies

[Supporting Documents]

8.6/D4 Black, Design Review Process, 6/8/81.

8.6/D5 Letter, Rhett to McPhail, OFI Design Review Procedures, 7/1/81.

9 ENVIRONMENTAL AFFAIRS

9.1 General Observations

9.1.1 Phase I Lessons

9.1.2 Priority Pre-Construction Activities

9.2 Basic Environmental Criteria

9.2.1 Design Criteria Manual

9.2.2 Stipulation 1.6.1 Plans

9.3 Alaska Leg Design Review Process

9.4 Technical Support Contract

9.5 Permit Requirements

9.5.1 Interagency Review Committee

9.5.2 Army Corps of Engineers' 404 Permit

9.6 Cultural Resource (Archeology) Program

9.7 Citizens Environmental Advisory Committee (CEAC)

9.8 Socioeconomic Program

9 ENVIRONMENTAL AFFAIRS

9.1 General Observations

9.1.1 Phase I Lessons

- ° Cooperation among other Federal Agencies, the State of Alaska and the OFI Environmental Affairs Office is essential to the review process.
- ° State and Federal permit conditions should compliment and supplement accepted environmental criteria and related construction practices.
- ° The project received relatively little attention from the environmental activist community in Alaska during Phase I.
- ° At the field surveillance level, environmental scientists should generally be integrated during construction under the appropriate field office director. A few Environmental Affairs staffers should be retained by the Environmental Affairs Office during the construction phase to provide technical support to the field and attend residual design issues.

9.1.2 Priority Pre-Construction Activities

- ° Construction camp design and operational review should be guided by 1.6.1 Plan #3 Camps, and State Department of Environmental Conservation permits for waste water treatment, incenerator operation and domestic water supply.
- ° Gravel removal plans and activities including site selection, access road location and restoration should be developed in accordance with Stipulation Plan #11 Material Exploration and Extraction, and State Department of Environmental Conservation permit requirements for gravel processing activities.
- ° The review of sites selected for solid waste and spoil disposal will utilize Stipulation Plan #19, Solid Waste Management, #13 Overburden and Excess Materials (deferred by NWA until remobilization) and DCM #6, Spoil Disposal State of Alaska permit requirements must also be considered.
- ° A reassessment of sensitive or endangered wildlife may be required as part of the the review of the sponsor's proposed construction schedule.

9.2 Basic Environmental Criteria

The plans outlined below provide the basic criteria and standards by which the Environmental Affairs Office will assess sponsor performance during design review, permitting and oversight activities associated with the project. The Kari Issue Paper, cited below, provides a detailed analysis of all environmental plans.

9.2.1 Design Criteria Manual (DCM): The DCM includes criteria essential to environmental concerns.

- ° Fish Passage, DCM #11 Drainage and Erosion Control.
- ° Clearing, DCM #10 Clearing.
- ° Erosion Control, DCM #11.
- ° Restoration, DCM #12 Restoration.
- ° Disturbance of Stream and Sensitive Wetlands, DCM #16 River, Stream, and Wetland Crossings.
- ° Water Quality, DCM #16; DCM #29 Hydrotesting; DCM #11.

9.2.2 Stipulation 1.6.1 Plans: The 1.6.1 Plans supplement the DCM in expanding upon specific criteria and procedures for construction-related activities.

- ° Air Quality, Plan #1 Air Quality.
- ° Blasting Near Streams, Plan #2 Blasting.
- ° Camp Design, Plan #3 Camps.
- ° Clearing, Plan #4 Clearing (deferred until remobilization).
- ° Cultural Resource Preservation Activities, Plan #6 Cultural Resource Preservation.
- ° Design and Operational Manual for Erosion Control Activities, Plan #8 Erosion and Sedimentation Control (deferred until remobilization).
- ° Water Quality Control and Waste Treatment, Plan #10 Liquid Waste Management.
- ° Gravel Mining, Plan #11 Material Exploration and Extraction.
- ° Handling of Oil and Hazardous Substances, Plan #12 Oil and Hazardous Substances Control.

- ° Implementation of Restoration Criteria, Plan #17 Restoration (outline approved, deferred until remobilization).
- ° Solid Waste Management, Plan #19 Solid Waste Management.
- ° Crossing Streams, Rivers and Wetlands, Plan #20 Stream, River and Floodplain Crossings and Plan #23 Wetland Construction (deferred).
- ° Human/Carnivore Interaction, Plan #25 Human/Carnivore Interaction.

[Supporting Documents]

- 9.2/D1 Office of Environment, 12/31/80.
- 9.2/D2 Alaska Leg Right-of-Way Grant, 12/1/80.
- 9.2/D3 Table, "Status of Alaskan Leg DOI Stipulation Plan, 1.6.1 Review," 10/84.
- 9.2/D4 Hengerer, Respective Roles and Interrelationships of the "Design Criteria" and "1.6.1 Plans" in the Design Review Process for the Alaska Segment of ANGTS, 10/22/81.
- 9.2/D5 Kari, Status of the Review and Approval Process for Stipulation 1.6.1 Plans, 8/16/83.
- 9.2/D6 Letter, Kari to Watts, Plans 4, 5, 18, 24 Discussion, 6/20/84.
- 9.2/D7 Letter, Kari to Kuhn, Plan 5 Discussion, 6/20/84.
- 9.2/D8 Letter, Kari to Kuhn, Plan 24 Approval, 6/20/84.
- 9.2/D9 Chart, Stipulation 1.6.1 Plan Review and Approval Schedule, 2/6/84.
- 9.2/D10 Kari, Issue Paper - Objectives and Implementation of Stipulation 1.6.1 Plans, 10/26/84.
- 9.2/D11 Letter, Kari to Sotak, Revegetation, 8/31/82.
- 9.2/D12 Kubanis, "Revegetation Techniques in Arctic and Subarctic Environments," 8/82.
- 9.2/D13 ANGTS Environmental Impact Statement, 3/76.
- 9.2/D14 1.6.1 Plan Approvals File

9.3 Alaskan Leg Design Review Process

A fully-integrated Engineering Affairs/Environmental Affairs review process, rigidly structured and collocated with the project management contractor, would probably expedite the process. Environmental review must also be closely coordinated with the State of Alaska. Sponsor construction schedules should be reviewed by Environmental Affairs staff particularly in light of the two documents cited below.

[Supporting Documents]

9.3/D1 Letter, Behlke to Kuhn, Sensitive Wildlife Areas,
7/15/80.

9.3/D2 Letter, Kari to Kuhn, Fish and Wildlife, 4/5/82.

9.4 Technical Support Contract

The site-specific and subjective nature of most environmental concerns do not generally lend themselves to the technical support contract approach, except to address a few highly specialized technical problems. The approved design criteria including the Stipulation 1.6.1 Plans provide the basis with which OFI staff environmental scientists may review the final design.

9.5 Permit Requirements

9.5.1 Interagency Review Committee: The environmental permit conditions, stipulations and guidance contained in the numerous project documents have originated from both Federal and state resource Agencies. Any significant modification in the original conditions should be coordinated through a standing Interagency Review Committee. The Interagency Review Committee should be established early in the remobilization process, with well-defined operational guidelines and chaired by the Director of Environmental Affairs. This committee, working with individual Agencies, could further refine and reduce the review and comment period in the permitting process.

9.5.2 Army Corps of Engineers (COE) 404 Permit: The existing COE 404 Permit for construction of the pipeline workpad incorporates the essential condition for protection of associated wetland. These conditions were taken from "Terrestrial and Aquatic Habitat Mapping Along the Alaska Natural Gas Pipeline System," by C. J. Markon, U.S. Fish and Wildlife Service, 1980. This report provide the technical basis for addressing wetland problem areas encountered during construction including a classification system.

[Supporting Documents]

9.5/D1 Markon, "Terrestrial and Aquatic Habitat Mapping Along the Alaska Natural Gas Pipeline System," 1980.

9.6 Cultural Resource Program

The National Park Service (NPS) should be asked to provide staff support, on a reimbursable basis, to OFI during the remobilization phase. The NPS Cultural Resource Program in Alaska possesses the

11-9/6

experienced personnel that OFI will require to remobilize quickly and effectively.

[Supporting Documents]

- 9.6/D1 Chomko & Butler, "Cultural Resource Compliance Program for the U.S. Office of the Federal Inspector," 9/25/84.
- 9.6/D2 Hannus, "Overview and Summary of the Archeology of the Northern Border Pipeline Project," 10/84 Draft.

9.7 Citizens Environmental Advisory Committee (CEAC)

The original CEAC charter, approved in April 1980, should be reviewed, modified (if necessary) and reissued sometime early in the remobilization if the Federal Inspector wishes to use this advisory panel during Phase II. A State of Alaska representative should probably be appointed to the committee.

[Supporting Documents]

- 9.7/D1 Letter, Rhett to Carmen, CEAC, 4/30/82.
- 9.7/D2 Soulen, Reestablishment of the CEAC, 9/22/82.

9.8 Socioeconomic Program

The OFI Socioeconomic program should be designed to:

- ° Support the State of Alaska program, which should be the primary governmental effort in socioeconomics. During the Phase I preconstruction period in Alaska, OFI's socioeconomic involvement may have been more ambitious than it needed to be. Since the state has a central interest in this issue, OFI should allow the state to guide and direct most socioeconomic activities.
- ° Provide oversight of NWA's program accomplishments, particular as they related to Federal initiatives, and monitor local participation.
- ° Monitor and evaluate overall socioeconomic program impact on the project.

[Supporting Documents]

- 9.8/D1 Socioeconomics, 12/31/80.
- 9.8/D2 "Socioeconomic Issues Anticipated for the Alaska Leg of the ANGTS," 3/8/81.
- 9.8/D3 Helgath, Socioeconomic Issues, 9/14/81.
- 9.8/D4 Helgath, Recommended Steps for Developing A Socioeconomic Program, 8/28/81.

II-9/7

- 9.8/D5 Helgath, Structural Analysis of Socioeconomic Program,
7/13/82.
- 9.8/D6 Berman, Allowance of Socioeconomic Costs in Rate Base,
12/15/81.
- 9.8/D7 Helgath, Legislative Policy and Impact Mitigation
Trends in Large Energy and Construction Projects,
2/16/82.

10 GENERAL ADMINISTRATION

10.1 OFI Directives System

10.2 Records Management

10.2.1 Background

10.2.2 Phase II Actions

10.3 Contract for Administrative Support

10.4 Organizational Issues

10.4.1 Background

10.4.2 Functional Problems

10.5 Delegation to Field

10.6 Internal Reports

10.7 Logistics Agreement with NWA

10.8 Security

10.8.1 Personnel Security Program

10.8.2 Sensitive Documents

10.8.3 Security Clearances

10.8.4 OFI Identification Documents

10.8.5 Personnel Investigations

10.8.6 Safety Plan

10.9 Microfilm System and Sustained Phase I Files

10.9.1 OFI Microfilm System

10.9.2 Sustained Files

10 GENERAL ADMINISTRATION

10.1 OFI Directives System

OFI developed directives on an "as needed" basis. The attached OFI Directives Manual is the compilation of all Agency directives. They were designed, for the most part, to be as flexible as possible within the governing regulations and/or law.

[Supporting Documents]

10.1/D1 OFI Directives Manual, 11/1/84

10.2 Records Management

10.2.1 Background

- ° One of the concepts of the OFI records management system during Phase I was to maintain a central file system whereby every document that came into or was generated by the OFI was maintained in a master file for archival benefit. Working files were to be developed by each Office for their daily use. The success of this concept was limited.

10.2.2 Phase II Actions

- ° A uniform records management system needs to be implemented as soon as possible upon remobilization. The Records Management Concept and Strategy report, cited below, provides an approved analysis of the records management system for the OFI.
- ° No records management system should be established without consideration in the beginning of what documents are essential to the official record and might be valuable once the project is completed. This requirement was never clarified by OFI during Phase I and, consequently, records management was not sufficiently related to critical documents.

[Supporting Documents]

10.2/D1 Records Management Requirements Analysis, 3/20/84

10.3 Contract for Administrative Support

A Memorandum of Understanding with the GSA Small Agency organization has been utilized effectively during Phase I, and some contract arrangement is recommended for Phase II. Component 14 of the Issue Primer, on Contracts, deals with the general services contract more completely.

10.4 Organizational Issues

10.4.1 Background

- ° Originally, the OFI Office of Administration had six divisions: Personnel, Contracts, Support Services, Management Information Systems (MIS), Financial Management, and Internal Audit and Security. Later, Audit and Security was removed from Administration and placed directly under the Deputy Federal Inspector - Washington.

10.4.2 Functional Problems

- ° The internal audit office spent about half its time dealing with problems in the Office of Administration. This created a conflict of interest for the internal auditor, in that the auditor reported to the manager of the office where most of his investigations were conducted. Furthermore, due to its placement in Administration, the internal audit function was not sufficiently used by other OFI offices.
- ° The safety function was not identified as a major workload area and was shifted around the organization and granted little emphasis. Consideration needs to be given to the requirements of the safety regulations in establishing an organization.
- ° The budget function needs to be tied very closely to the overall program planning for the organization. The OFI did not implement an overall program planning process until 1982, after an independent budget operation was well established. The two functions were never well integrated and, perhaps, should be placed together organizationally during Phase II.
- ° Initially, the same individual was assigned operating responsibilities in both procurement and payment aspects of small purchases. This is an obvious conflict of interest. In the establishment of a new organization, it is essential to examine organizational arrangement and systems to eliminate similar instances.

10.5 Delegation to Field

The Washington Office, for Phase II, should probably include an administrative liaison for interfacing with OPM, OMB, the Hill, GSA and other Federal Agencies. However, the main OFI workforce should be located in Alaska, headquartered at Anchorage rather than Fairbanks.

- ° Fairbanks is only a one-hour flight away and the field

II-10/4

camps must be accessed by air regardless of the main office's location.

- The majority of the other federal and state agencies are located in Anchorage.
- The communication network is more sophisticated in Anchorage.
- The Anchorage community is larger and offers better services than Fairbanks.

Field office support and the sophistication of systems provided to the field should depend on the information needs determined by management. Delegations of responsibilities to the field need to be accompanied by corresponding training and review to assure uniform procedures are followed.

10.6 Internal Reports

[Supporting Documents]

10.6/D1 Draft Interim Report, 9/28/82

10.7 Logistics Agreement with NWA

NWA was able to provide the OFI with certain logistical support while in the field. The agreement listed below describes the services and the financial arrangements involved.

[Supporting Documents]

10.7/D1 Agreement on Accounting Procedures for Support Services
Provided the Office of the Federal Inspector, 10/13/80.

10.8 Security

The OFI integrated its security program with its internal audit function in the Office of Administration during Phase I, but this arrangement is not necessarily recommended for Phase II. The Security Office should have a chief officer and one or two investigators, one which might also serve as OFI safety officer.

10.8.1 Personnel Security Program: Law (Executive Order 10450) requires that each Agency implement a Personnel Security Program using the guidelines set forth in the order. For positions classified as "sensitive," which may include most if not all OFI office directors and many division directors, a "full-field" background investigation should be completed on the applicant prior to hiring. However, with OFI's need to staff quickly, officials may be hired contingent upon satisfactory completion of the background investigation.

- 10.8.2 Sensitive Documents: The security function should be responsible for implementing and monitoring a system for the control of and dissemination of sensitive documents.
- 10.8.3 Security Clearances: It may be desirable to identify several key employees to have security clearances, with "secret" as the recommended qualification, and to conduct a "top secret" clearance for the Federal Inspector and his deputies. In addition, the chief security officer should also have top secret clearance in order to act as Agency Top Secret Control Officer. It is doubtful that many documents requiring a national security clearance classification will originate from the OFI, but the Classifying Officer at the State Department could be utilized on such occasions.
- 10.8.4 OFI Identification Documents: OFI should issue its own Federal Identification documents (i.e., ID cards, credentials). A recommended approach is to coordinate with all ANGTS parties to utilize the identification documents in many ways.
- 10.8.5 Personnel Investigations: OFI should establish a program to ensure that its field surveillance and other personnel are not involved in any illicit behavior, such as bribery or extortion, related to their work. To this end, the chief security officer should establish working relations with all relevant law enforcement and security offices, including the FBI, state and local police departments and the security offices in the sponsor, contractor and producer companies.
- 10.8.6 Safety: OFI must establish safety plans.

[Supporting Documents]

- 10.8/D1 Executive Order 10450 and Analyses.
- 10.8/D2 "Requirements of OMB Circular No. A-123," ND Draft.
- 10.8/D3 Barber, Identification of Sensitive Positions Within the OFI, ND Draft.
- 10.8/D4 Barber, Draft Order 4700-37, Personnel Security Program, ND Draft.
- 10.8/D5 "Alaska Field Office Safety Plan, Fairbanks", 1982.
- 10.8/D6 Cook, OFI Safety Management Manual, 6/22/82.

10.9 Microfilm System and Sustained Phase I Files

- 10.9.1 OFI Microfilm System: All OFI official files and most working files were microfilmed in 1983, to create a compact Agency archive. In January 1985, as the OFI approached fold-in, a second microfilming effort was being planned. These microfilmed files remain physically located with the OFI project headquarters. The two documents cited below, the

"Microfilm System Overview" and the "OFI Microfilm Guide," describe the system and its structure.

10.9.2 Sustained Files: The OFI has maintained one hard-copy file which will be of constant and critical use to the remobilization effort: the Federal Inspector's Project File. It should be maintained by and collocated with the OFI project headquarters, so as to be available at the project's reinstitution. There were a variety of other hard-copy files in January 1985 which might also be maintained through the Holding Phase.

- ° General Counsel (Washington)
- ° Office of Engineering Review (Anchorage/Irvine)
- ° Office of Environmental Review (Anchorage)
- ° Office of Regulatory Affairs (Washington)
- ° Budget Files (Washington)
- ° Contract Files (Washington)

[Supporting Documents]

- 10.9/D1 "Microfilm System Overview," 9/12/83.
- 10.9/D2 "OFI Microfilm Guide," 7/6/83.
- 10.9/D3 Overview of Executive Secretariat Procedures, 9/1/83.
- 10.9/D4 "Project File Index," 8/84.

11 PERSONNEL MANAGEMENT

11.1 Key Issues

- 11.1.1 The Total Benefits Package**
- 11.1.2 Delegation Agreement with OPM**

11.2 Standard Functions

- 11.2.1 Personnel Support Contract**
- 11.2.2 Internal Activities**
- 11.2.3 Staffing Patterns**

11.3 Professional Recruitment

- 11.3.1 Job Vacancy Announcements**
- 11.3.2 Paid Advertising**
- 11.3.3 Placement Services**
- 11.3.4 Pay Studies**

11.4 Ancillary Services

11 PERSONNEL MANAGEMENT

11.1 Key Issues

11.1.1 The Total Benefits Package: The OFI's success in project oversight will depend in large part upon its ability to attract experienced, qualified staff to a small Agency for temporary, remote assignment. A critical aspect of recruiting will be the total OFI benefits package. Obviously, the RTF and the Federal Inspector must endeavor to pull together the most attractive benefits package possible, which may require waivers of certain Federal personnel laws and policies. A list of possible inducements follow:

- ° Cost of Living Supplements: A Cost of Living Allowance (COLA) is now administered in Alaska, but the pay supplement must be sufficient to cover not only the real increase in cost of living but compensate for the associated disadvantages of OFI service (i.e., short tenure, remote location, long hours).
- ° Re-employment Rights: OFI employees recruited from other Federal Agencies or other government service should have an option, at the end of their OFI service, to return to their former Departments or Agencies without loss of grade or standing. This was a significant aid attracting staff during Phase I. The initial request to OPM and other relevant documents on re-employment rights are attached.
- ° Housing Assistance: This assistance could consist of government-provided housing, housing allowance or the possibility of government buy-back of Alaska housing.
- ° Spouse Job Placement Assistance
- ° Visitation/Travel Rights: This program would entitle OFI personnel, assigned to remote construction locations, to periodic government-paid visits to central Alaskan locations (Anchorage) or to destinations in the Lower 48 States.
- ° Post-employment Placement Service
- ° Overtime Pay for Senior Grades
- ° Career Development: This program should provide generous time and financial allowances for education, training and other career development programs.

- 11.3.2 Delegation Agreement with OPM: OPM delegated authority to the OFI to administer various authorities previously reserved to OPM. The only authority that was used, and used with much success, by OFI was Authority No. 3: Advanced In-Hiring Rates Based on Superior Qualifications. This authority was used eight times to attract candidates from the private sector who would not have consented to OFI offers otherwise.

[Supporting Documents]

- 11.1/D1 Reemployment Rights Communications.
- 11.1/D2 OFI/OPM Master Delegation Agreement, 3/14/80.
- 11.1/D3 "Personnel Issues," 12/30/80 Draft.
- 11.1/D4 Weissenborn Study, 10/15/81.

11.2 Standard Functions

- 11.2.1 Personnel Support Contract: For Phase I, OFI secured a Small Agency Support Contract with the General Services Administration in Washington. The contract covered nearly all major personnel functions, although OFI used it only for official personnel action processing and payroll. This arrangement proved very satisfactory after a few initial problems and is recommended for Phase II. It must, however, be initiated in the pre-remobilization stages. Since OFI operations for Phase II will be in Alaska, the Agency might wish to consider contractors with local capabilities. For Phase I, the GSA personnel support services included:

- ° Program counseling and review
- ° Advice and assistance in the the following areas:
 - ° Classification and position management
 - ° Staffing
 - ° Merit Promotion
 - ° Employee performance evaluation
 - ° Employee development
 - ° Employee relations and services
 - ° Equal employment opportunity
 - ° Reporting
- ° Official record-keeping

- 11.2.2 Internal Activities: Although the GSA contract was designed to provide comprehensive personnel support to the OFI, the Agency personnel office assumed primary responsibility for nearly all the actions and activities listed above. Because of the uniqueness and complexity of OFI's personnel needs and the requirement for immediate hiring, OFI operated virtually

on its own in most personnel areas, with GSA attending the official processing (personnel actions and payroll) and offering counsel and expertise. A strong, independent personnel office is also recommended for Phase II.

- 11.2.3 Staffing Patterns: During Phase I, there were several staffing developments which were not entirely satisfactory. First, the Agency tended to hire mid-level professionals, who often started offices and set initial policies and procedures, before hiring office and division directors. Later, senior staff had problems directing these tenured subordinates. Second, mid-level technical staff - in the GS-5 to GS-11 range - was never fully developed. Consequently, executive staff and secretarial staff were often compelled to attend tasks below or above their qualification.

[Supporting Documents]

- 11.2/D1 Memorandum of Understanding and Agreement Between General Services Administration and the Office of the Federal Inspector for the Alaska Natural Gas Transportation System, 8/17/79
- 11.2/D2 "Status Report on Administrative Processing for Small Agencies," 1/23/84

11.3 Professional Recruitment

OFI recruitment during Phase I was undermined by several major problems: abolition of the OFI one year after the gas line becomes operational; required relocation from Phase I Lower 48 locations (Washington, Irvine, Omaha) to Alaska for Phase II; and higher salary structure for energy-related technical skills in the private sector. The first and third considerations will still apply for OFI Phase II recruitment. OFI personnel, due to the nature of the mission, must be innovative and flexible. A mix of Washington (bureaucratic) and field (construction oversight) experience is preferable. OFI used several means to recruit qualified technical and professional personnel:

- 11.3.1 Job Vacancy Announcements: Aimed primarily at government applicants, often in the non-engineering professional areas. Targeting announcements to Alaska field offices of Agencies with similar capabilities and responsibilities (BLM, MMS, Corps of Engineers) was useful.

11.3.2 Paid Advertising

- * Professional and scholarly journals: Aimed primarily Professional engineering and scientific positions. The Engineering News Record was the most effective, although the Oil and Gas Journal was also helpful in attracting applicants.

- ° Daily newspaper classified ads: Most effective, particularly Juneau Empire, Anchorage Times, Anchorage Daily News and the Fairbanks Daily News Miner.

11.3.3 Placement services: Used sparingly with little success.

11.3.4 Pay Studies: OPM authorized a study in June 1981 to determine what, if any, mechanisms existed for special Agencies such as OFI to maximize pay and benefits for their employees. This study, known as the Weissenborn Study, is referenced below. A one-page synopsis is included.

11.4 Ancillary Services

OFI's Personnel Office might provide two other services during Phase II. The first is staff tracking, which consisted of two publications: an intermittent "OFI Roster of Permanent and Not PFT Employees" and a monthly organization listing. A second service, attended by External Affairs during Phase I, is the production of an employee newsletter, such as "The Private OF Eye."

[Supporting Documents]

11.4/D1 OFI Monthly Organization Listing, 9/1/82.

11.4/D2 "OFI Roster of Permanent and Not PFT Employees,"
10/1/84.

11.4/D3 "The Private OF Eye," 12/17/82.

12 FINANCIAL MANAGEMENT

12.1 Organization

12.2 Basic Financial Management Functions

12.2.1 Sponsor Reimbursement Under the Mineral Leasing Act

12.2.2 Accounts Payable

12.2.3 Travel Administration

12.2.4 Obligations

12.2.5 Imprest Funds

12.2.6 Government Transportation Requests (GTRs)

12.2.7 Payroll

12.2.8 Financial Reporting

12.3 Associated Duties

12 FINANCIAL MANAGEMENT

12.1 Organization

Financial management staff should be located within the Office of Administration and consist of about four or five persons, including a financial manager, an accountant, a payroll/travel technician, and one or two account clerks. Formal accounting, payroll and financial processing should be accomplished by the general support contract. OFI, however, must establish simple internal systems for monitoring and expediting contractor service.

12.2 Basic Financial Management Functions

The office will be responsible for a variety of functions, some of which are listed below. The Barber paper on Financial Management addresses overall concerns.

- 12.2.1 Sponsor Reimbursement Under Mineral Leasing Act (MLA): An uncomplicated, equitable billing procedure for MLA billing purposes must be established. A standard system - automated (a microprocessor and programmed software) or manual - should be established for control purposes. It is equally important, due to MLA reimbursement, to manage accounts receivable as accounts payable. Regular reporting should be required to assure that the system is working properly. Several letters and memoranda are provided on this issue.
- 12.2.2 Accounts Payable: A system, similar to the Automated Document Control Register (ADCR) used during Phase I, should be identified and implemented to track financial transactions (i.e., obligations, payments, status of funds reports, etc.) during Phase II. The system must be instituted early in the remobilization schedule.
- 12.2.3 Travel Administration: Although "Blanket" travel authorizations may be used, a separate Travel Authorization should be prepared for each trip. This promotes travel analysis which ensures system efficiency and integrity. (One-day trips in Alaska might be excluded from this requirement and, instead, be attended through the Imprest Fund.) Successful travel administration requires the selection of a voucher preparation system, which is consistent with new Federal guidelines; voucher preparation training of personnel; adequate guidance for travelers; and timely submission of travel documents. An OFI Travel Manual should be prepared, from the Phase I document or patterned after another Agency system, and issued to personnel as soon as possible.

- 12.2.4 Obligations: A system similar to the ADCR might be implemented to track obligations and payments against obligations. Again, OFI should rely on pre-developed systems, which are fairly simple, generally compatible with the contractor's system and with other related OFI systems.
- 12.2.5 Imprest Funds: The Treasury Department provides specific guidance on general Imprest Fund management, but the OFI should establish supplemental internal controls on all its fund accounts.
- 12.2.6 Government Transportation Requests (GTRs): A simple but carefully controlled system for managing GTRs should be established as soon as a bulk shipment of GTRs is received and before their distribution for use.
- 12.2.7 Payroll Checks: A payroll check distribution control system, if just only for checks delivered directly to the office, is recommended.
- 12.2.8 Financial Reporting: OFI, during Phase II, might wish to generate the following financial management reports.
- ° The Status of Funds Report is critical for both monitoring the Agency's allotment but also for encouraging officials to more effectively manage their resources. It should be prepared monthly with a more detailed analysis on a quarterly basis.
 - ° An Invoice Aging Report might also be useful, given the requirements of the Prompt Pay Act.
 - ° A Revolving Advance Report should be established to monitor travel advance usage on a quarterly basis. It should include the employee's name, the advance amount, the number of trips during the period, the cost of each trip and an analysis and recommendation.
 - ° Travel Tracking and Travel Analysis reports track OFI travel locations and dates, in the first case, and provide comprehensive information about the circumstances of employee travel, in the second.

[Supporting Documents]

- 12.2/D1 ADCR Users Manual and System Documentation, 1/83.
12.2/D2 Prompt Pay Act Implementation, 9/7/82.
12.2/D3 "Status of Funds Report."
12.2/D4 OFI Travel Manual.

- 12.2/D5 Manual of Procedures and Instructions for Cashiers (Operating Under Executive Order No. 6166), 6/76.
- 12.2/D6 Barber, Financial Management, ND Draft.
- 12.2/D7 Letter, Cook to Kuhn, Original OFI MLA Reimbursement Policy ND.
- 12.2/D8 Barber, NWA Billing Proposal, 7/18/84.
- 12.2/D9 Letter, Cook to Kuhn, Revised OFI MLA Reimbursement Proposal to NWA, 9/4/84.

12.3 Associated Responsibilities

There are a few additional duties which an OFI financial management officer should remember while attending his Phase II responsibilities:

- ° Close out financial records for each fiscal year by de-obligation, using a report similar to the GSA Open Item Report.
- ° Maintain financial records on all purchase orders, contracts and memoranda of understanding between other government Agencies.
- ° Maintain a file on various financial reports, such as those listed below, put out by general support contractor. They will provide the basis for internal reporting.
- ° Process the following documents for obligation purposes:
 - ° Purchase orders
 - ° Standard Form 1
 - ° Contracts
 - ° Contract amendments and modifications

[Supporting Documents]

- 12.3/D1 Allotment Status.
- 12.3/D2 Open Items.
- 12.3/D3 Comprehensive Payroll.
- 12.3/D4 Leave Report.
- 12.3/D5 Payroll Master Run.

13 SUPPORT SERVICES

13.1 General Observations

13.2 Major Procurements

13.3 Office Space

13.4 Property Management

13.4.1 Organization and Staffing

13.4.2 Property Management System

13.5 Field Office Particulars

13 SUPPORT SERVICES

13.1 General Observations

Support service procurement and administration in Alaska will likely present a series of unique and formidable obstacles unimagined by support service operations in conventional locations. The Agency is advised to conduct research into support service alternatives and examine major prospective problems, such as ADP support and communications capabilities, during the Holding Phase or, at the latest, in the very preliminary stages of Phase II remobilization.

[Supporting Documents]

13.1/D1 Kling, OFI Relocation Factors, 1/10/85 Draft.

13.2 Major Procurements

The Office of the Federal Inspector (or its Remobilization Task Force) will have to attend a variety of issues in this area immediately at remobilization. Most requirements will involve the headquarters office in Anchorage. Major procurements will include:

- ° Office Equipment
 - ° Microprocessors, for word processing and ADP requirements
 - ° Electronic typewriters
 - ° Telephones and related communications equipment
 - ° Copy machines
 - ° Postage meters
 - ° Dictaphones and tape recorders
 - ° Portable heaters and air conditioners
 - ° Other office equipment
- ° Office Furnishings
- ° Official Stationery and Basic Office Supplies
- ° Field Surveillance Equipment
 - ° Construction trailers
 - ° Cameras
 - ° Arctic clothing and gear
 - ° Engineering equipment
 - ° Associated field surveillance equipment

- ° Contract Support Services (Jointly with Contracts)
 - ° Rental vehicles
 - ° Rental aircraft
 - ° Courier service
 - ° Equipment maintenance

13.3 Office Space

The standard procedure for procuring office space is through contract with the General Services Administration (GSA). However, this arrangement may not prove satisfactory in Anchorage, where the Agency will probably be headquartered. During Phase I, two other processes were utilized for securing office space. They should be assessed again at remobilization.

- ° Collocation with a support contractor and utilizing space procured by them.
- ° Procurement of 2000 square feet of space or less, allowable under the procurement regulations on a temporary basis.

If neither of these two alternatives are sufficient, the Agency might explore the possibility of receiving an exemption from the GSA provision, especially in Alaskan locations.

13.4 Property Management

13.4.1 Organization and Staffing

- ° A Property Officer, preferably one with procurement experience in Alaska, must be hired early in Phase I to attend major procurement and immediately design and establish a property management system. An OFI employee at each Agency location should be assigned local property responsibility.

13.4.2 Property Management System

- ° During Phase I, the OFI developed an automated property management system, which monitored all Agency property centrally from Washington headquarters. The automated system itself may have been too elaborate for OFI's requirements and its centralization did not facilitate maintenance. A less elaborate, decentralized system is recommended for Phase II. Controls, however, should be carefully developed and rigidly imposed.

[Supporting Documents]

- 13.4/D1 Program Document: Property Management System, 9/29/83
- 13.4/D2 Sample Property Report
- 13.4/D3 Barber, Property Management System for OFI Phase II Administration, ND Draft

13.5 Field Office Particulars

The OFI envisions field offices in the following locations:

- Washington (Liaison)
- Fairbanks (Alaska Leg Field Office)
- Irvine (Sponsor design review)
- San Francisco (West Leg Field Office)
- Construction Offices (Various, along the Alaska Leg construction right-of-way)

The field offices need to have sufficient expertise to perform their own minor procurement actions, maintain accountability for property, and initiate routine operations in personnel and financial management. In order to assure this expertise, staffing needs include an experienced Administrative Assistant/Officer in the early stages of field office development. In addition, particular attention needs to be given to training and orientation from headquarters office staff to field personnel in all support service and administrative areas.

14 CONTRACTS

14.1 General Observations

14.2 Administrative Support Contract

14.3 "8.A" Program Review

14.4 ANGTS US/Canadian Procurement Oversight

14.5 Other Major Contracts/Agreements

14.5.1 MIS Support

14.5.2 Technical Support

14.5.3 Audit and Cost Support

14.5.4 Lower Leg Surveillance

14.5.5 Ancillary Contracts

14 CONTRACTS

14.1 General Observations

The Office of the Federal Inspector, due to its rapid institution and the complex, technical nature of its oversight requirements, has relied heavily upon contract support, both in administrative and program areas. This is likely to be the case for similar reasons during Phase II. It is, however, essential before entering into any contractual arrangement to consider the unique problems and challenges which will come with headquarters administration in Anchorage and field operations in the Arctic interior. The legal aspects of OFI's contract authority are discussed in Issue Component 6, on the General Counsel.

14.2 Administrative Support Contract

During Phase I, the Office of the Federal Inspector utilized the General Services Administration's (GSA's) Small Agency Support Contract to secure general administrative support, particularly in payroll, personnel and procurement areas. If OFI continues to utilize GSA for financial and personnel support during the "Holding Phase," the only requirement will be to assure that GSA is informed of our remobilization plans and schedules to ensure a smooth transition to Alaska administration upon the Phase II start.

However, if OFI is absorbed by a Cabinet level Department and that organization provides support for administrative functions during the remainder of the Holding Phase, a new contract will be required when OFI again becomes an independent Agency. At that time, GSA should be considered again along with other possibilities, both Government and private sector. There are benefits to maintaining the GSA relationship, in that the Phase I experience enabled the resolution of problems which might be encountered again in dealing with a new contractor. On the other hand, there are also benefits in associating with an Alaska-based organization, experienced in local administration. The Memorandum of Understanding between the OFI and GSA for the supply of administrative support, designated below, includes an analysis of the capabilities under the agreement.

[Supporting Documents]

14.2/D1 Memorandum of Understanding and Agreement Between General Services Administration and Office of the Federal Inspector for the Alaska Natural Gas Transportation System, 8/17/79.

14.3 "8.A" Program Review

Due to rapid pace of project activity during Phase I, "8.A" (minority) contracting procedures were utilized for many Agency contracts, including technical engineering support. While the quality of these contracts varied, support was generally viewed at least as acceptable. Given the expectation of a sudden remobilization and a brisk design review and construction schedule, the "8.A" option should be considered once again for Phase II.

14.4 ANGTS US/Canadian Procurement Oversight

Early in the ANGTS project, both the Canadian and U.S. Governments felt it a necessity to develop a process to assure that businesses of both sides of the border were able to competitively bid for major project contracts. The two Governments negotiated an "Agreement on Principles," included in the President's Decision which, among other things, set procurement guidelines. Section 7 established the standard of "generally competitive terms" for contract competition and Section 8 set up a consultation mechanism for resolution of any differences which might arise. This consultation process will need to be reactivated upon remobilization.

[Supporting Documents]

- 14.4/D1 Section 7 - Agreement Between the United States of America and Canada on Principles Applicable to a Northern Natural Gas Pipeline, 9/20/77.
- 14.4/D2 ANGTS U.S./Canadian Procurement Oversight, 12/31/80.
- 14.4/D3 John T. Rhett's Remarks For Steel Caucus, 10/1/80.
- 14.4/D4 Hengerer, Non-applicability of U.S. - Canadian Procurement Review to the Gas Conditioning Plant, 10/16/81.
- 14.4/D5 Hengerer, Legal Authority of the Federal Inspector to Review Procurement of U.S. Sponsor Companies, 7/9/80.
- 14.4/D6 Hengerer, Buy American and ANGTS Steel Pipe, 10/21/81.
- 14.4/D7 Letter, McMillian to Sharp, Steel Purchase, 11/19/81.
- 14.4/D8 Canadian Embassy, Diplomatic Note No. 280, 6/17/81.

14.5 Other Major Contracts

- 14.5.1 Management Information System (MIS) Support: During Phase I, the OFI engaged three different contractors for MIS design and support. In 1983 and 1984, two studies aimed at establishing OFI's MIS contract requirements were conducted and are cited below. They should provide general guidance for the development of contract requirements. Any contract should be coordinated with the sponsor systems. Additional information on the MIS contract is provided in Issue Component 15, Management Information Systems.

- 14.5.2 Technical Support: Unified Industries, Incorporated (UII), a Virginia-based engineering consultant, was granted an "8.A" contract to provide OFI with technical engineering and environmental support for Phase II Alaska Leg design and, occasionally, field construction surveillance on the East Leg Prebuild. The Statement of Work and Tripartite Agreement listed below provides information on the UII contract. The Black memo sets for technical support contract guidelines for Phase II.
- 14.5.3 Audit and Cost Support: Main Hurdman, the New York City Accountancy firm, was hired to assist OFI in its rate base determinations. Additional information concerning the Main Hurdman contract is provided in Issue Component 7, Regulatory Affairs. The Berman memo provides additional guidance.
- 14.5.4 Lower Leg Surveillance: The OFI may decide to allow a Federal land manager, such as the Bureau of Land Management (DOI) or the Forest Service (DOA), manage its surveillance and enforcement of Phase II Lower Leg construction under an agreement or memoranda of understanding.
- 14.5.5 Ancillary Contracts: Additional contracts will be required for a wide variety of support functions, which may include:
- ° Office space
 - ° Office furnishings
 - ° Field administrative support
 - ° Ground and air transportation
 - ° Major office equipment
 - ° Communications technology
 - ° Office equipment maintenance
 - ° Courier/delivery

[Supporting Documents]

- 14.5/D1 Phase II MIS Mobilization Plan, 4/4/84.
14.5/D2 OFI ADP Strategy, 4/19/84.
14.5/D3 Statement of Work for Technical Support Contract, 2/1/80.
14.5/D4 Technical Support Contract, 1/6/84.
14.5/D5 Black, Statements of Work - Technical Support Contracts, 9/20/83.
14.5/D6 Main Hurdman Contract, UD.
14.5/D7 Berman, Audit Contractor Bid Package (Phase II) ND Draft.
14.5/D8 Letter, Rhett to Penfold, East Leg Surveillance, 11/25/81. (Also copy of interagency agreement for East Leg Phase I surveillance by BLM.)

15 MANAGEMENT INFORMATION SYSTEMS

15.1 Basic ADP/MIS Strategy

15.1.1 Strategy

15.1.2 Support Requirements

15.2 Sponsor System Design

15.1.1 General Characteristics

15.3 Phase II OFI MIS Remobilization Plan

15.3.1 Sponsor Responsibilities

15.3.2 OFI Responsibilities

15.3.3 Holdover Systems

15 MANAGEMENT INFORMATION SYSTEMS

15.1 Basic ADP/MIS Strategy

15.1.1 Strategy: Based on Phase I experiences, OFI management developed an ADP strategy for best accomplishing the Agency's mission in Phase II.

- ° OFI will not duplicate sponsor program systems, but will develop systems for internal administrative and program support needs.
- ° OFI's internal systems must primarily support the requirements of local office managers.
- ° OFI's system configuration should be simple. It should rely on microprocessors (PCs), feature distributed processing and advanced remote communications capabilities - enhanced by optional time-sharing capability on remote mainframes.

15.1.2 Support Requirements: OFI will require support in four basic areas:

- ° System Design: Distributed network with advanced communications capability. (The elaborate Federal Inspector Management Information System (FIMIS), designed by Touche Ross in 1979 and 1980, was never fully implemented and is not consistent with OFI's very conservative ADP philosophy for Phase II, but is attached for informational purposes.)
- ° Hardware/Software Procurement: OFI should rely on conventional, mass-market microprocessors, with advanced communications capabilities, and on prepackaged ("canned") software.
- ° System Implementation: Implementation and maintenance should be relatively simple, due to reliance on sponsor systems, microprocessing and prepackaged software.
- ° General Support and Maintenance: OFI should require only minimal support, due to its modest ADP/MIS goals.

[Supporting Documents]

15.1/D1 OFI ADP Strategy, 4/19/84.

15.1/D2 Task 1 Report (Touche Ross), 12/3/79.

15.1/D3 "Conceptual Design of the FIMIS (Touche Ross), 2/7/80.

15.1/D4 FIMIS Briefing, UD.

15.2 Sponsor Information and Communications System Plan

15.2.1 General Characteristics

- ° Utilize "best-effort" approach for developing and implementing systems, rather than attempting to implement "ideal" solutions.
- ° Willing to pay premiums in system design, development and implementation in order to maintain tight project schedule.
- ° Utilize third-party personnel and equipment, whenever feasible, and utilize on-site project management personnel to maintain and operate systems.
- ° Rely on Lower 48 facilities and personnel.
- ° Utilize NWA, partner, producer, project management contractor execution contractor and vendor systems as much as possible, before developing custom systems.

15.2.2 OFI Response: Generally, OFI finds the plan "thoughtful, reasonable and generally consistent" with its own Phase II MIS plans, however it did have some concerns: (1) sufficient design completion before award of execution contract; (2) sufficient emphasis on cost control management; and (3) coordination and cooperation with the OFI oversight effort.

[Supporting Documents]

15.2/D1 Information Systems & Communications Remobilization Strategy and Plan (NWA - "Business" Information)
4/4/84.

15.2/D2 Letter, Rhett to Kuhn, Information Systems, 5/8/84.

15.3 Phase II OFI MIS Remobilization Plan

15.3.1 Sponsor Responsibilities

- ° Surveillance and compliance reporting
- ° Cost and progress data
- ° Logistics reporting
- ° Document status information

15.3.2 OFI Responsibilities

- ° Procuring contract vehicles

- ° Selecting a system environment
- ° Implementing an accounting system
- ° Reviewing sponsor MIS plans
- ° Implementing critical MIS systems
 - ° Accounting
 - ° Records Management
 - ° Project Directory/Mailing Labels
 - ° Property Management
- ° Implementing other possible MIS systems
 - ° Environmental Review and Tracking
 - ° Permit Tracking System (if system independent from sponsor system)
 - ° Travel Systems/Tracking and Analysis
 - ° Procurement
 - ° Subscriptions System
 - ° Budget Formulation
 - ° Personnel Skills Inventory
 - ° Correspondence Control

15.3.3 Holdover Systems: In January 1984, OFI's computer support contract with Systems Development Corporation (SDC) expired and the Agency migrated a few basic operations to an IBM PC/XT microprocessor with an Epson printer. These programs were used during 1984 and early 1985. The migrated data bases, which were kept on a hard disk and manipulated by the DBase II data base management system, included:

- ° Project Directory/Mailing List: For Quarterly Report and other general mailings.
- ° Property Management System: For property management during demobilization and to keep track of excessed property.
- ° Magazine Subscriptions: To monitor publication subscriptions.

[Supporting Documents]

- 15.3/D1 Phase II MIS Mobilization Plan, 4/4/84.
- 15.3/D2 MIS Requirements Analysis for The Office of the Federal Inspector, Alaska Natural Gas Transportation System 8/31/83.
- 15.3/D3 "Phase I History," ND Draft.
- 15.3/D4 "Summary of ADP Problems in Phase I," ND Draft.
- 15.3/D5 "Catalogue of OFI MIS Resources," 6/30/83.

16 FIELD CONSTRUCTION OVERSIGHT

16.1 Field Office Location and Staffing

16.2 Field Monitoring and Compliance

16.2.1 Field Enforcement

16.3 Field Construction Management System

16.3.1 Quality Assurance/Quality Control

16.3.2 Cost and Schedule

16.3.3 Ancillary Welding Issues

16.4 Phase I Field Experience

16.5 Permit Tracking

16 FIELD CONSTRUCTION OVERSIGHT

16.1 Field Office Location and Staffing

The Alaska Leg Field Office should probably be located in Fairbanks, which is more convenient to the proposed construction right-of-way in the interior. Its surveillance staff, headed by a Field Office Director who is chief of OFI construction monitoring and titled the Director of Construction Monitoring, should consist of:

- ° Federal Inspector Field Representatives (FIFRs), composed of field engineers and environmental scientists responsible for field surveillance and compliance.
- ° Professional staff for other field programs, such as cultural resources (archeologists); socioeconomics (cultural anthropologists or sociologists); cost analysts, economists and auditors (cost tracking); program and management analysts (schedule and permit monitoring, and policy analysis); and others.
- ° Basic administrative staff support.
- ° Contract personnel for technical support, particularly in the engineering area.
- ° Temporary of visiting staff, which might include Agency Authorized Officers (AAOs), visiting headquarters personnel and other Federal officials temporary engaged by the Agency for special tasks, such as cultural resource program development.

16.2 Field Monitoring and Compliance

Field construction oversight and enforcement is the second major responsibility of the OFI during Phase II construction, following after the pre-construction design review and approval stage. Together, pre-construction review and field oversight constitute the essential OFI oversight mission for the ANGTS Alaska Leg. The OFI, during Phase I, placed great emphasis on the assessment of design principles and methodology, consolidated in the sponsor's Design Criteria Manuals (DCR). Careful criteria development and review should facilitate rapid mile-by-mile design and help avoid field construction problems.

16.2.1 Field Enforcement: The OFI Construction Oversight Manual For Alaska contains OFI's proposed policies, procedures and overall strategy for field construction oversight during the construction of the ANGTS Alaska Leg. Its success relies upon sound pre-construction planning, for the planning approvals its issues during the design period become the standards by

which the sponsor's field performance will be judged. The Manual, which should be updated very early during project remobilization, is the OFI's central document for construction monitoring and field enforcement. Among other things, the Manual establishes:

- ° Field Organization Structure.
- ° Construction Systems (Sponsor and Government Monitoring), which are discussed in 16.3 below.
- ° Field Oversight Activities and Responsibilities.
 - ° Federal Inspector Field Representatives (FIFRs)
 - ° Director of Construction Monitoring
- ° Information Requirements and Communication Procedures.
- ° Enforcement, Approval and Appeal Policies.

[Supporting Documents]

- 16.2/D1 "Enforcement," 12/31/80.
- 16.2/D2 "OFI Construction Oversight Manual For Alaska," 3/1/84 Draft
- 16.2/D3 "Compliance Management, Interim Guidance," ND. (Used by the OFI East Leg Field Office during the 1981 Northern Border construction season.)
- 16.2/D4 Manual, "Compliance Policies & Procedures," and accompanying "Compliance Management Appendices," 3/82. (Used by the OFI East Leg Field Office during the 1982 Northern Border construction season.)
- 16.2/D5 Grant of Right-of-Way for the Alaska Natural Gas Transportation Systems, Alaska Segment, 12/1/80.
- 16.2/D6 Memorandum of Agreement between the U.S. Department of the Interior and the Office of the Federal Inspector, 5/9/83.

16.3 Field Construction Management System

The OFI has developed a model of a construction management system, based upon the sponsor's Management Plan draft, other sponsor documentation and broad Agency research on the topic. OFI's model is presented in the "Briefing to NWA: OFI and Sponsor Field Construction Management Systems Used on Phase I of ANGTS With Recommendations for Phase II." It consolidates the field construction management and monitoring picture, including compliance, quality assurance/quality control (QA/QC), management information and cost/schedule review systems.

- ° General Field Construction Management

[Supporting Documents]

- 16.3/D1 "Briefing to NWA: OFI and Sponsor Field Construction Management Systems Used On Phase I of ANGTS With Recommendations for Phase II," 3/22/83.
- 16.3/D2 Narrative, "Briefing to NWA," 3/22/83.
- 16.3/D3 Management Plan, Northwest Alaskan Pipeline Company, 5/30/80 Draft.
- 16.3/D4 Letter, Rhett to di Zerega, Management Plan Draft, 4/21/80.
- 16.3/D5 "Guidelines for Project Management Plans," ND Draft.
- 16.3/D6 Cook, Review of Sponsors' Management Plans and Tracking of Sponsors' Performance, 9/24/80.
- 16.3/D7 Toskey, Construction Organization, 1/20/83.
- 16.3/D24 Review of East Leg Field Systems, AMS, 11/82.

16.3.1 Quality Assurance/Quality Control: OFI's oversight philosophy encouraged careful QA/QC system development and review. It is believed that a superior QA/QC system would enable the sponsors to "self-correct" a large percentage of non-conforming field activity without punitive OFI intervention, thus reducing project delays, project costs and perhaps allowing the Federal Inspector to minimize his oversight effort. The "Briefing to NWA" and the Cook Article highlight the major issues involved. The other QA/QC studies and systems cited below provide more general guidance for OFI monitoring program development and sponsor system review. The Aerospace Corporation reports elaborate general QA/QC principals and provide a few useful, innovative techniques, but were not developed for OFI and do not always apply well to its oversight responsibilities.

[Supporting Documents]

- 16.3/D8 Cook Article, "Quality Control Systems For Pipeline Welding: A Model and Quantitative Analysis," 8/15/84.
- 16.3/D9 Swanson Paper, "QA/QC Effectiveness in Large-Diameter Pipeline Construction," 5/27/83 Revised.
- 16.3/D10 "Quality Assurance Management Appraisal Program," The Aerospace Corporation, 10/21/81.
- 16.3/D11 Seven Supplemental Reports on Quality Assurance/Quality Control Systems, The Aerospace Corporation. Dated from 4/1/81 to 12/23/83.
- 16.3/D12 "Great Plains Monitoring Plan," U.S. Department of Energy, Chicago Operations Office, 8/26/82.
- 16.3/D13 GAO, "Status of the Great Plains Coal Gasification Plant," EMD-81-64, 3/16/81.
- 16.3/D14 GAO, "Status of the Great Plains Coal Gasification Project - August 1982," GAO/EMD-82-117, 9/14/82.

16.3.2 Cost and Schedule: During Phase II, OFI's Alaska Leg Field Office appears the best office for sponsor cost and schedule tracking, although a separate function might be

developed directly under the Deputy Federal Inspector for Project Construction. In any event, assistance will be required from the Engineering Affairs and, particularly, the Regulatory Affairs offices. The Otter Paper, cited below, provides a comprehensive analysis of the Phase I cost and schedule experience, but its recommendations represent the maximum sponsor effort the Agency should require in this area. This issue, particularly its remobilization aspects, are discussed in Issue Component 7, Regulatory Affairs.

[Supporting Documents]

- 16.3/D15 "Construction: NWA Schedule," ND Draft.
- 16.3/D16 Otter Report, "Review of OFI and Sponsor Cost/Schedule Systems for ANGTS," ND Draft.
- 16.3/D17 "Engineering/Alaskan Operation," Fourth Quarter 1984 and 1985 Budget and Work Plan; NWA, 4/4/84.
- 16.3/D18 "Alaska Natural Gas Pipeline Project and Conditioning Facilities: "Holding Phase Forecase," NWA, 2/23/84.
- 16.3/D19 "Engineering and Construction: 1984 Scope of Work," NWA, 8/31/83.

16.3.3 Ancillary Welding Issues: Sponsor welding systems and performance experienced problems on both the East Leg and West Leg Prebuilds, creating additional OFI and sponsor concern for the Alaska Leg. In an Arctic environment, pipeline welding modifications such as those required during Phase I are much less easy to implement.

[Supporting Documents]

- 16.3/D20 "Field Welding and Non-Destructive Evaluation in Eight Recently Completed Large-Diameter Pipeline Projects," OFI, 7/1/84.
- 16.3/D21 Black, Welding Engineering Committee, 4/15/82.
- 16.3/D22 Rhett, Information on Welding Issue, 4/14/82.
- 16.3/D23 "NBPL - Eastern Leg Weld Cracking Problem," Rhett Briefing, 1/6/82.

16.4 Phase I Field Experience

During Phase I, most of ANGTS field construction activity was on the East Leg Prebuild, known as the Northern Border pipeline. This activity, which consisted of the construction of about 823 miles of new transmission pipeline, was monitored by OFI's Omaha (East Leg) Field Office. In addition, the OFI, from a San Francisco Field Office, also monitored about 160 miles of new pipeline construction on the West Leg, principally in Washington and Idaho. Accounts of these two field efforts are well documented in the Office Histories, in Issue Component 1, General Project Briefing, under section 1.2.4, "The Phase I Experience."

16.5 Permit Tracking

The Alaska Leg Field Office will be responsible for facilitating and tracking all Alaska Leg permits, issued by Federal Departments and Agencies, and required for project construction and operation. This function, like cost and schedule control, could also be assigned to a staff office under the Deputy Federal Inspector for Project Construction. The OFI permits office acts as a "one window" contact for the filing and issuance of all project permits for the sponsor. The "one window" system assures that the Federal Government's approvals, authorizations, permits and other actions are both consistent and timely.

[Supporting Documents]

- 16.5/D1 "Permit Tracking and Schedule," 12/31/80.
- 16.5/D2 Letter, Burford to Kuhn, Temporary Use Permits, 5/10/82.
- 16.5/D3 Hengerer, Federal Inspector Authority to Modify or Waive Permit Conditions and Other Legal Requirements Imposed on ANGTS Construction, 8/12/81.
- 16.5/D4 Jacobus, Office of Federal Inspector Authority to Enforce Bureau of Land Management Permits, 6/23/81.
- 16.5/D5 Urban, Report on One-Window Policy of the OFI, 9/82.
- 16.5/D6 Esposito, Bureau of Land Management (BLM) Permit Issues, 1/5/82.

