



**ARAPAHOE COUNTY**  
PUBLIC WORKS & DEVELOPMENT

# Energy Program Implementation

## BOCC Study Session

Oct. 1, 2024



# Background



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- At the 7-22-2024 study session, BOCC indicated support for creating a new oil and gas inspections program as part of Phase 2B oil and gas regulations.
- Rough estimates for program revenue and expenditures were submitted as part of the 2025 Budget submission on 7-26-2024, and we continued to work on the details for this new program leading up to our budget meeting with EBC on 9-4-2024.
- As we have continued to flesh out the details for this new program over the past few months, some aspects of the program have changed from what was initially discussed during the 7-22-2024 study session.

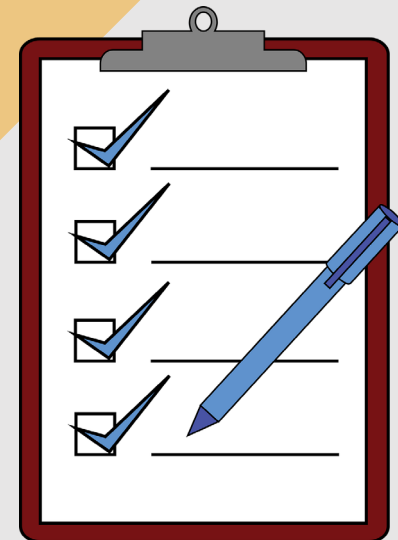


# Purpose



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- The purpose of today's session is to provide you with our current recommendations as it relates to the oil and gas inspections program and the overall energy program.
- We will provide information as it relates to projected revenue and costs, staffing needs, and our proposed implementation schedule.
- We seek direction from the Board on whether you agree with our recommended course of action for this program.



# Energy Program



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- We propose creating a comprehensive Energy Program within PWD's Planning Division. This program will include the new oil and gas inspections program and other energy-related areas such as:
  - Electric vehicle charging infrastructure
  - Solar, wind, and geothermal energy production
  - Battery electric storage systems, both to support renewable energy and manage peak grid demands
  - Energy storage and carbon sequestration
  - Additional electric substations and transmission lines
  - Oil and gas financial assurance/insurance tracking
  - Development and maintenance of a public-facing air quality, water quality, and energy development dashboard
  - Project management for energy-related land use cases

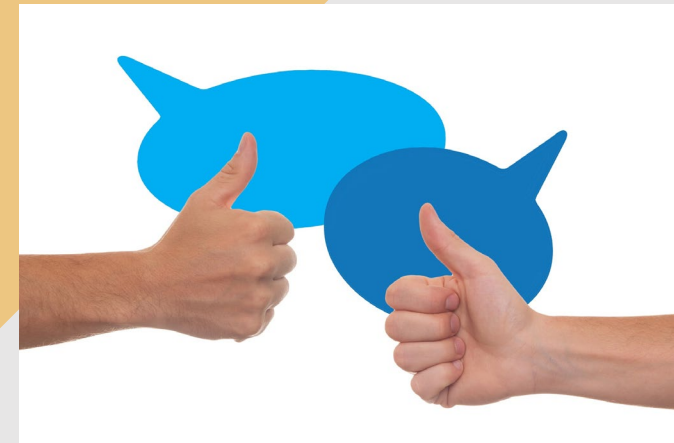


# Energy Program Goals



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- The goals of the Energy Program will be to:
  - Protect public health, safety, and welfare and the environment
  - Avoid and mitigate adverse impacts of energy development
  - Promote, administer, and enforce protective local energy regulations
- We will achieve these goals by implementing a well-planned and comprehensive energy program that focuses on BOCC priorities, considers best practices in the industry, and collaborates with other jurisdictions



# Energy Program Staffing – Inspector



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- To start the program, we are requesting one new Oil & Gas Inspector FTE as part of the 2025 Budget. This new FTE is being recommended for approval by the EBC.
- This position will fulfill the duties of the new oil and gas inspections program.
- We will show later in the presentation that one Inspector FTE is sufficient to achieve inspections goals in the first 1-2 years of the program.



# Energy Program Staffing – Manager



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- PWD's Energy Specialist position has been reclassified to an Energy Program Manager and is currently posted for job filling. The cost of this reclassification is being absorbed within PWD's current budget.
- This position will perform duties formerly completed by the Energy Specialist and also new duties related to managing the energy program and supervising the oil and gas inspections program.
- The Energy Program Manager will report directly to the Planning Division Manager, thereby elevating the organizational level of this program while also addressing a span-of-control concern for the Development Review Planning Manager.





# Energy Program Staffing – Administrative



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- We estimate that new administrative work equivalent to 0.5 FTE will be created as a result of the inspections program. This work will include assessing and invoicing fees, confirming insurances, and monitoring financial guarantees.
- We have identified existing resources for this work to start, but if we find that staff become overwhelmed with this additional work, we may need to request a new administrative FTE in the future, which we would do through the normal budget process should it be deemed needed.



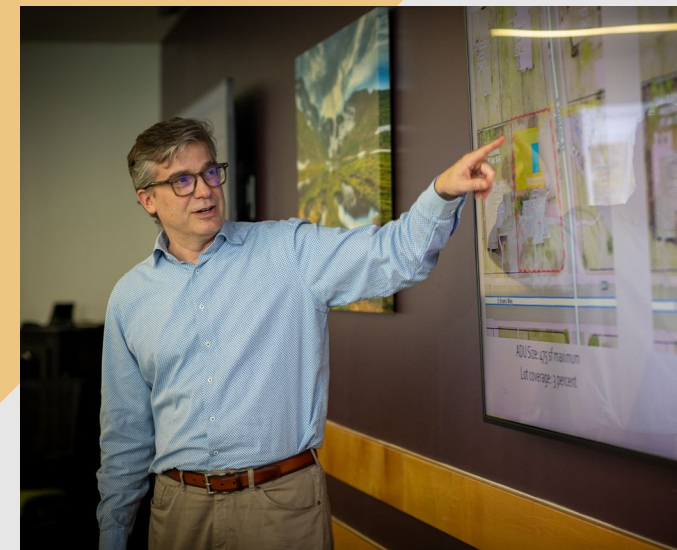


# Energy Program Staffing – Planner



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- We are experiencing an increase in energy-related presubmittal cases and an increase in staff time needed to process energy applications/cases due to increased public concern and interest in these cases.
- Currently, these cases are being completed by our development review planning team, but there may be a need for a dedicated Energy Planner in the future if the workload continues to increase.
- We would request such an FTE as part of the normal budget process should it be deemed needed in the future.



# Energy Program Staffing – Summary



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- In summation, as it relates to staffing for the Energy Program, we propose:
  - One new Oil & Gas Inspector FTE be added in first year of program (recommended for approval by the EBC as part of the 2025 Budget)
  - Reclassification of Energy Specialist to Energy Program Manager (reclassification costs absorbed by PWD budget; position currently posted)
  - Administrative work and planning case review work will be absorbed within existing resources to start



# Inspections Goals



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- The goal will be to inspect each drilling, completing, producing, and shut-in well twice per year. Most of these wells are located within 10 miles of Gun Club Road, which minimizes travel time between wells.
- Our workload analysis shows that we can meet this goal with a single inspector in the first 1-2 years of the program. As more of the anticipated wells begin operating in the future, an additional inspector may be required to maintain this level of service.
- An additional goal is to inspect 150 of the dry/abandoned or plugged and abandoned wells per year, which is about 16% of such wells each year. We will prioritize these inspections based on the proximity of the wells to where people live.



# Inspections Activity



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Below are the projected number of inspections that will be conducted each year from 2025-2030.

Well Type	Year 1 (2025)	Year 2 (2026)	Year 3 (2027)	Year 4 (2028)	Year 5 (2029)	Year 6 (2030)
Shut In (two inspections per well per year)	132	132	132	132	132	132
Drilling/Producing (two inspections per well per year)	224	224	256	288	320	352
Lowry CAP Area	0	104	168	232	302	372
Dry/Abandoned and Plugged & Abandoned	150	150	150	150	150	150
<b>Total Inspections per Year</b>	<b>506</b>	<b>610</b>	<b>706</b>	<b>802</b>	<b>904</b>	<b>1006</b>



# Inspector Workload



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- We project that the aforementioned inspections goals can be completed by one FTE in the first two years (2025 and 2026) based on workload projections and the following assumptions:
  - An average of four inspections can be completed per day with proper scheduling that minimizes travel time between inspection sites.
  - About 68 workdays in a year will be needed for non-inspections activities such as meetings (including meetings with internal colleagues, external customers, and BOCC and PC meetings), training, and various administrative tasks.
  - There are 219 workdays in a typical year based on County holidays and anticipated leave usage.



# Inspector Workload (cont'd)



The below chart shows workload projections based on the stated assumptions:

	Year 1 (2025)	Year 2 (2026)	Year 3 (2027)	Year 4 (2028)	Year 5 (2029)	Year 6 (2030)
<b>Total Inspections</b>	506	610	706	802	904	1006
<b># Workdays for inspections</b>	126.5	152.5	176.5	200.5	226	251.5
<b># Workdays for other tasks</b>	67.5	67.5	67.5	67.5	67.5	67.5
<b># Workdays remaining</b>	25	-1	-25	-49	-74.5	-100



# Proposed Program Fees



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- Our proposed inspections program fees are as follows:
  - \$1,500 per producing well per year
  - \$3,000 per pad site with producing wells per year
  - Fee amount for shut-in wells is still under consideration
  - No fees for dry/abandoned and plugged and abandoned wells
- These proposed fees are subject to final Board approval as part of the program adoption, which is scheduled to occur on Nov. 26, 2024.





# Program Revenue



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- We have two revenue projections for each year – one based on expected level of compliance in fee collection and one based on full compliance.
- We have not included any fines for spills, leaks, or emissions in these projections, although fines for such violations are being proposed in the Phase 2B regulations.
- Revenue is based on a 7/1/2025 program start date and a full 12-month billing cycle being invoiced at that time.
- We intend to review current application fees for oil and gas cases to determine if they are still appropriate. If we believe an increase is needed in these fees, we would come back to the Board with a proposal to update the Planning Review Fee Schedule.

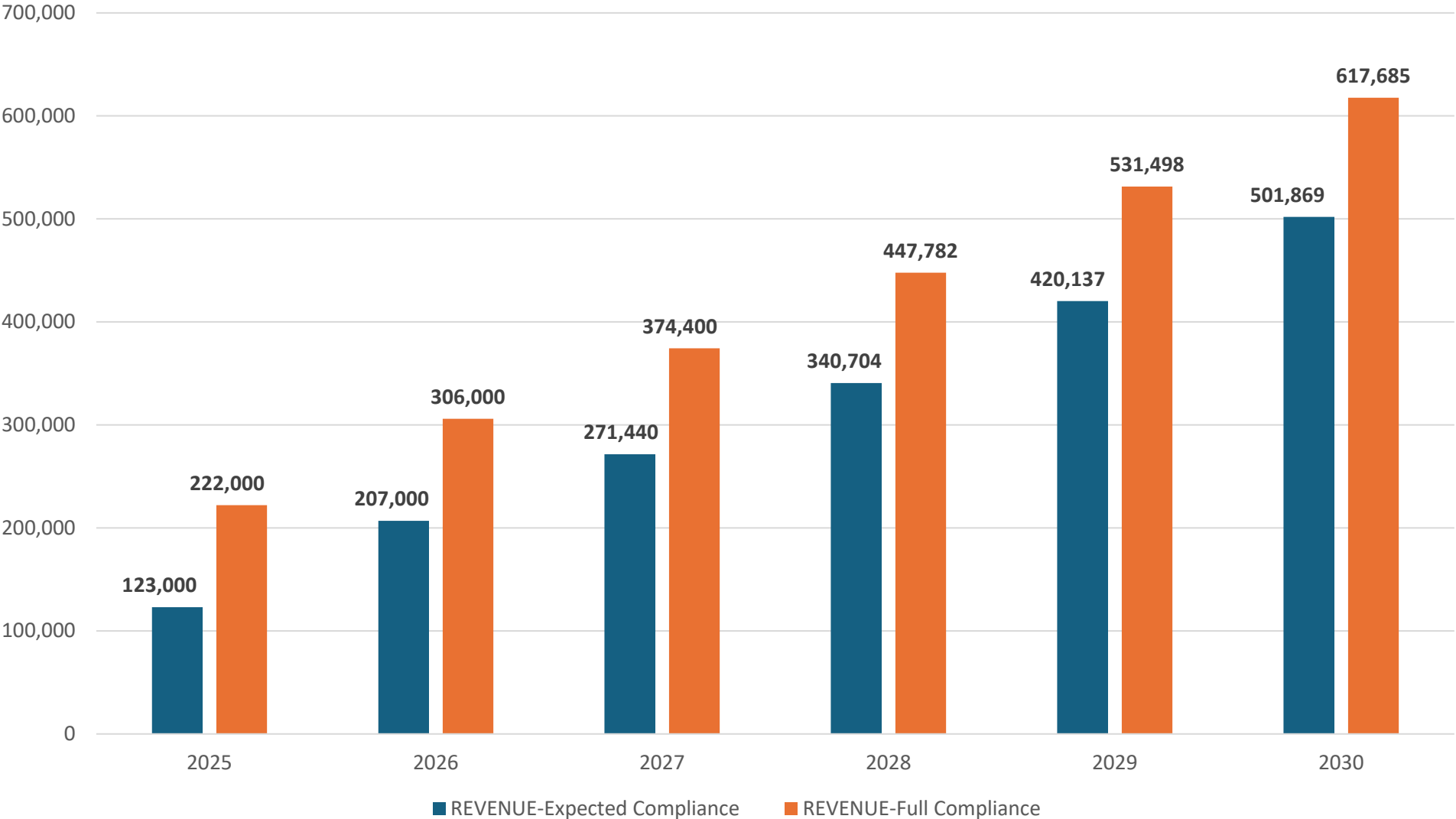


# Revenue Projections



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### Oil & Gas Inspections Program - Projected Revenue 2025-2030



# Program Costs



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- In projecting costs for this program, we assume that one FTE Inspector would be added in 2025; an Energy Planner FTE would be added in 2026; and a second Inspector FTE would be added in 2027.
  - This is based on current workload projections and trying to reasonably estimate costs as the program workload grows – but again, we would work through the normal budget process for formal approval of these FTEs if/when they are needed.
- There are significant one-time costs associated with the Inspector FTE, so we have two expenditure amounts – one showing all costs per year and one showing ongoing costs only.
- There will also be Accela configuration costs for this new program, but we are requesting to use funds remaining from a different Accela project for this work.

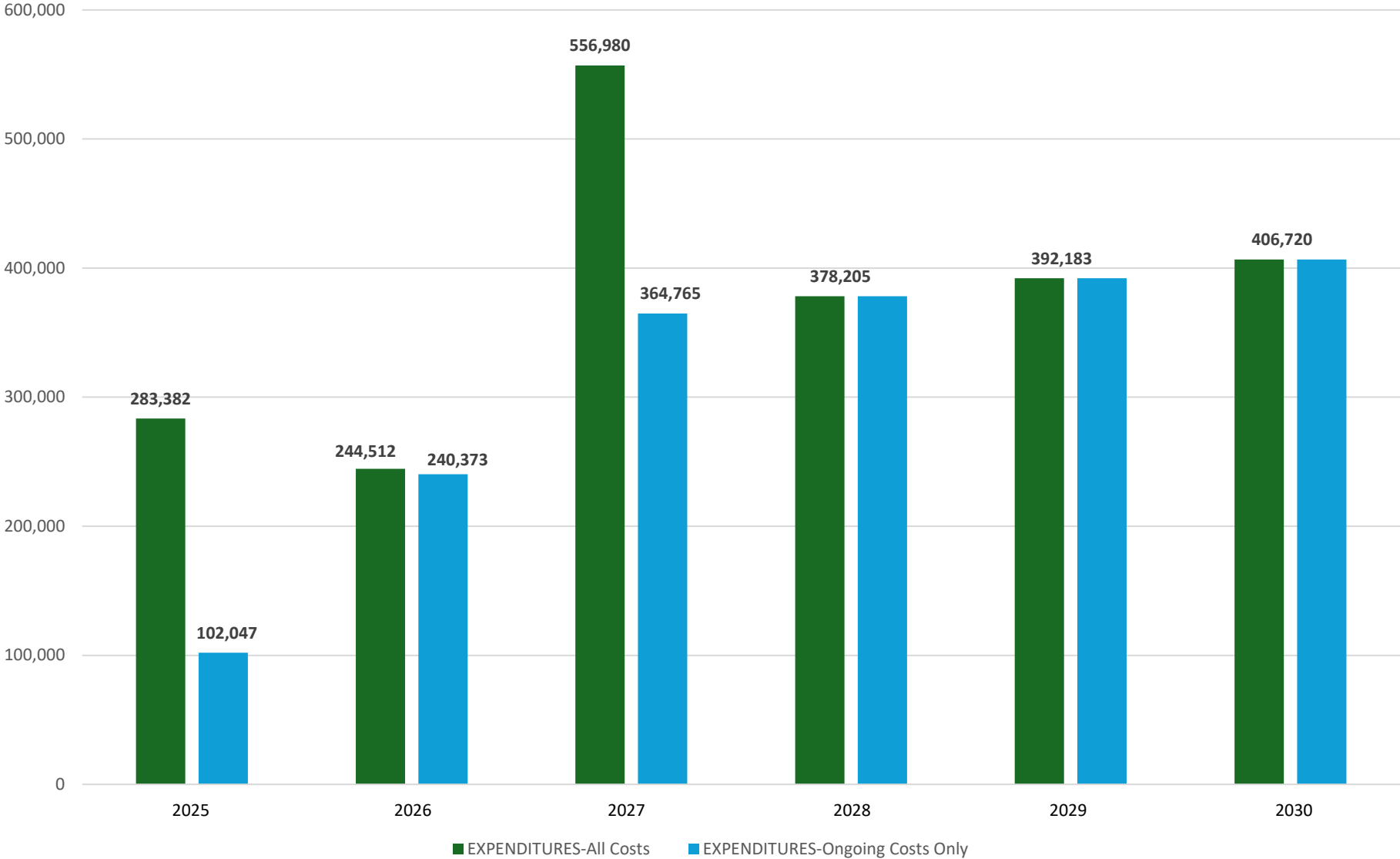


# Cost Projections

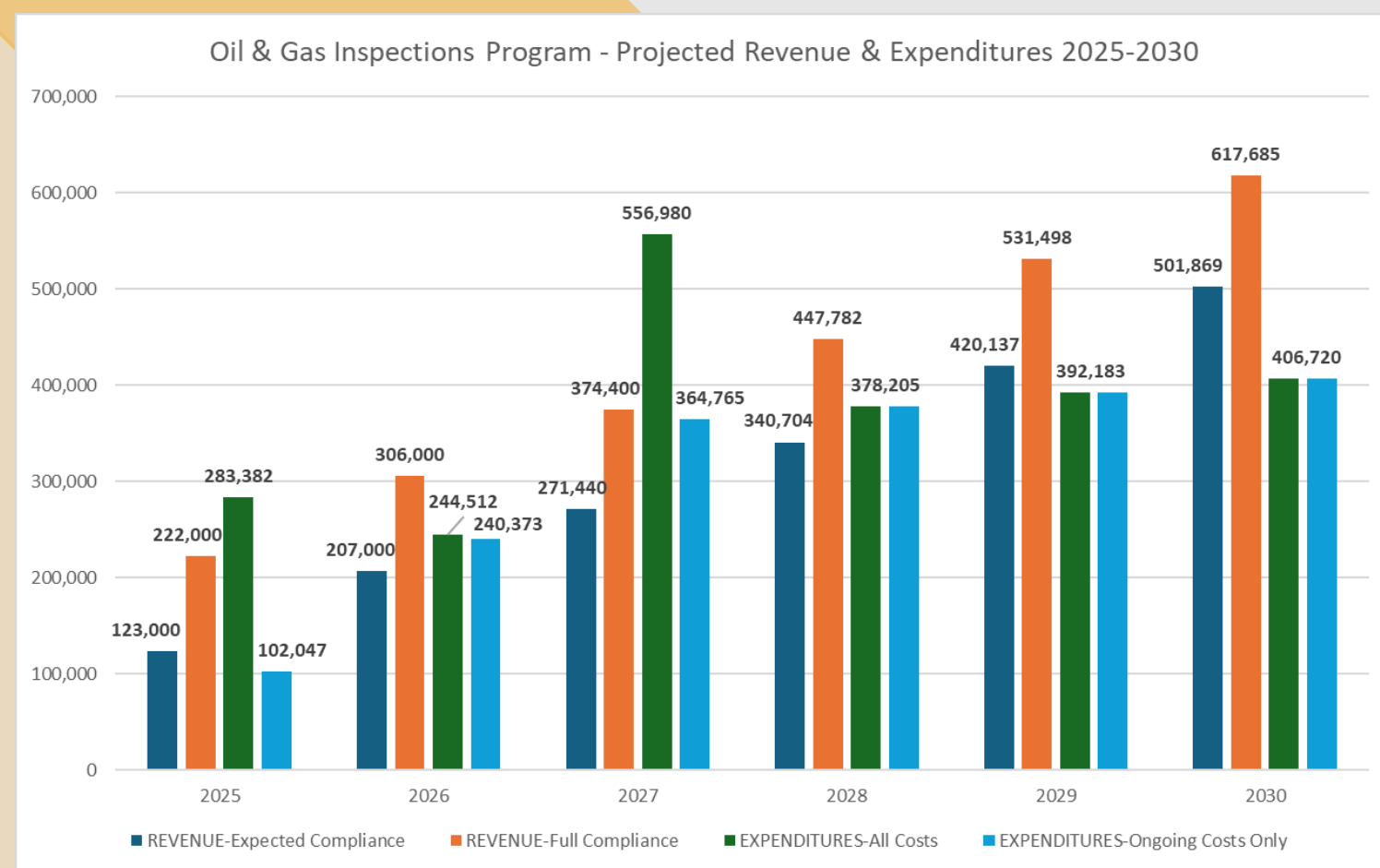


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Oil & Gas Inspections Program - Projected Expenditures 2025-2030



# Revenue and Cost Projections



	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>TOTAL</u>
REVENUE-Expected Compliance	123,000	207,000	271,440	340,704	420,137	501,869	1,864,150
REVENUE-Full Compliance	222,000	306,000	374,400	447,782	531,498	617,685	2,499,366
EXPENDITURES-All Costs	283,382	244,512	556,980	378,205	392,183	406,720	2,261,982
EXPENDITURES-Ongoing Costs Only	102,047	240,373	364,765	378,205	392,183	406,720	1,884,293
Financial Impact-Expected Compliance & All Costs	-160,382	-37,512	-285,540	-37,501	27,954	95,149	-397,832
Financial Impact-Full Compliance & All Costs	-61,382	61,488	-182,580	69,577	139,315	210,965	237,384

# Implementation Schedule



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The implementation schedule for this new program is proposed as follows:

- 12/2024 – Energy Program Manager start
- 1/2025 – Order program equipment (FLIR camera, vehicle, etc.)
- 1/2025 – Begin Inspector hiring process
- 3/2025 – Inspector start
- 1/2025 – 5/2025 – Accela systems configuration
- 2/2025 – 4/2025 – Develop IGA w/ECMC
- 4/2025 – 6/2025 – Inspector training
- 7/1/2025 – Program start; invoice operators and begin inspecting sites

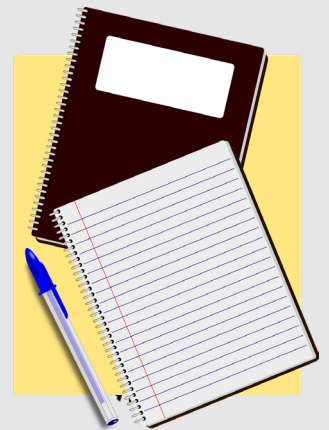


# Inspections Program



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- Proposed Code Amendment includes the establishment of an Inspections Program.
- Sets forth fines and penalties for noncompliance.
- Allows the Public Works Director to shut down activities if there are three or more documented violations in 6 months, or under emergency situations.
- PWD Director is authorized to issue fines up to \$15,000 per day for each violation. The draft regulations do not specify how often each oil and gas facility would be inspected.





# Inspections Program (cont'd)



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## Community Feedback

- Recommendation that facilities should be shut down with a single violation regardless of the scale.
- Recommend shutting down a facility after five neighbor complaints in a 24-hour period about a particular issue.
- Recommended that inspections occur monthly or quarterly at a minimum.
- Some felt the \$15,000 per day per occurrence was not enough to deter operators and recommended a higher amount, some as high as \$100,000 per day.

**Decision Point:** Any changes based on these comments?

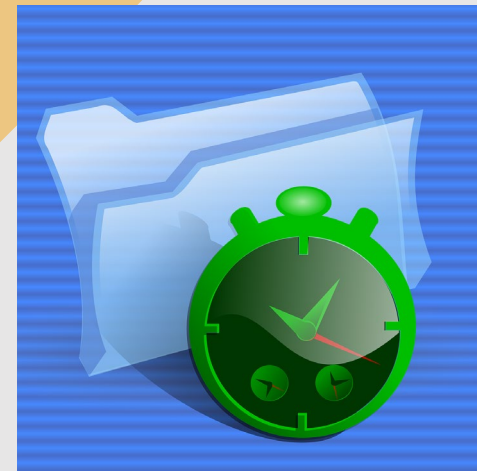


# Tentative Schedule – Phase 2B Regs



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- Oct. 1 – BOCC Study Session on Oil and Gas Inspection Program, including Phase 2B Regulations & Schedule
- Oct. 15 – Planning Commission Study Session on Oil & Gas Phase 2B
- Oct. 29 – BOCC Study Session on Oil and Gas Phase 2B Part 2
- Nov. 12 – Planning Commission Hearing on Oil and Gas Phase 2B Vote
- Dec. 10 – BOCC Hearing on Oil and Gas Phase 2B Vote



# Questions



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- Are there additional questions we can answer?
- Is there any follow-up information the Board requests as it relates to the Energy Program or O&G Inspections Program?



# Summary



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- Thank you for your time!
- We seek direction on whether the Board approves our proposal for program implementation, pending final adoption of this new program in November and adoption of the 2025 Budget in December.

