

## **Corporate Context for Energy Resources (ER) Programs**

*This section on Corporate Context that is included for the first time in the Department's budget is provided to facilitate the integration of the FY 2003 budget and performance measures. The Department's Strategic Plan published in September 2000 is no longer relevant since it does not reflect the priorities laid out in President Bush's Management Agenda, the 2001 National Energy Policy, OMB's R&D project investment criteria or the new policies that will be developed to address an ever evolving and challenging terrorism threat. The Department has initiated the development of a new Strategic Plan due for publication in September 2002, however, that process is just beginning. To maintain continuity of our approach that links program strategic performance goals and annual targets to higher level Departmental goals and Strategic Objectives, the Department has developed a revised set of Strategic Objectives in the structure of the September 2000 Strategic Plan.*

Energy is the vital force powering business, manufacturing, and movement of goods and services throughout the country. The United States spends over one-half trillion dollars annually for energy, and our economic well-being depends on reliable, affordable supplies of clean energy.

The Energy Resources goal establishes the overarching purpose of the Department's energy programs. Focus of three of the Department's program offices is on energy technology R&D: Office of Fossil Energy (FE), Office of Nuclear Energy, Science and Technology (NE), and the Office of Energy Efficiency and Renewable Energy (EE). In addition to energy technology R&D the Department's Energy Information Administration (EIA) develops and publishes energy statistics and forecasts and the Department also delivers Federal hydroelectric power to consumers through the Power Marketing Administrations (PMAs).

### **Energy Resources (ER) Goal**

**Increase global energy security, maintain energy affordability and reduce adverse environmental impacts associated with energy production, distribution, and use by developing and promoting advanced energy technologies, policies and practices that efficiently increase domestic energy supply, diversity, productivity, and reliability.**

### **Strategic Objectives**

The Energy Resources business line goal is supported by the following strategic objectives. Offices requesting funding to achieve these objectives are identified with each objective:

**ER1:** Use public-private partnerships to promote energy efficiency and productivity technologies in order to enhance the energy choices and quality of life of Americans in 2020 relative to 2000

by: reducing the oil intensity of the U.S. economy by 25 percent (compared to 23 percent without EE programs); reducing energy intensity in the U.S. economy by 32 percent (compared to 28 percent without EE programs); and, reducing the need for additional electricity generating capacity by 10 percent (compared to the case without EE programs). (EE)

- ER2:** Use public private partnerships to bring cleaner, more reliable, and more affordable energy technologies to the marketplace, enhancing the energy choices and quality of life of Americans in 2020 relative to 2000 by: increasing the share of renewable energy to 10% (compared to 8 percent without EE programs); increasing the share of renewable-generated electricity to 12 percent (compared to 8 percent without EE programs); and, doubling the share of capacity additions accounted for by distributed power, which increases distributed generation to 11% of all electricity generation (compared to 8% without EE programs). (EE)
- ER3:** Reduce the burden of energy prices on low-income families by working with state and local agencies to weatherize at least 123,000 homes per year from 2003 through 2005. (EE)
- ER4:** Create public-private partnerships to provide technology to ensure continued electricity production from the extensive U.S. fossil fuel resource, including control technologies to permit reasonable-cost compliance with emerging regulations, and ultimately, by 2015, zero emission plants (including carbon) that are fuel-flexible, and capable of multi-product output and efficiencies over 60% with coal and 75% with natural gas. (FE)
- ER5:** By 2010, add over 1 million barrels a day of domestic oil production and almost 2 TCF per year of additional gas production as a result of technologies and practices from DOE supported research and development. (FE)
- ER6:** Maintain the Strategic Petroleum Reserve in a state of readiness to supply oil at sustained rate of 4.2 million barrels per day for 90 days within 15 days notice by the President. (FE)
- ER7:** Expand the capability of nuclear energy to contribute to the Nation's near and long-term energy needs by investing in our Nation's nuclear R&D infrastructure and promoting advanced research, such that by December 2004: the average capacity of existing U.S. nuclear power plants will increase from 90 to 92 percent; a new nuclear power plant construction project will be initiated in the United States; and a conceptual design will be developed for a nuclear energy system that addresses the technology issues hindering the worldwide expansion of nuclear power. (NE)
- ER8:** Provide national and international energy data, analysis, information and forecasts to meet the needs of the energy decision-makers and the public in order to promote sound policymaking, efficient energy markets and public understanding. (EIA)

**ER9:** Ensure Federal hydropower is marketed and delivered while passing the North American Electric Reliability Council's Control Compliance Ratings, meeting planned repayment targets, and achieving a recordable accident frequency rate at or below our safety performance standard. (PMA)

### Budget Summary table

(dollars in thousands)

	FY 2001 Comparable Appropriation	FY 2002 Comparable Appropriation	FY 2003 Request
<i>Office of Energy Efficiency and Renewable Energy (EE) Programs</i>			
§ Energy Conservation excluding weatherization (272) ER1	\$657,178	\$685,470	\$627,204
§ Renewable Energy Resources (271) ER2	370,453	386,406	407,720
§ Energy Conservation - Weatherization (272) ER3	<u>152,664</u>	<u>230,000</u>	<u>277,100</u>
<b>Total EE</b>	<b>1,180,295</b>	<b>1,301,876</b>	<b>1,312,024</b>
<i>Office of Fossil Energy (FE) Programs</i>			
§ Fossil Energy Research and Development (271), Clean Coal Technology (271), and Alternative Fuels (271) ER4 and ER5	545,982	627,626	534,155
§ Naval Petroleum and Oil Share Reserves (271), Elk Hill School Lands Fund (271), and Strategic Petroleum Reserve (274) ER6	<u>187,312</u>	<u>233,525</u>	<u>281,823</u>
<b>Total FE</b>	<b>733,294</b>	<b>861,151</b>	<b>811,509</b>
<i>Nuclear Energy, Science and Technology (NE) Programs</i>			
Office of			
§ Nuclear Energy Programs (271) ER7	<u>277,105</u>	<u>293,928</u>	<u>250,659</u>
<b>Total NE</b>	<b>277,105</b>	<b>293,928</b>	<b>250,659</b>
<i>Environmental Information Administration (EIA)</i>			
§ National Energy Information System (276) ER8	<u>78,154</u>	<u>81,199</u>	<u>82,801</u>
<b>Total EIA</b>	<b>78,154</b>	<b>81,199</b>	<b>82,801</b>
<i>Power Marketing Administrations (PMA)</i>			
§ Power Marketing Administrations (271) ER9	<u>208,856</u>	<u>214,962</u>	<u>204,750</u>
<b>Total PMA</b>	<b>208,856</b>	<b>214,962</b>	<b>204,750</b>
<b>Total ER</b>	<b>1,477,704</b>	<b>2,753,116</b>	<b>2,666,212</b>

DEPARTMENT OF ENERGY  
FY 2003 CONGRESSIONAL BUDGET REQUEST  
ELK HILLS SCHOOL LANDS FUND  
Proposed Appropriation Language

For necessary expenses in fulfilling installment payments under the Settlement Agreement entered into by the United States and the State of California on October 11, 1996, as authorized by section 3415 of Public Law 104-106, \$36,000,000, [to become available on October 1, 2002] for payment to the State of California for the State Teachers' Retirement Fund from the Elk Hills School Lands Fund in FY 2003.

DEPARTMENT OF ENERGY  
FY 2003 CONGRESSIONAL BUDGET REQUEST  
ELK HILLS SCHOOL LANDS FUND  
(Tabular dollars in thousands, narrative in whole dollars)

Elk Hills School Lands Fund

I. Mission Supporting Goals and Objectives:

Pursuant to Public Law 104-106, the National Defense Authorization Act (the Act) for FY 1996, DOE offered Naval Petroleum Reserve Numbered 1 (NPR-1 or Elk Hills) for sale. Section 3415 of the Act required, among other things, that the Department make an offer of settlement to the State of California with respect to its longstanding claims to two parcels of land ("school lands") within NPR-1. The Act also provided for nine percent of the net sales proceeds to be reserved in a contingent fund in the Treasury for payment to the State, subject to appropriation. The Department's estimate of nine percent of the net sales proceeds is \$324 million, of which \$298 million has already been deposited into the contingent fund. The Department will adjust the amount in the contingent fund once all divestment related costs have been paid.

In compliance with the Act and in order to remove any cloud over title which could diminish the sale value of the Reserve, the Department entered into a Settlement Agreement with the State on October 11, 1996. The Agreement calls for payment from the contingent fund to the State, subject to appropriation, of nine percent of the net sales proceeds, payable over a seven-year period (without interest), commencing in Fiscal Year 1999. Under the Settlement Agreement, the first five installments are for \$36,000,000 each year, and the remaining balance is to be paid in two equal installments in years six and seven.

The first installment payment was appropriated in FY 1999. No appropriation was provided in FY 2000, but the FY 2000 Interior and Related Agencies Appropriations Act provided an advance appropriation of \$36 million to become available in FY 2001. The FY 2001 Interior & Related Agencies Appropriations Act provided an advance appropriation of \$36 million to become available at the beginning of FY 2002. The FY 2003 budget requests \$36 million in new budget authority to be paid in FY 2003 per the terms of the Settlement Agreement. This payment would be in addition to the FY 2002 advanced appropriation payable October 1, 2002.

II. A. Funding Schedule: Elk Hills School Lands Fund

<u>Program Activity</u>	<u>FY 2001 Comparable</u>	<u>FY 2002 Comparable</u>	<u>FY 2003 Request</u>	<u>\$ Change</u>	<u>% Change</u>
California teacher's pension fund payment	\$ 0	\$	\$ 36,000	+36,000	100%
Advance Appropriation	\$ 36,000	\$ 36,000	\$ 36,000	\$ 0	0%
Total, Elk Hills School Lands Fund	<u>\$ 36,000</u>	<u>\$ 36,000</u>	<u>\$ 72,000</u>	\$+36,000	100%

II. B. Laboratory and Facility Funding Schedule: Elk Hills School Lands Fund

<u>Program Activity</u>	<u>FY 2001 Comparable</u>	<u>FY 2002 Comparable</u>	<u>FY 2003 Request</u>	<u>\$ Change</u>	<u>% Change</u>
State of California	\$ 36,000	\$ 36,000	\$ 72,000	\$ 36,000	100%

III. Performance Summary: Elk Hills School Lands Fund

Program Activity	FY 2001	FY 2002	FY 2003
Elk Hills School Lands	The appropriation delayed payment of the second installment until on or about October 1, 2001. The Agreement calls for payment to the State of nine percent of the net sales proceeds, payable over a seven-year period, without interest. The first five installments are for \$36 million each year, and any remaining balance is to be paid in two equal installments in years six and seven.	Provides funding for payment of the third installment on or about October 1, 2002. The Agreement calls for payment to the State of nine percent of the net sales proceeds, payable over a seven-year period, without interest. The first five installments are for \$36 million each year, and any remaining balance is to be paid in two equal installments in years six and seven.	Provides funding for payment of the fourth installment to the State for fiscal year 2003. The Agreement calls for payment to the State of nine percent of the net sales proceeds, payable over a seven-year period, without interest. The first five installments are for \$36 million each year, and any remaining balance is to be paid in two equal installments in years six and seven.
Total, Elk Hills School Lands	\$36,000	\$36,000	\$72,000