

DEPARTMENT OF ENERGY
FY 2003 CONGRESSIONAL BUDGET REQUEST

Proposed Appropriation Language

STRATEGIC PETROLEUM RESERVE
(INCLUDING TRANSFER OF FUNDS)

For necessary expenses for Strategic Petroleum Reserve facility development and operations and program management activities pursuant to the Energy Policy and Conservation Act of 1975, as amended (42 U.S.C. 6201 et seq.), [\$165,000,000] *\$169,754,000* to remain available until expended.

DEPARTMENT OF ENERGY
FY 2003 CONGRESSIONAL BUDGET REQUEST
STRATEGIC PETROLEUM RESERVE
(Tabular dollars in thousands. Narrative in whole dollars)

STRATEGIC PETROLEUM RESERVE

PROGRAM MISSION

The mission of the Strategic Petroleum Reserve (SPR) is to provide the United States with adequate strategic and economic protection against disruptions in oil supplies. The SPR Program was established as a 750 million-barrel (MMB) capacity crude oil reserve with storage in large underground salt caverns at five sites in the Gulf Coast area, connected to major private sector distribution systems, and maintained to achieve full drawdown rate capability within fifteen days of notice to proceed. Storage capacity development was completed in September 1991 providing the capability to store 750 million barrels of crude oil in underground caverns ready to deploy at the President's direction in the event of an emergency. As a result of the decommissioning of the Weeks Island site in 1999, the Reserve lost 70 million barrels of capacity. However, the Department has reassessed the capacities of the remaining storage sites and estimates they are currently capable of storing 700 million barrels. This increase in capacity is a result of fresh water leaching of the caverns during the drawdown of oil in previous years, such as the Desert Storm drawdown activities, oil sales in fiscal years 1996 and 1997, oil degassing movements and various site drawdown tests. The inventory and accounts receivable (as a result of RIK and Exchange 2000 deferrals) totals 592 million barrels of crude oil. This inventory provides the equivalent of 53 days of net import protection.

In FY 1993, the SPR discovered that the vapor pressure of crude oil in many storage caverns was increasing as a result of intrusion of gases and natural geothermal heating. Over the FY 1995-1997 timeframe 172 million barrels of affected inventory was degassed and heat exchangers installed to further reduce vapor pressure during a drawdown of the reserve. Due to continued geothermal heating and renewed gas intrusion into the SPR crude oil, the SPR initiated a vapor pressure mitigation program. A contract for construction of a degas plant was awarded in November 2001. The degas plant design will be completed by October 1, 2002 and the program will commence full degas plant operations by May 3, 2004.

STRATEGIC PERFORMANCE GOAL

ER1-2: Maintain an effective Strategic Petroleum Reserve (SPR) to deter and respond to oil supply disruptions and cooperate with the importing member nations of the International Energy Agency.

PERFORMANCE INDICATORS

- (1) Drawdown readiness (Goal: Distribute crude oil within 15 days of Presidential notification).
- (2) Calculated site availability (Goal: $\geq 95\%$).
- (3) Drawdown capability (Goal = 4.4 MMB/Day).
- (4) Distribution capability as a percent of drawdown rate (Goal $\geq 120\%$).

ANNUAL PERFORMANCE RESULTS AND TARGETS

FY 2001 Results	FY 2002 Results	FY 2003 Targets
<ul style="list-style-type: none"> • Completed the transfer of Federal Royalty Oil to SPR by November 2000 per the FY 1999 Agreement with Interior Department. 	<ul style="list-style-type: none"> • Target established to continue delivery of exchanged Federal Royalty Oil to SPR that was transferred to DOE in FY1999 - 2001 per the FY 1999 Agreement with the Interior Department. Commence RIK transfer program with the Department of the Interior to add 108 million barrels to the SPR. 	<ul style="list-style-type: none"> • Target established to complete delivery of exchanged Federal Royalty Oil to SPR that was transferred to DOE in FY1999 - 2001 per the FY 1999 Agreement with the Interior Department. Continue RIK transfer program with the Department of the Interior to add 108 million barrels to the SPR.
<ul style="list-style-type: none"> • Maintained 95% calculated site availability. 	<ul style="list-style-type: none"> • Target set at 95% 	<ul style="list-style-type: none"> • Target set at 95%
<ul style="list-style-type: none"> • Achieved drawdown rate of 4.19 MMB/day. 	<ul style="list-style-type: none"> • Target set at 4.14 MMB/Day 	<ul style="list-style-type: none"> • Target set at 4.14 MMB/Day
<ul style="list-style-type: none"> • Achieved distribution capability of $>159\%$ 	<ul style="list-style-type: none"> • Target set at $>120\%$ 	<ul style="list-style-type: none"> • Target set at $>120\%$
	<ul style="list-style-type: none"> • Award contract for degas plant constructing by November 30, 2001 	<ul style="list-style-type: none"> • Complete degas plant design by October 1, 2002.

SIGNIFICANT ACCOMPLISHMENTS AND PROGRAM SHIFTS:

VAPOR PRESSURE MITIGATION: In FY 1993, the SPR discovered that the vapor pressure of crude oil in many storage caverns was increasing as a result of intrusion of gases and natural geothermal heating. Over the FY 1995-1997 time frame, much of the affected inventory was degassed and heat exchangers installed to further reduce vapor pressure during a drawdown of the Reserve. Due to continued geothermal heating and renewed gas intrusion into the crude oil, the program has initiated a vapor pressure mitigation. A contract for construction of a degas plant was awarded in November 2001. Continuous removal of excess gas from the SPR crude oil inventory will commence by May 2004. This request includes funding for mitigation by continuous removal of gas from the oil.

ROYALTY OIL: The Department, in a joint initiative with the Department of the Interior, implemented a royalty oil transfer plan to replace approximately 28 million barrels of oil which were sold from the Reserve in fiscal years 1996 and 1997 largely for deficit reduction purposes. The Department and Interior's Minerals Management Service conducted a competitive exchange in which royalty oil produced at the offshore platform was offered for crude oil that meets the Reserve's specifications and deliverable to any of four Reserve sites. Since the initial deliveries were scheduled, SPR has renegotiated delivery dates into 2002 in exchange for greater oil premiums. In November 2001, the President directed the Secretary of Energy to continue using this technique as one of the means to fill the Reserve to its current capacity of 700 million barrels. Fill operations for RIK are scheduled to commence in April 2002, with completion in 2005.

COMMERCIALIZATION: SPR continued to lease facilities that are not required for standby operational readiness and have no adverse impact on the SPR mission or program. Through November 2001 the Strategic Petroleum Reserve has received revenues from the commercial lease of its St James terminal and pipelines at Big Hill, Bayou Choctaw, and Bryan Mound sites. These revenues total \$2,344,201; \$2,311,098 paid in crude oil equivalent and \$33,103 paid in cash (transferred to the United States Treasury). These efforts have also reduced the maintenance cost of the Reserve by transferring that responsibility to the lessees.

OIL EXCHANGE 2000: In September 2000, the Administration, concerned with the very low level of commercial heating oil inventories directed DOE to exchange 30 million barrels of crude oil from the SPR. Solicitations were conducted in September and October for deliveries in November and December. In exchange for SPR oil, contractors agreed to deliver 31.35 million barrels of oil to the Reserve between August and November 2001. DOE subsequently renegotiated the delivery dates for delivery of the oil into 2002 and January 2003. In exchange for the delay in deliveries the SPR will receive 34.5 million barrels of oil.

BUDGET HIGHLIGHTS

The request for SPR in FY 2001 included storage site maintenance, operations, security, drawdown testing, and drawdown readiness. FY 2001 was financed with \$157.4 million in new Budget Authority. The \$8.5 million balance in the SPR Petroleum account will be used to finance transportation costs related to Exchange 2000 and DOI's Royalty Oil. There was no oil acquisition by direct purchase.

The FY 2002 SPR request continues storage site maintenance, operations, security, drawdown testing, and drawdown readiness for the Reserve, in addition to funding for vapor pressure mitigation. For FY 2002 the SPR was appropriated \$171.9 million in new Budget Authority, which includes \$13 million for vapor pressure mitigation. No funds are requested for direct purchase of additional crude oil.

The FY2003 SPR request continues storage site maintenance, operations, drawdown testing, and drawdown readiness for the Reserve, in addition to funding for vapor pressure mitigation, and enhanced SPR physical security. For FY 2003, the SPR requests \$169.7 million in new Budget Authority, which includes \$12 million for vapor pressure mitigation. No funds are requested for direct purchase of additional crude oil.

DEPARTMENT OF ENERGY
 FY 2003 CONGRESSIONAL BUDGET REQUEST
 FOSSIL ENERGY
 (Dollars in thousands)
 PROGRAM FUNDING PROFILE
 STRATEGIC PETROLEUM RESERVE

<u>Activity</u>	<u>FY 2001</u> <u>Comparable</u>	<u>FY 2002</u> <u>Comparable</u>	<u>FY2003</u> <u>Request</u>	<u>Program</u> <u>\$ Change</u>	<u>Program</u> <u>% Change</u>
Storage Facilities Development and Operations					
Non-Phase Specific	\$ 140,672	\$ 154,009	\$ 154,856	\$ 847	+0.5%
Management	<u>\$ 16,811^a</u>	<u>\$ 17,899^a</u>	<u>\$ 14,898^a</u>	<u>\$ -3,001</u>	<u>-16.8%</u>
Total, Strategic Petroleum Reserve	\$ 157,483	\$ 171,908	\$ 169,754	\$ -2,154	-1.3%
Northeast Home Heating Oil Reserve	<u>\$ 8,000^b</u>	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 0</u>	<u>0%</u>
Subtotal, Petroleum Reserves	\$ 165,483	\$ 179,908	\$ 177,754	\$ -2,154	-1.2%
SPR Petroleum account	<u>\$-16,000^c</u>	<u>0</u>	<u>\$ 11,000</u>	<u>\$ +11,000</u>	<u>+100%</u>
Grand Total	\$ 149,483	\$ 179,908	\$ 188,754	\$ 8,846	+4.9%
Staffing (FTEs)					
Headquarters	27	27	27		
Field	<u>101</u>	<u>101</u>	<u>101</u>		
Total Staffing	128	128	128		

a. The FY 2001 and FY 2002 column of the FY 2003 Congressional Request includes funding in the amount of \$846 and \$899, respectively, for the government share of increased costs associated with pension and annuitant health care benefits. These funds are comparable to FY 2003 funding of \$898. (Note: The data is presented on a comparable basis as if legislation had been enacted and implemented in FY 2001.)

b. Reflects new BA of \$4 Million and a transfer of \$4 Million from the SPR Petroleum Account.

c. Reflects \$4 Million transfer to the Northeast Home Heating Oil Reserve and a \$12 Million transfer to Fossil Energy R&D.

DEPARTMENT OF ENERGY
FY 2003 CONGRESSIONAL BUDGET REQUEST
FOSSIL ENERGY
STRATEGIC PETROLEUM RESERVE
(Dollars in thousands)

SUMMARY OF CHANGES

FY 2002 Enacted	\$179,009
- Non-Discretionary Adjustments	\$ + 899
FY 2003 Base	\$179,908

Storage Facilities Development And Operations

Non-Phase Specific

- Increase reflects continued funding for Vapor Pressure Mitigation \$ +2,000
- Decrease reflects change in site test exercise schedule (annual to biannual) \$ -1,153

Management

- Decrease reflects savings associated with streamlining \$ -3,001

Petroleum Account	\$+11,000
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FY 2003 Congressional Budget Request	\$ 188,754
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DEPARTMENT OF ENERGY
FY 2003 CONGRESSIONAL BUDGET REQUEST
FOSSIL ENERGY
STRATEGIC PETROLEUM RESERVE
(Dollars in thousands)

SUMMARY OF CHANGES
(Storage Facilities Development/Operations and Management)

FY 2002 Enacted	\$ 171,009
- Non-Discretionary Adjustments	\$ + 899
FY 2003 Base	\$ 171,908

Storage Facilities Development And Operations

Non-Phase Specific

- Increase reflects continued funding for Vapor Pressure Mitigation	\$ +2,000
- Decrease reflects change in site test exercise schedule (annual to biannual)	\$ -1,153

Management

- Decrease reflects savings associated with streamlining	\$ -3,001
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FY 2003 Congressional Budget Request	\$169,754
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STRATEGIC PETROLEUM RESERVE

STORAGE FACILITIES DEVELOPMENT/OPERATIONS AND MANAGEMENT

I. **Mission Supporting Goals and Objectives:**

Storage Facilities Development and Operations funds all requirements associated with developing and maintaining facilities for the storage of petroleum, all operations associated with placing petroleum into storage, and all operational readiness activities associated with drawing down and distributing the inventory on a 15-day notice in the event of an emergency. Requirements not directly associated with facilities development are funded in the Non-phase Specific category of the Storage Facilities Development and Operations budget. Management funds all costs of Strategic Petroleum Reserve personnel; administrative expenses related to maintaining the Project Management Office in New Orleans, Louisiana and the Program Office in Washington, DC; contract services required to support management; and the technical analysis of program issues.

II. A. **Funding Schedule:**

<u>Activity</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>\$Change</u>	<u>%Change</u>
Non-phase Specific	\$140,672	\$154,009	\$154,856	\$ +847	1%
Management	\$16,811	\$17,899	\$14,898	\$-3,001	-17%
Total, Storage Facilities Development & Operations and Management	<u>\$157,843</u>	<u>\$171,908</u>	<u>\$169,754</u>	<u>\$ -2,154</u>	<u>-1%</u>

I. B. **Laboratory and Facility Funding Schedule:**

<u>Activity</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>\$Change</u>	<u>%Change</u>
Sandia National Laboratories	\$2,454	\$2,506	\$2,558	+\$52	2%
National Petroleum Technology Office	\$750	\$825	\$825	\$0	0%
Oak Ridge National Lab	\$100	\$150	\$150	\$0	0%
All Other	<u>\$154,539</u>	<u>\$168,427</u>	<u>\$166,221</u>	<u>\$-2,206</u>	<u>-1%</u>
Total, Storage Facilities Development & Operations and Management	<u>\$157,843</u>	<u>\$171,908</u>	<u>\$169,754</u>	<u>\$-2,154</u>	<u>-1%</u>

III. **Performance Summary:** STORAGE FACILITIES DEVELOPMENT & OPERATIONS AND MANAGEMENT

Activity	FY 2001	FY 2002	FY 2003
Non-Phase Specific	<p>Maintain operational readiness and facilities maintenance activities, consistent with Level I performance criteria.</p>	<p>Maintain operational readiness and facilities maintenance activities, consistent with Level I performance criteria. Implement activities for renewed vapor pressure mitigation to include awarding contract for degas plant construction by Nov. 30, 2001.</p>	<p>Maintain operational readiness and facilities maintenance activities, consistent with Level I performance criteria. Continue activities for renewed vapor pressure mitigation to include completion of degas plant design by Oct. 1, 2002.</p>
	<p>Continue the Drawdown Readiness Program and perform annual exercises.</p>	<p>Continue the Drawdown Readiness Program and perform annual exercises.</p>	<p>Continue the Drawdown Readiness Program and perform annual exercises.</p>
	<p>Continue Recovery Program exercises to maintain readiness and reliability.</p>	<p>Continue Recovery Program exercises to maintain readiness and reliability.</p>	<p>Continue Recovery Program exercises to maintain readiness and reliability.</p>
	<p>Continue ES&H program and corrective action plan activity developed to address unacceptable risk.</p>	<p>Continue ES&H program and corrective action plan activity developed to address unacceptable risk.</p>	<p>Continue ES&H program and corrective action plan activity developed to address unacceptable risk.</p>
	<p>Continue to monitor geotechnical stability and mine integrity and test emergency responses in the event of indications of unacceptable mine structural conditions.</p>	<p>Continue to monitor geotechnical stability and mine integrity and test emergency responses in the event of indications of unacceptable mine structural conditions.</p>	<p>Continue to monitor geotechnical stability and mine integrity and test emergency responses in the event of indications of unacceptable mine structural conditions.</p>

Non-Phase Specific
(con't)

Partially re-fill the Reserve with
federal royalty oil from production
in the central Gulf of Mexico.

\$140,672

Continue to re-fill the Reserve with
Federal royalty oil from production
in the central Gulf of Mexico.

\$154,009

Complete re-fill of Federal royalty
oil and Exchange oil by January
2003.

\$154,846

Activity	FY 2001	FY 2002	FY 2003
Management	Continue management of SPR Program to assure capability to achieve Level 1 Performance criteria for drawdown and distribution.	Continue management of SPR Program to assure capability to achieve Level 1 Performance criteria for drawdown and distribution.	Continue management of SPR Program to assure capability to achieve Level 1 Performance criteria for drawdown and distribution.
	Provide analytic support for SPR development, fill and distribution policy decisions.	Provide analytic support for SPR development, fill and distribution policy decisions.	Provide analytic support for SPR development, fill and distribution policy decisions.
	Provide for support and oversight of M&O contractor and subcontractor activities and program operations.	Provide for support and oversight of M&O contractor and subcontractor activities and program operations. Issue solicitation for selection of new management and operations contractor by March 29, 2002.	Provide for support and oversight of M&O contractor and subcontractor activities and program operations. Award new contract for management and operations contractor. New contract will begin April 2003.
	Continue the program to pursue commercial leasing of the SPR's underutilized distribution and cavern facilities.	Continue the program to pursue commercial leasing of the SPR's underutilized distribution and cavern facilities.	Continue the program to pursue commercial leasing of the SPR's underutilized distribution and cavern facilities.
	Maintain oversight of geotechnical stability & mine integrity.	Maintain oversight of geotechnical stability & mine integrity.	Maintain oversight of geotechnical stability & mine integrity.
	Continue management of the ES&H corrective action program.	Continue management of the ES&H corrective action program.	Continue management of the ES&H corrective action program.

Management
(con't)

Maintain capability to resume oil
acquisition.

Maintain capability to resume oil
acquisition.

Maintain capability to resume oil
acquisition.

Continue oil quality assurance
management activities.

Continue oil quality assurance
management activities.

A level of 128 FTE's.

A level of 128 FTE's.

A level of 128 FTE's.

\$16,811

\$17,899

\$14,898

Storage Facilities
Development &
Operations and
Management

\$157,843

\$171,908

\$169,754

DEPARTMENT OF ENERGY
FY 2003 CONGRESSIONAL BUDGET REQUEST

Proposed Appropriation Language

SPR PETROLEUM ACCOUNT
OIL ACQUISITION AND TRANSPORTATION
(INCLUDING TRANSFER OF FUNDS)

For the acquisition and transportation of petroleum and for other necessary expenses pursuant to the Energy Policy and Conservation Act of 1975, as amended (42 U.S.C. 6201 et seq.), \$11,000,000 to remain available until expended.

DEPARTMENT OF ENERGY
FY 2003 CONGRESSIONAL BUDGET REQUEST
FOSSIL ENERGY
STRATEGIC PETROLEUM RESERVE
(Dollars in thousands)

SUMMARY OF CHANGES
(Oil Acquisition and Transportation)

FY 2002 Enacted	\$ 0
- Non-Discretionary Adjustments	<u>\$ +11,000</u>
FY 2003 Base	\$ 11,000
 FY 2003 Congressional Budget Request	 \$ 11,000

SPR PETROLEUM ACCOUNT

OIL ACQUISITION AND TRANSPORTATION

I. Mission Supporting Goals and Objectives:

The SPR Petroleum Account was established in the Treasury pursuant to the provisions of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). This account funds all Strategic Petroleum Reserve petroleum inventory acquisitions, associated transportation costs, U.S. Customs duties, terminal throughput charges, incremental drawdown costs and other related miscellaneous costs. The FY 2003 budget request of \$11 million supports continued funding required to fill the SPR to its 700 million capacity. The Department was directed to add approximately 108 million barrels of oil to the SPR, principally royalty oil from federal offshore leases. This account will provide for the incremental cost of terminalling, transportation, power and third party inspections. Fill operations for RIK are scheduled to commence April 2002 with completion in 2005. Filling the SPR addresses the President's initiative to enhance the energy security of the United states by strengthening the nation's capability to respond to potential oil supply disruptions.

Performance Measures: Not Applicable.

II. A. Funding Schedule:

<u>Activity</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>\$Change</u>	<u>%Change</u>
Oil Acquisition and Transportation	\$0	\$0	\$11,000	\$11,000	100%
Transfer to Northeast Home Heating Oil Reserve	-\$4,000			\$0	0%
Transfer to Fossil Energy R&D	-\$12,000			\$0	0%
Total, Oil Acquisition and Transportation	<u>-\$16,000</u>	<u>\$0</u>	<u>\$11,000</u>	<u>\$11,000</u>	<u>100%</u>

I. B. Laboratory and Facility Funding Schedule:

<u>Activity</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>\$Change</u>	<u>%Change</u>
All Other	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0%</u>

III. **Performance Summary:** OIL ACQUISITION AND TRANSPORTATION

<u>Activity</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Oil Acquisition and Transportation	<p>FY 2001 Oil acquisition and Transportation program obligations are for transportation cost related to the Royalty-In-Kind (RIK Program) and the Exchange Program.</p> <p>Transfer of \$4 million to the Northeast Home Heating Oil Reserve.</p>	<p>FY 2002 Oil acquisition and Transportation program obligations are for transportation cost related to the Royalty-In-Kind (RIK Program) and the Exchange Program. Commence operations for RIK to add 108 million barrels of royalty oil from federal offshore leases to the SPR. By September 2002 add an additional 9.2 million barrels to the SPR.</p>	<p>FY 2003 Oil acquisition and Transportation program obligations are for transportation cost related to the completion of Royalty-In-Kind (RIK Program) and the Exchange Program. Continue operations to add 108 million barrels of royalty oil from federal leases to the SPR. The request of \$11 million supports continued funding required to fill the SPR to its 700 million barrel capacity.</p>
	-\$4,000	\$0	\$11,000
	<p>Transfer of \$12 million to Fossil Energy R&D.</p>		
	-\$12,000	\$0	\$0
Oil Acquisition and Transportation Total	-\$16,000	\$0	\$11,000

DEPARTMENT OF ENERGY
FY 2003 CONGRESSIONAL BUDGET REQUEST

Proposed Appropriation Language

NORTHEAST HOME HEATING OIL RESERVE
(INCLUDING TRANSFER OF FUNDS)

For necessary expenses for Northeast Home Heating Oil Reserve storage, operations and management activities pursuant to the Energy Policy and Conservation Act of 2000 (Public Law 106-469), \$8,000,000 to remain available until expended.

DEPARTMENT OF ENERGY
FY 2003 CONGRESSIONAL BUDGET REQUEST
FOSSIL ENERGY
STRATEGIC PETROLEUM RESERVE
(Dollars in thousands)

SUMMARY OF CHANGES
(Northeast Home Heating Oil Reserve)

FY 2002 Enacted	\$	8,000
FY 2003 Base	\$	8,000
FY 2003 Congressional Budget Request	\$	8,000

DEPARTMENT OF ENERGY
 FY 2003 CONGRESSIONAL BUDGET REQUEST
 STRATEGIC PETROLEUM RESERVE
 (Tabular dollars in thousands. Narrative in whole dollars)

NORTHEAST HOME HEATING OIL RESERVE
 PROGRAM MISSION

I. Mission Supporting Goals and Objectives:

On July 10, 2000, the President directed the Department to establish a heating oil Reserve in the Northeast capable of assuring home heating oil supplies for the Northeast States during times of very low inventories and significant threats to immediate further supply. During August 2000 the Department awarded contracts for lease of commercial storage facilities and acquisition of heating oil. These acquisitions were accomplished by the exchange of crude oil from the Strategic Petroleum Reserve for product and storage services.

In November 2000 Congress amended the authorizing legislation allowing the Department to move forward with plans to establish the Northeast Reserve. On March 6, 2001, Secretary Abraham signed letters of notification to Congress that formally established the Northeast Home Heating Oil Reserve by conversion of the existing regional distillate reserve. The 2 million barrel reserve is stored in commercial facilities located in New York Harbor, Rhode Island, and in New Haven, Connecticut. The Northeast Home Heating Oil Reserve funds all requirements associated with commercial storage and related facilities cost, in accordance with the Energy Policy and Conservation Act of 2000.

PERFORMANCE INDICATORS

(1) Drawdown readiness (Goal: 10 days to complete drawdown)

ANNUAL PERFORMANCE RESULTS AND TARGETS

FY 2001 Results	FY 2002 Results	FY 2003 Targets
Established Northeast Home Heating Oil Reserve. Receipt and storage of heating oil completed on October 13, 2000.	Recompete heating oil storage contracts by June 2002.	Continue operations of the Northeast Home Heating Oil Reserve.

SIGNIFICANT ACCOMPLISHMENTS:

Conducted mock sales exercise with industry participation to test and evaluate the Heating Oil processes, procedures and sales system.

Transferred 250,000 barrels of the two million-barrels of Heating Oil Reserve to Providence, RI. The 250,000 barrels transferred came from the Equiva Motiva terminal in New Haven, CT. A location in Providence provides extended distribution capability into the Boston area and gives additional truck and marine loading options.

On August 31, 2001 exercised the contract options with Amerada Hess, Equiva, and Motiva for continued storage at the East Coast terminals. The storage contracts will be recompeted by June 2002.

BUDGET HIGHLIGHTS

The request for the Northeast Home Heating Oil in FY 2001 included funding for the establishment of the Northeast Home Heating Oil Reserve. FY 2001 was financed with \$8 million (new BA of \$4 million and a transfer of \$4 million from the SPR Petroleum Account). The request included conducting appropriate environmental reviews, the lease commercial storage space, third party inspections and the development of an Internet sales platform.

The FY 2002 request for the Northeast Home Heating Oil Reserve continues operation of the reserve, solicitation support from Defense Energy Support Center and lease of commercial storage space. For FY 2002 the SPR requested \$ 8 million in new Budget Authority.

The FY 2003 request for the Northeast Home Heating Oil Reserve continues operation of the reserve, solicitation support from Defense Energy Support Center and lease of commercial storage space. For FY 2003 the SPR requested \$ 8 million in new Budget Authority.

II. A. Funding Schedule:

<u>Activity</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>\$Change</u>	<u>%Change</u>
Northeast Home Heating Oil Reserve	<u>\$8,000</u>	<u>\$8,000</u>	<u>\$8,000</u>	<u>+\$ 0</u>	<u>0%</u>

I. B. Laboratory and Facility Funding Schedule:

<u>Activity</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>\$Change</u>	<u>%Change</u>
All Other	<u>\$8,000</u>	<u>\$8,000</u>	<u>\$8,000</u>	<u>\$0</u>	<u>0%</u>

III. **Performance Summary:**

<u>Activity</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Northeast Home Heating Oil Reserve	Establish Northeast Heating Oil Reserve. Conduct appropriate environmental reviews, exchange crude oil from the Strategic Petroleum Reserve, and lease commercial storage space.	Continue operation of Northeast Heating Oil Reserve. Funding includes site optimization analysis, solicitation support from Defense Energy Support Center and the lease of commercial storage space.	Continue operation of Northeast Heating Oil Reserve. Funding includes the lease of commercial storage space, continued operation of the reserve and solicitation support from the Defense Energy Support Center
Total	\$8,000	\$8,000	\$8,000