

NORTHEAST HOME HEATING OIL RESERVE

Proposed Appropriation Language

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), \$5,000,000 to remain available until expended.

Note.-A regular 2003 appropriation for this account has not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

Explanation of Changes

Decrease from FY 2003 request (\$8,000,000) to reflect savings achieved from new storage contracts.

NORTHEAST HOME HEATING OIL RESERVE

Program Mission

On July 10, 2000, the President directed the Department of Energy to establish a heating oil reserve in the Northeast capable of assuring home heating oil supply for the Northeast states during times of very low inventories and significant threats to immediate further supply. Two million barrels of heating oil will protect the Northeast against a disruption for 10 days, the time required for ships to carry heating oil from the Gulf of Mexico to New York harbor for distribution. On March 6, 2001, Energy Secretary Abraham formally notified Congress that the Administration would establish the Reserve as a permanent part of America's energy readiness effort, separate from the Strategic Petroleum Reserve. The current structure of the Northeast Home Heating Oil Reserve is:

Location	Amount of distillate	Distribution Capability (minimum contractual capabilities)
Amerada Hess (NY harbor)	1,000,000 BBL	100,000 BPD
Motiva (New Haven, CT)	250,000 BBL	25,000 BPD
Morgan Stanley (New Haven, CT)	500,000 BBL	50,000 BPD
Motiva (Providence, RI)	250,000 BBL	25,000 BPD

Program Strategic Performance Goals

Maintain the Northeast Home Heating Oil Reserve to respond to regional effects of a severe short-term energy supply disruption in the Northeast.

Performance Indicators

- Milestone to establish as a permanent Reserve
- Number of days to complete drawdown

Annual Performance Targets and Results

FY 2002 Results	FY 2003 Updated Targets	FY 2004 Target
Storage contracts awarded 29 July, 2002	Twelve days to complete drawdown .	Twelve days to complete drawdown.

Funding Profile

(dollars in thousands)

	FY 2002 Comp. Approp.	FY 2003 Request	FY 2004 Base	FY 2004 Request	FY 2004 Request vs. Base	
					\$ Change	% Change
Northeast Home Heating Oil Reserve	\$8,000	\$8,000	\$8,000	\$5,000	\$-3,000	-38%
Total	\$8,000	\$8,000	\$8,000	\$5,000	\$-3,000	-38%

Funding by Site

(dollars in thousands)

Location	FY 2002	FY 2003	FY 2004	\$ Change	% Change
Amerada Hess	\$1,800	\$2,160	\$2,280	\$ +120	+6%
Motiva (New Haven, CT)	\$1,140	\$600	\$600	\$ 0	0%
Morgan Stanley	\$1,200	\$1,200	\$1,200	\$ 0	0%
Motiva (Providence, RI)	\$0	\$600	\$600	\$ 0	0%
All Other	\$3,860	\$3,440	\$320	\$-3,120	-97%
Total Home Heating Oil Reserve	\$8,000	\$8,000	\$5,000	\$-3,000	-38%

Site Description

Amerada Hess

The Amerada Hess Terminal is located in the New York Harbor (Woodbridge, NJ) currently holds 1 million barrels of home heating oil.

Motiva (New Haven)

The Motiva Terminal is located in New Haven, Ct and currently holds 250,000 barrels of home heating oil.

Morgan Stanley

The Morgan Stanley Terminal is located in New Haven, CT and currently holds 500,000 barrels of home heating oil.

Motiva (Providence)

The Motiva Terminal is located in Providence, RI, and currently holds 250,000 barrels of home heating oil.

All Other

This includes quality and management surveillance support from Defense Energy Support Center (DESC), development and maintenance of the Northeast Home Heating Oil Reserve bid platform, travel, and other technical and management support to maintain readiness.

Detailed Program Justification

(dollars in thousands)

	FY 2002	FY 2003	FY 2004
Northeast Home Heating Oil Reserve	\$ 8,000	\$ 8,000	\$ 5,000

Continues operation of Northeast Heating Oil Reserve. Funding includes the lease of commercial storage space, continued operation of the reserve and administrative support from the Defense Energy Support Center.

FY2003 and FY 2002 activities included storage leases, administration, and mock sales exercises with industry participation to test and evaluate the sales processes, procedures and on-line system. Relocated 250,000 barrels of the two million barrels of Heating Oil Reserve from New Haven, CT to Providence, RI.

Explanation of Funding Changes

FY 2004 vs. FY 2003 (\$000)

Decrease reflects savings achieved from new contracts -3,000

Total Funding Change, Northeast Home Heating Oil Reserve \$ -3,000

